Can my current investments help build a good corpus?

Vishal Dhawan

I am a 34-year-old, unmarried government employee, drawing a net salary ₹42,000. I have an investment horizon of 15-20 years. My investments include deposits of around ₹4.5 lakh, besides ₹4 lakh in public provident fund (PPF). I have been investing in the following systematic investment plans (SIPs): SBI Equity Hybrid Fund—₹1,000, SBI Small Cap—₹500, Kotak Standard Multicap —₹1,000, Mirae Asset Large Cap—₹1,000, Mirae Asset Emerging Bluechip—₹1,000, Mirae Asset Mid Cap—₹1,000, Axis Bluechip —₹1,000, Axis Midcap—₹500, Axis Small Cap—₹500, ICICI Bluechip —₹500, Nippon Small Cap—₹500. I also wamt to start an SIP in PGIM Midcap opportunity Fund.

I pay an equated monthly installment (EMI) of ₹12,000 to repay a housing loan of ₹12 lakh, and contribute ₹2,750 per month to general provident fund (GPF). I can take reasonable risk and want to know if my investments will ensure a suitably good corpus.

—Name withheld on request

While your portfolio is good overall, we believe that it may need a little bit of restructuring to align it better with your objectives. We advise you to

ASK MINT
FINANCIAL PLANNING

stop your SIPs in SBI Equity hybrid fund and invest the amount in a passive fund that invests internationally to diversify your portfolio geographically. We would advise you to consolidate your small cap schemes as there are three schemes in the portfolio and to stop your SIPs in SBI Small Cap and Axis Midcap and consolidate the SIPs in Nippon India Small Cap Fund.You could also stop the SIP in Mirae Asset Large Cap Fund and use an index fund instead.

Continue your SIPs in Mirae Asset Emerging Bluechip and Mirae Asset Midcap Fund as these funds have performed better over longer time frame. The fresh SIP that you are planning to start can also be allocated to Mirae Asset Midcap Fund to keep your portfolio consolidated instead of adding the PGIM Midcap opportunities to the portfolio.

Assuming that your salary grows by 8% per year, expenses grow by 6% per year, you should have a meaningful retirement corpus through a combination of your PPF, GPF and mutual funds, which should enable a comfortable retirement post the age of 60 years.

My sister is about to get married in 15 months. My family members want to save some money for the wedding for that short duration. Where should we park our funds?

—Name withheld on request

Considering that you have a short-term holding period, staying away from avenues in volatile assets like equity is vital. We suggest a mix of ultra-short funds with the high credit quality of underlying bonds and arbitrage funds. Arbitrage funds take benefit of the differentials between the cash and futures markets and run an entirely hedged portfolio. These funds come with a tax arbitrage over traditional fixed-income instruments as well, as they get taxed like equity at a 10% long-term capital gains tax rate if held for more than 12 months.

Vishal Dhawan is a certified financial planner and founder of Plan Ahead Wealth Advisors, a Sebi registered investment advisory firm.

Do you have a personal finance query? Send in your queries at **mintmoney@livemint.com** and get them answered by industry experts.