# Budget 2025: How mutual fund investors should tweak their investment strategy

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With the finance minister making no changes to LTCG and STCG and announcing an increase in the threshold for tax collected at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) from Rs 7 lakh to Rs 10 lakh, market experts recommend that investors stay focused on their long-term goals rather than reacting to Budget outcomes.

ET Mutual Funds asked mutual fund advisors for their advice on whether mutual fund investors should modify their current investment strategy based on their risk profile.

We classified mutual fund investors into three different risk profiles: conservative, moderate, and aggressive.

**Conservative investor**

For a conservative investor, an expert recommends investing in high-credit-quality debt funds as the top priority, with minimal investment in long-duration funds to hedge interest rate risk. Furthermore, specific allocations should consider an individual's goals, liquidity requirements, and risk profile, rather than reacting to market fluctuations or changes in the budget, he adds.

"The conservative investor seeks capital preservation and steady growth without investing in any sectoral, thematic, or small-cap funds. Treat with caution any investment that promises high returns with little or no risk. Long-term goals allow for an equity allocation of 20-30%, ideally in large-cap index or flexi-cap funds, for moderate growth, while the remaining 70-80% can flow into stable fixed-income options like short-duration debt funds, arbitrage funds, and fixed deposits," recommends Rajesh Minocha, a Certified Financial Planner (CFP) and founder of Financial Radiance.

"For equity investments, always use SIP or STP for investing rather than lumpsum. Investment in high-credit-quality debt funds should be the priority, with minimal investment in long-duration funds to hedge interest rate risk. Specific allocation should consider individuals' goals, liquidity requirements, and risk profiles, instead of reacting to market fluctuations or changes in their budget," he further recommends.

**Moderate investor**

For an investor with a moderate risk tolerance, an expert recommends that investments through SIPs should be increased due to enhanced savings after tax cuts and one should consider lumpsum investments only in categories like balanced advantage and debt funds.

"Moderate risk investors may want to ensure that their investment strategy does not see a dramatic shift due to the Budget. Investments in SIPs can be increased due to enhanced savings from tax cuts. Lump sums should ideally be allocated to balanced advantage funds and debt funds," recommends Vishal Dhawan, CEO of Plan Ahead Wealth Advisors, a wealth management firm in Mumbai.

**Aggressive Investor**

For an investor with a high-risk tolerance, an expert believes that allocating 70-80% of their portfolio to equities is a good approach, with an STP as the investment strategy, while the remaining 20-30% can be strategically diversified into debt, gold, and silver.

“For an aggressive investor with a long-term horizon of 5 years or more, the core asset allocation philosophy remains consistent, focusing on maximizing growth potential while managing risks through diversification. Such investors can consider allocating around 70-80% of their portfolio to equities, capitalizing on the potential for higher returns over the long term. Given the current market volatility, a Systematic Transfer Plan (STP) strategy can be an effective approach to gradually deploy funds over the next 6-8 months, helping to average out the cost and mitigate the impact of short-term market fluctuations,” recommends Sagar Shinde, VP of Research at Fisdom.

“The remaining 20-30% of the portfolio should be strategically diversified into debt and commodities like gold and silver. Debt investments, despite no recent taxation changes, remain crucial for stability and income generation, especially with the prospect of rate cuts starting from February and the inclusion of Indian debt in global EM indices, which could enhance debt fund performance. A portion allocated to gold and silver can act as a hedge against inflation and currency risks, adding resilience to the portfolio during periods of economic uncertainty,” he adds.

The expert believes that this diversified, yet growth-oriented allocation helps aggressive investors benefit from equity market upside while maintaining a cushion through debt and commodities to navigate potential market downturns effectively.

One should always consider their risk appetite, investment horizon, and goals before making any investment decisions.