4 Tips to Secure your Child's Financial Future

Securing your child's financial future is a key priority for every parent, and one of the most critical financial planning goals. As with many other forms of investment, the secret to success here is starting early.

Fast and early wins the race ★★★ here's how ★★★

The power of compounding

Your invested amount rises every year with the interest received, thus increasing the base amount for each subsequent year.

Protection from volatility

Long-term financial instruments have the potential to protect your funds from market fluctuations.

Substantial long-term growth

Investing consistently over a longer period of time, even if the amount is small, can help you grow a large corpus.

4 ways to ensure financial security ★★★ for your children: ★★★

1 Invest early, invest smart

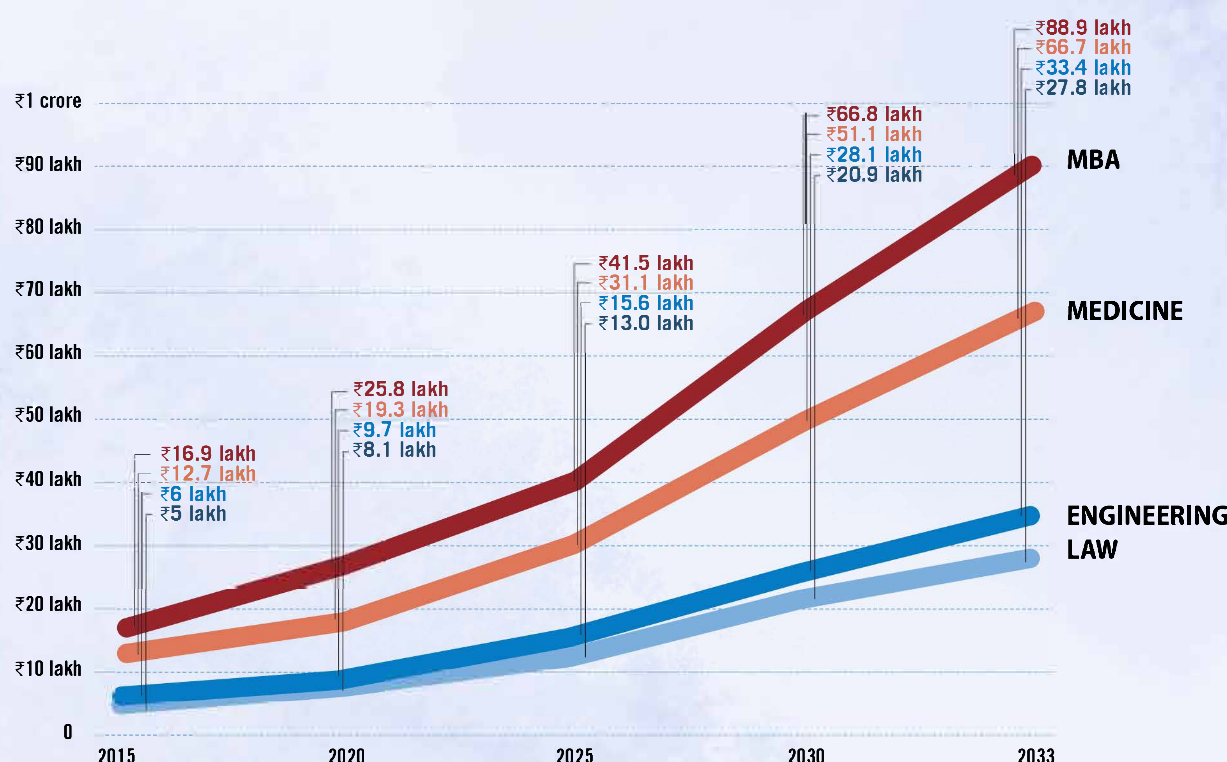
Don't wait till your children grow up. Start investment planning right away and invest in their future early.

