

# Planning a holiday? Tips on saving up for travel in a post-Covid world

Get a fix on your budget first; Then check the investment avenues that will help you cope with inflation and currency fluctuations between now and the day you eventually fly out

Aditi Verma | New Delhi | April 1, 2022 19:30 IST



Alright, so India has finally resumed regular international flights after a coronavirus pandemic-induced hiatus of about two years. With this, the country scrapped more than 35 bilateral air-bubble agreements with other nations, and has opened up routes that were hitherto not available. In the process, it has spawned a host of new opportunities for the Indian tourist to explore different parts for the world.

Of course, if you had your way, you'd take the next flight to your dream destination, wouldn't you? But there's a small problem. You don't have enough money in the bank.

So you do the next best thing--plan your travel 2-3 years ahead and start saving up for it.

The first thing to do is to get a fix on how much you intend to spend.

"The ideal way to do it is to work backwards and estimate the amount that you are going to require," says Vishal Dhawan, founder of Plan Ahead Wealth Advisors.

In order to do that you will need to factor in inflation and currency fluctuations that are likely to take place over the 2-3 year period before you actually fly out, Dhawan adds.

## How to save up and where you should invest

Now that you've got a fix on the budget, determine the amount that you think you can keep aside every month or quarter to build your travel corpus.

"The first thing that people should be doing is setting up an SIP instruction very early in the month," Dhawan says. "Make sure the money does not sit in the bank account because there is a tendency for it to get spent."

In any case, leaning on the interest earned on your savings account to part finance your holiday isn't really a good idea as it would in all likelihood be much lower than the returns you would earn from a mutual fund investment.

In a short duration of 2-3 years, the main focus should be on preserving money, says Jayant Pai, chief marketing officer at PPFAS Asset Management.

"In such a case, simpler things are better," says Pai, and adds that going for a normal fixed deposit is a good idea. However, even within this space, one must choose from among the top five banks.

Both Dhawan and Pai advise against parking the money in equity mutual funds if the aim is to use that money to travel in the near future. However, they can still go for debt mutual funds, which are considered relatively safer.

"You should choose only debt funds and not equity funds. That's the first thing. But even within that, you have to choose those which are, at least on paper, the least risky ones because the main aim is not the returns," Pai said.

"In mutual funds, one should not go beyond liquid funds or overnight funds, or short-duration schemes at best. But the more complex the category, the greater the risk of losing money even within debt funds," he added.

The important thing to keep in mind is that if you're using equity MFs, you risk losing capital as the period of investment is only 2-3 years, Dhawan says. Had the time horizon been longer, equity may have worked better, simply because stocks have a higher risk profile than debt.

Dhawan also advises Travellers against borrowing for travel. "It is strongly recommended not to use a loan for financing travel," he asserts.

## Planning in the post-Covid world

The world is witnessing a dip in Covid cases but requirements such as Covid tests are likely to stay.

While budgeting for their tours, travellers now also need to consider the cost of these requirements. In the case of international tours, one pays for these tests in a foreign currency, which weighs down on the pocket.

"Every passenger has to keep this additional cost in mind.

And that is mandatory. You can't bypass it and travel," says Satyajit R Desai, head-inbound and domestic, at Kesari Tours.

On top of this, the constantly changing protocols and requirements have become hard to keep track of.

## Travellers speak

"In my latest trip to the Maldives, we were most worried about the rules and requirements. Do you need an RT-PCR or is the vaccination certificate enough," said Kriti Mehta, a Gurugram-based IT professional. "The website said one thing, our travel agent said something else, and the airline also had its version. We did not know whom to trust."

Desai of Kesari Tours agrees that the rules keep changing rapidly. "We make it a regular practice to request guests to double-check and verify rules directly," he said.

Forex is another big problem if you're travelling abroad, said Sanya Sodhi, a senior associate at an international consulting firm. "Where do you get your foreign currency? Where do you get the best rate?" she asked.

A prepaid travel card could come in handy for this. It has twin benefits, according to Dhawan. First is that since it's pre-loaded, it acts as a budgeting instrument. "The second is you lock into the currency rate when you load it. And no further transaction costs are involved," he said.

## Travel insurance tips

Make sure your policy has a personal accident cover that pays you or your nominee in the event of injury or death. Given the current situation, it must cover you for Covid as well.

Don't scrimp on the cover amount. When you are trying to decide on the right amount of insurance, take into account factors like your age, length of stay, and the cost of treatment in the country you are visiting.

Many companies do not cover accidents that occur while undertaking adventure sports. So, read the terms and conditions carefully when zeroing in on a travel plan.

Be meticulous when filing a claim. Keep all the bills and necessary documents regarding expenses and medical treatment and make them available to the insurer for claim processing.

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