



# The well-trodden path to becoming a crorepati

**The more you invest and let it compound for longer, the larger will be your corpus**

**Nikhil Walavalkar**

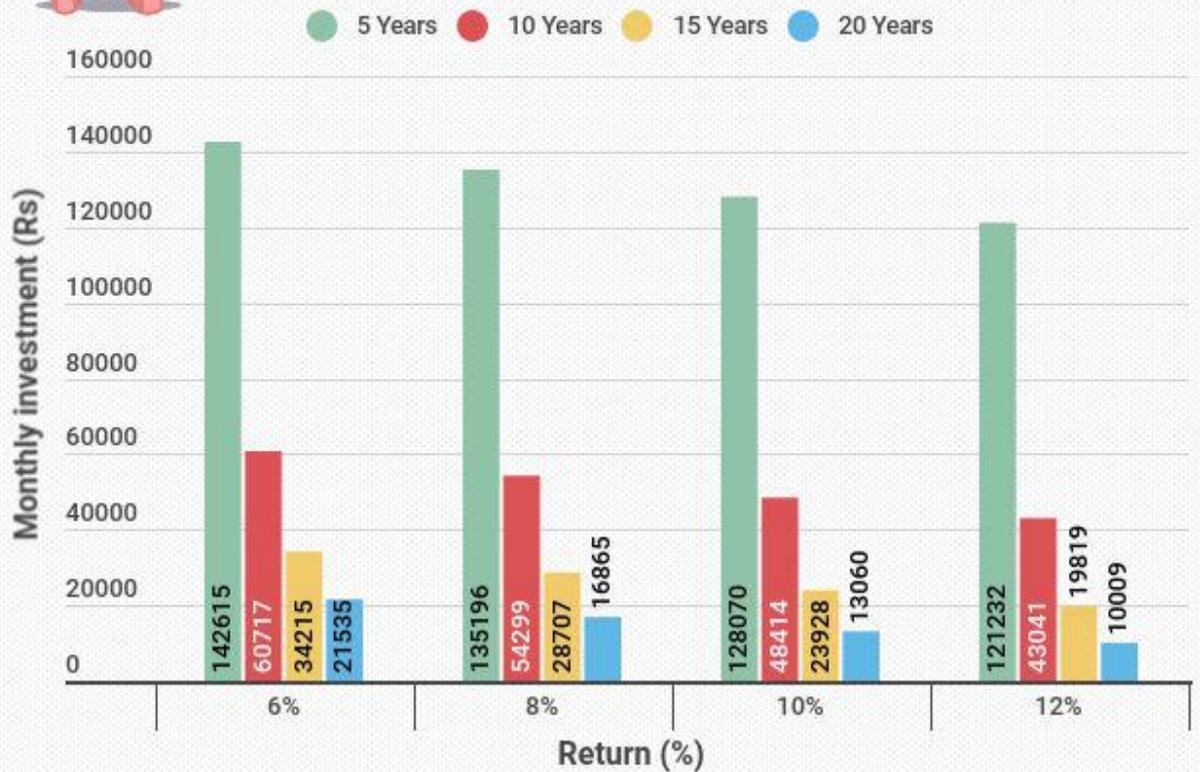
Having a crore of rupees or becoming a crorepati is a dream for most investors and savers. But unless you win a lottery or ace the questions of Kaun Banega Crorepati with Amitabh Bachchan, it isn't easy getting there. But it isn't that tough either. You just need a diversified portfolio of investments to compound your money over a long period of time.

## **Compounding works**

Compound interest is often stated to be the eighth wonder of the world. Though you cannot control the rate of return, you can decide how much you can invest and for how long. The more you invest and let it compound for longer, the larger will be your corpus. A look at the table, gives an idea of how much you should be investing each month to accumulate Rs 1 crore.



# WHAT IT TAKES TO BECOME A CROREPATI



moneycontrol

As you increase the time frame, the task turns easier. For example, if you expect 12 per cent rate of return over the next 10 years, then you should be investing Rs 43041 per month to reach your goal of Rs 1 crore. Here, your total investment stands at Rs 51.65 lakh. However, if you decide to achieve it over 20 years, then you have to invest just Rs 10009 per month. In 20 years, you invest Rs 24.02 lakh. As you increase the tenure, you need to invest lower amounts, as compounding propels your investment forward.

In the real world, however, the rate of return fluctuates and hence investors have to realign their actions.

## **Start with a plan**

Dreaming about becoming a crorepati is one thing and achieving that mark is another. "Decide the timeframe in which you want to reach Rs 1 crore mark and accordingly start with an asset allocation," says Parul Maheshwari, a certified financial planner. "If you have less time on hand, you have to stick to investments in bond funds and other fixed income options. However, if you have a long timeframe, you can start with high allocation to stocks through equity mutual funds," she adds.

## **Invest right**

You need to start early and invest across assets (equity, debt and gold) to get inflation-beating returns. "Many a time, investors wait for events such as salary increase, bonus payouts or favourable market conditions to start their investments," says Vishal Dhawan, founder and chief financial planner of Plan Ahead Wealth Advisors. It is better to start as early as possible with whatever resources you have and gradually increase your investments as your income rises.

Many times, investors bet on one stock to become crorepaties. Rarely do such dreams come true. Instead, investors are better off building a well-diversified portfolio of investments across asset classes and across investment products, Dhawan adds.

## **Discipline matters**

If you are investing for the long term, avoid checking your portfolio every day, especially if you are investing in volatile asset class such as equities. Avoid tweaking your portfolios just because the market has turned volatile. Investors

take extreme steps such as stopping their systematic investment plan (SIP) in equity funds when the stock markets turn volatile. Such steps should be avoided as far as possible. An asset allocation driven investment approach comes handy in such times. [Asset rebalancing](#) from time to time helps you to avoid any emotional actions.

As far as possible, stick to investment products that do not come with lock-ins. "As you move closer to your goal, do shift away from risky asset classes such as equities to less risky bonds," says Maheshwari. It helps in protecting your corpus from the vagaries of stock markets.

### **Inflation and taxation**

These two are unavoidable evils for most investors. Inflation eats into your purchasing power. Though Rs 1 crore appears enough today, you should also factor in inflation if you are looking at the purchasing power of that amount. Put simply, at 4 percent inflation, 20 years from now, you need Rs 2.19 crore to match the purchasing power of Rs 1 crore today. And, in that case, at 12 percent rate of expected return, you should be investing Rs 21930 per month for the next 20 years to reach the Rs 2.19 crore mark.

Taxes also eat into your investment return. Capital gains beyond a threshold are taxed. So, while setting your target, you have to keep this aspect in mind.