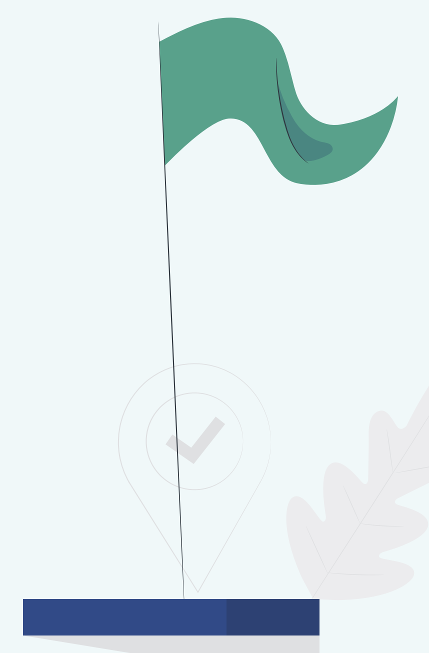


A guide to help you define your financial goals

Need help to define your financial goals? Here you go!

The first step of good financial planning is being able to clearly define your financial goals. Setting financial goals can be challenging in any case, so it's important to consider the life stage you are at as that will have a major bearing on the outcome of your planning exercise. Bear in mind also, that as your life stage changes, so might your financial goals. Let's start with looking at the key aspects which should guide you in defining your financial goals in such a manner that they are achievable no matter the age and stage of your life.

1

Identify your financial milestones:

Depending upon your life stage, you will have to jot down those key milestones that you want to achieve in your lifetime. Some financial goals will remain constant irrespective of your life stage. For example, you will have to plan for retirement through most of your working life, or the plan for an emergency corpus should always feature in your goals.

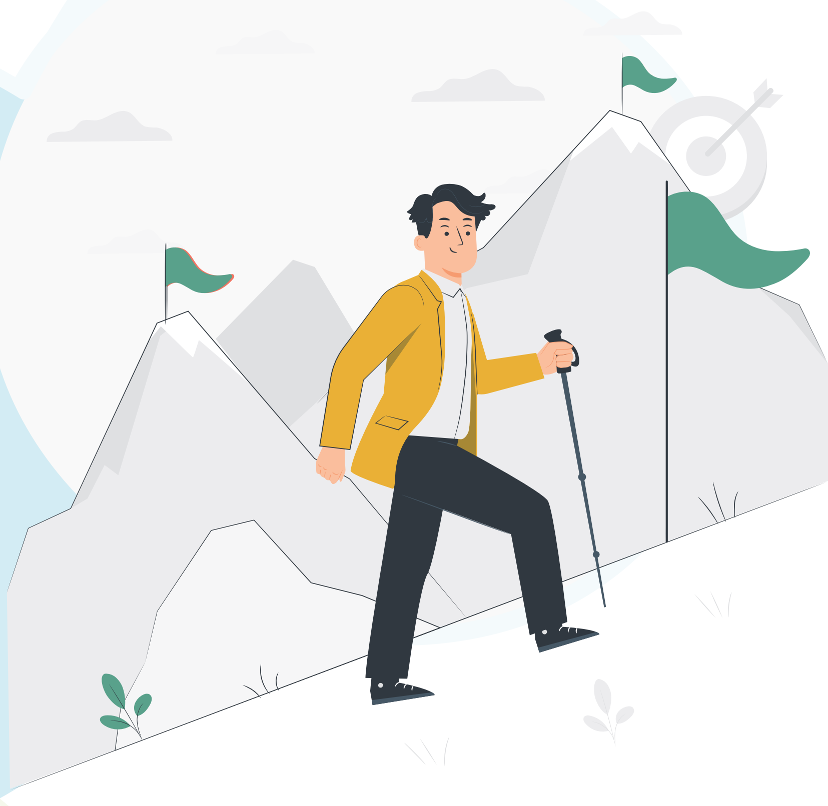
The earlier you start planning, the better you would be able to build a meaningful corpus. Another important aspect of defining financial milestones are your dependents, because your financial milestones have to be inclusive of them too. One should consider including their financial goals and dreams as part of your planning process.

