

# Hedge price risk: Accumulate gold bonds for wedding

Use portfolio comprising equities and fixed income to accumulate corpus for other expenses

SANJAY KUMAR SINGH

A recent research report by Jefferies pegs the market size of India's wedding industry at around ₹10 trillion (around \$130 billion). If "wedding" were a retail consumption category, it would rank second after food and grocery. An estimated 8 to 10 million weddings take place in India each year.

The average Indian wedding, according to the Jefferies report, costs more than three times the average yearly household income. Given the significance of this event, financial planners emphasise the need to prepare for it meticulously.

## Start early, set target

Planning for a wedding should begin early. While the child is still young, parents should decide how lavish a wedding they would like to have and set a target amount accordingly.

"Typically, parents have a reference point based on a wedding they have attended. We gather details on the type of wedding they envision—the venue, number of guests, and amount to be spent on jewellery, clothing and the honeymoon. These factors help us decide the budget," says Renu Maheshwari, Sebi registered investment advisor (RIA), co-founder and principal advisor, Finscholarz Wealth Managers.

Adds Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors: "Questions related to whether it will be a local or a destination wedding help families think more deeply and provide realistic estimates. In addition, they should consider the amount of gold they would like to gift, and whether it's already available or needs to be acquired over time."

He informs that the estimated cost of weddings today ranges from ₹25 lakh to ₹2 crore per child.

Once the present cost of the event is decided, financial planners adjust it for inflation. They usually factor in

## MUST-KNOW FACTS ABOUT WEDDING INSURANCE

### WHAT IS COVERED?

- Cancellation or postponement of wedding
- Property damage or loss (venue, gifts, etc.) due to fire, earthquake, burglary
- Personal accident coverage for key individuals
- Public liability coverage for injuries to guests at venue

### KEY EXCLUSIONS

- Event cancellation due to government shutdown, terrorist activities, kidnapping
- Gradual wear and tear
- Negligence or deliberate malintent

two categories of inflation for wedding planning: gold and general wedding expenses.

"For gold, we look at the long-term historical data to estimate how its cost is likely to rise. For other wedding costs, we use the Consumer Price Index plus 2-2.5 percentage points. We usually factor in a higher inflation rate for luxury weddings," says Maheshwari.

Dhawan says he uses an inflation rate of 6 per cent.

Once the target amount is decided, planners work backwards to decide how much needs to be invested annually to hit the target.

### Investing in gold

In South India, parents give a significant amount of gold to their children, making it the main expense in a wedding.

"Once you have decided on the amount of gold you would like to give, invest each year in sovereign gold bonds (SGBs) and accumulate the required amount over time," says Deepesh Raghaw, Sebi RIA.

Dhawan adds that regular, disci-



### COST

- Premiums range from 0.5% to 1% of sum insured

### TIPS

- Maintain thorough documentation (e.g., lists of gifts) for claims
- Record all wedding expenses systematically

Source: SecureNow

plined buying hedges price risk—the risk that gold prices may be high close to the wedding date.

Some planners recommend SGBs over gold exchange-traded funds (ETFs) or gold funds. "SGBs offer interest, have no expense ratio, and are not taxable on maturity. One also doesn't have to pay the goods and service tax. Hence, they offer better returns than gold ETFs," says Raghaw.

SGBs can be purchased through banks or in the demat form through one's brokerage amount. Use SGBs if you can hold them for eight years. If you have a shorter horizon, go for gold ETFs. Avoid buying jewellery during the accumulation stage as the current styles may become outdated by the time of the wedding.

### Building the non-gold portfolio

For non-gold-related expenses, invest in a mix of equities and fixed income, with their proportion depending on the time horizon. "If the goal is between one and five years away, invest more in fixed income and less in equities. If the goal is 5-10 years away, tilt the portfolio towards

equities. And if the goal is over 10 years away, focus heavily on equities. Invest via the systematic investment plan (SIP) route to benefit from rupee-cost averaging," says Dhawan.

On the fixed-income side, use a combination of fixed deposits and debt mutual funds (MFs). "For those in the higher tax brackets, debt MFs are beneficial as they avoid regular tax deduction at source (TDS). Those in lower tax brackets need not worry about TDS as they can claim it back as a refund," says Dhawan.

Five years before the wedding, start shifting money from volatile assets to fixed income.

### Mistakes to avoid

Weddings involve social prestige. The two families, the bride and the groom may have divergent expectations regarding how lavish the wedding should be. These dynamics can lead to overspending.

"Overspending on weddings usually impacts the parents' retirement savings," says Raghaw.

Prior to the wedding, start by creating a financial plan or revisiting the existing one. "Understand how wedding expenses fit into your overall financial situation. Evaluate how different levels of spending will impact other goals like retirement, travel, or housing. Have these discussions early on to establish limits on expenditure," says Dhawan.

Emotional overspending on physical gifts to the couple like a house or a car can also affect other financial goals. Also, remember that weddings are not the only major expense: Future occasions, like the birth of grandchildren or anniversaries, will also require funds.

In recent times, youngsters have begun to take personal and other loans to fund lavish weddings for themselves. "Avoid loans as they often lead to a debt trap. Treat a wedding as a discretionary financial goal: Spend on it only if you have the money," says Maheshwari.