Fix smart goals

Short-term goals	Long-term goals
Short-term goals: school fees, hobbies	**Long-term goals:** education abroad, marriage
Time period: 1-3 years	**Time period:** 5-10 years; 15-20 years
Investment idea: Liquid assets such as fixed deposits or debt mutual funds	**Investment idea:** Equity instruments such as equity mutual funds

Education inflation is on the rise, touching 10-12% annually. Avoid falling into education debt - start investment planning as soon as you can.

Higher education costs are rising at 10%



Figures are cost of education of various disciplines assuming a 10% rise per year. Estimated costs in 2015 are conservative and may be higher in private institutions.

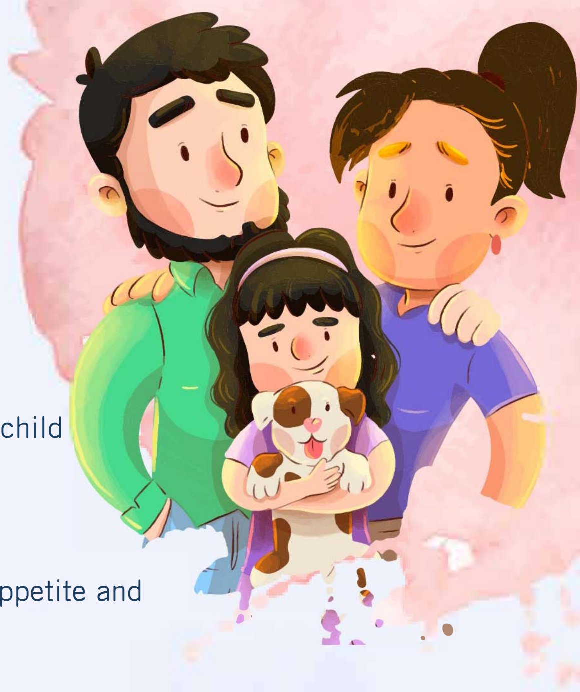
Expert tip: Opt for partial withdrawal plans to provide for emergencies.

2 Get the protection of health insurance and life insurance

Any effort to secure the **personal finance** situation of your children is incomplete without robust health and life insurance coverage.

Expert tips:

- **Check for premium waiver benefit** – With this benefit, future premiums are waived off in case of the death of the parent
- **Equity plans for investors with high risk appetite** – Unit-linked child plans are ideal if you have a high risk appetite and longer investment timeline (>10 years)
- **Endowment plans for investors with low risk appetite** – Endowment plans can be ideal in case you have a low risk appetite and shorter investment timeline (<10 years)



3 Got a daughter? Consider this plan

If you have a daughter under 10 years of age, the government-supported Sukanya Samriddhi Yojana[1] could help you secure her future:

- **Investment amount** - Start with as little as ₹250 every year and keep adding money in multiples of ₹50.
- **Where to open** - Post offices and authorised banks
- **How many accounts can be opened** - 1
- **Total tenure** - 21 years

Expert tip:

Withdrawal Rules - Can be partially withdrawn when the child turns 18, for educational purposes. Can also be withdrawn within 5 years for medical purposes.

Deductions - Standard deductions applied as per Section 80C of the Income Tax Act.

4 Appoint a nominee

Appoint a nominee to ensure your child will benefit from your investment planning. This would be helpful in the event of the guardians' demise, enabling easier withdrawal of funds.

Expert tips: Nomination in mutual funds is mandatory since 1st October 2022

Planning investment early for your child can provide you with enough time to save money at your own pace and diversify your investment portfolio with more asset allocation towards equity for better returns. Talk to a financial advisor to better plan your child's financial future.

Source - 1. https://economictimes.indiatimes.com/best-ways-to-invest-for-your-childs-education/investarticleshow/46500251.cms

2. http://www.nsiindia.gov.in/InternalPage.aspx?Id_Pk=89

This is an investor education and awareness initiative by PGIM India Mutual Fund.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.