

# How should I invest to earn 5% more than the rate of inflation?

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I am 19 years old and have been investing in stocks for two months. My purpose of investing is wealth creation.

I want to earn at least 5% more than the current inflation rate but I don't have any objective to beat the market, etc. I am a student pursuing chartered accountancy (CA) and have keen interest in investment and finance.

I make investments based on my capabilities and my own research, and I don't want to invest in mutual funds. Currently, I invest ₹ 5,000 per month which will be increased by ₹ 5,000 for the next two years. Thereon, after my studies, I want to invest around 25-30% of my salary every month in the stock market. Can I meet my financial goal of retiring by the age of 35? —Himanshu

Its good to know that you are evaluating an early retirement and savings towards the retirement goal at a very young age. It may be a little ambitious to consider retiring at the age of 35, and a lot of it will depend on the completion of your professional qualification, and your income and savings proportionately post that. It is a good idea to save at least 30% of your income as you start working.

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I am a small businessman and earn around ₹ 70,000 per month. I would need ₹ 1.2 crore to meet the higher education expenses for my two daughters in the years 2037 and 2038. How can I achieve this financial goal ?

-Name withheld on request

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

If your cash flows are irregular, you can invest through a Systematic Investment Plan ( SIP) or a Systematic Transfer Plan ( STP). It 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 coverage so that you do not have to compromise your educational goals in case there is an impact on savings potential due to an unexpected event. About three years before the funds are needed, you should start moving to debt so that the equity market volatility does not challenge the education goal achievement.

You could consider combining a flexi-cap fund and index funds, domestic and international, to achieve the goal with regular rebalancing.

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