

## How you should invest to get a corpus of ₹ 1.2 crore by 2038

03 Jun 2022, 12:05 AM IST **Vishal Dhawan**

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**I am a small trader of electrical goods and earn ₹ 60,000-70,000 monthly. I will need ₹ 1.2 crore for the higher studies of my two daughters by 2038. How can I achieve this target?**

*—Name withheld on request*

You will need to invest approximately ₹ 50,000 per month to achieve a corpus of ₹ 1.2cr with an investment horizon of 15 years to achieve the education goal targets. Regular investments through a

SIP or a systematic transfer plan (STP) if your cash flows are irregular is a good way to invest towards this financial goal in a disciplined manner.

It is also crucial to ensure that you have adequate term life insurance cover so that the education goals are not compromised in case there is an impact of savings potential due to an unexpected event. About 3 years before the funds are needed, you should start moving to debt so that the volatility of the equity markets does not make the education goal achievement a challenge. You could consider a combination of a flex cap fund, and index funds, both domestic and international, to achieve the goal with regular rebalancing.

**I am a 60-year-old resident Indian employed in a senior position with a financial institution. I wish to invest a lump sum of, say, ₹ 5 lakh for the benefit of my grandson born a couple of months ago in the US. What is the best option that will assure adequate safety and reasonable growth (over and above inflation) of the investment and be available to the child on his attaining majority? Also, what are the tax implications?**

Congratulations on the birth of your grandson. While it is common to use a child-specific mutual fund or child insurance plan when investing for a child, and it has the benefit of being available at a fixed time in the future, it may be a good idea to consider the use of index funds instead, considering that there is greater flexibility that they offer.

You have a long holding period of 15-18 years after which the money may be needed. It is ideal to have investments in both an Indian index fund and a US index fund and move the monies gradually to a debt fund closer to it being needed.

The long-term capital gains tax on the Indian index fund is 10%, if held for more than one year, and on the international index fund is 20% with indexation, if held for more than three years.

**Vishal Dhawan is founder and CEO of Plan Ahead Wealth Advisors.**

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