



Covid-led crisis pushes zillennials into investing

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Data from investing platforms shows workers aged 20-30 are seeking financial protection

A few months ago, zillennials and young millennials were associated with the urge to splurge on lifestyle expenses. The fear sparked by the covid-19 crisis seems to have changed that. More and more people from these categories are now becoming serious about investing, data from various online investing platforms shows. Zillennials are individuals born between 1996 and 2015 and young millennials are those born between 1990 and 1994.

Compared to the same time last year, Groww recorded a 400% increase in the number of transacting users in the age group of 20-30 years from 1 March to 10 August. Between March and July 2020, Zerodha had more than 5,84,000 customers between 20-30 years of age compared to 1,23,000 investors in the same age group during the same period in 2019. The company witnessed a similar trend on its [mutual funds](#) platform called Zerodha Coin. Between March and July 2020, 46% of the new investors on Kuvera were under 30 years of age compared to 37% in 2019.

The covid push

When Lucknow-based Anirudh Sehgal, 27, saw covid-19 affecting livelihoods, he sat up and took notice. "This gave me the push to invest and plan for my financial security," said Sehgal, a research analyst. He currently invests 33% of his salary and plans to increase the amount as his income goes up.

Deepali Sen, founder partner, Srujan Financial Advisers LLP said most investment actions are driven by greed or fear and the latter seems to be dominating the

behaviour of young workers this time around. "Layoffs, pay cuts, cancellation of job offers and bonus deferment is instilling fear," she said.

Since the younger generation has fewer liabilities and dependants, they are saving more as discretionary expenses have gone down ever since the lockdown. "We are observing that a segment of people (20-30 years) are saving a lot more than before. They continue to earn, while their expense on travel, restaurants, cinema and luxury purchases have gone down. The same has been reflected in the increased number of systematic investment plans (SIPs) as well as an increase in the SIP amount on our platform," said Harsh Jain, co-founder and chief operating officer, Groww.

July was the best month for Zerodha Coin in terms of net flows and new investors and the trend has continued into August. "Over 80% of our user base is under the age group of 35," said Nithin Kamath, co-founder and CEO, Zerodha.

Lessons along the way

While investing is a good first step, covid-19 has highlighted the importance of protection and diversification and the need to understand how various investment avenues work.

The crisis was a wake-up call for Bengaluru-based Nikita Chigateri, 24, on how diversification and protection are important. She had been investing in mutual funds for a year but she has now added a guaranteed insurance plan to her portfolio. Chigateri, an associate software engineer, invests 27% of her salary and plans to bump up the number in the future. "It is important to diversify, so I plan to explore other options in future," she added.

But mixing your investment and insurance needs may not work well. "Insurance tends to be less flexible, and the need for flexibility is higher when one is younger as goals are still evolving, insurance-cum-investment plans may not be ideal," said Vishal Dhawan, founder, Plan Ahead Wealth Advisors, a financial planning firm.

Making investment decisions on your own may also be harmful if you don't understand the risks and other factors involved. Bengaluru-based business development manager Shubham Sinha, 24, learnt this after burning his fingers in the stock market. He took to investing in 2018 but incurred a loss of over 45% during the recent market crisis. "I also lost a part of the principal amount. It's hard

to see a six-digit figure drop to four digits in a couple of months," said Sinha. He has now taken to mutual fund investments.

Dhawan said it's important to ensure you're not using equity for short-term goals or to generate income as equities are not designed for this. "Avoid trading because it doesn't necessarily help your portfolio given the costs and taxes. Also, equity returns tend to be lumpy, so be patient," he added.

Things to keep in mind

Ensure diversification by going for a combination of debt funds, [equity funds](#) (domestic and international) and gold.

Further, planners recommend aligning investments with goals even though visualizing goals may be difficult for young workers. "One could start investing in the proportion of 15:25:60 for short term (less than two years), medium term (two to seven years) and long term (over seven years) goals, respectively. In addition, one should have six to eight months' worth of expenses in an emergency fund," said Sen. If you have still not started investing, understand that idle cash kept in bank accounts reaps low returns which can be bettered by investing in a range of asset classes.