For example, you should consider planning for your dependent spouse's financial needs after your retirement. Similarly, children's education and marriage should be planned for; or if you have dependent parents, then you should consider setting aside an emergency fund that will cater to their medical needs.

2

Break the milestones into stages and timelines:

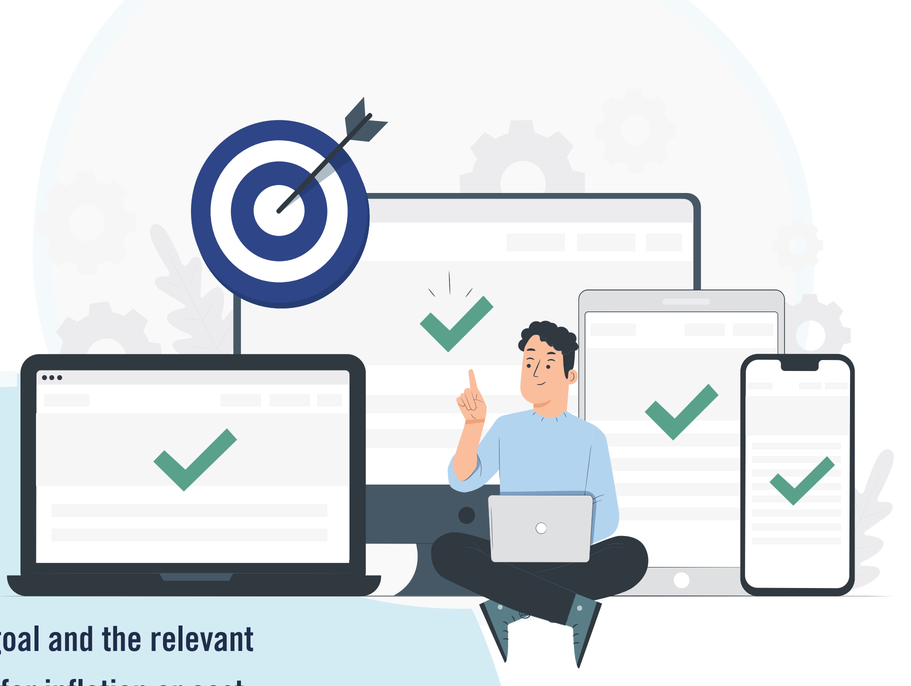
Consider if you need to split your larger financial goals into smaller ones, for example, a child's education is a goal with intermediate milestones. You will have to ascertain the financialrequirement at various stages of the child's education – for example, there may be a certain amount of money you will need to put aside for undergraduate studies and a much higher amount required for a masters degree abroad.



Similarly, if you have planned transitions in your working life, then you will have to set upsmaller milestones within your retirement planning.

3

Enumerate them and ascertain the timeline for achieving the goal:



Plan the details of each goal and the relevant timeframe, then account for inflation or cost escalation. If you require Rs. 2 lakh for something you want to purchase in 10 years time, youwill have to plan for a corpus of Rs. 3.6 lakh assuming a cost escalation of 6%. The cost escalation may be replaced with inflation rate for needs such as retirement etc. The key is to include inflation and real interest rate whilst planning a corpus.

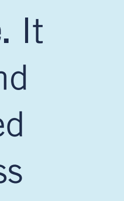
Here's an indicative example: A 30-year-old person with a dependent spouse and 2-year-old child could possibly have the below mentioned key milestones as of today (2022):

Year	Need	Amount as of now (₹)	Corpus / future value (₹)	Inflation rate assumed
2038	Children's Post Graduation	7,00,000	1,528,012	5%
2028	Housing down payment	3,500,000	4,179,183	3%
2025	Luxury car	1,500,000	1,639,091	3%

This is only indicative; everyone, irrespective of age, should also plan for their retirement corpus.

4

Monitor and review your financial goals:



Make it a habit to review your financial goals from time to time as they might change depending on your life stage. It is also important to monitor and review your investments aligned to your financial goals to assess if you will be able to generate the required corpus when the need arises.

Define your financial goals early, and keep checking in on them as you grow older. This is one of the most imperative steps you can take for smarter financial planning.

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