

Want Rs 1 crore for your child's education in 18 years? See how a Rs 20,000 monthly SIP can help

By Surbhi Khanna, ET Online Last Updated: Sep 17, 2026, 11:58:00 AM IST



A long investment horizon allows mutual fund investors to benefit from compounding, but reaching a specific financial goal also requires careful portfolio planning. For a child's higher education, investors need to focus on wealth creation in the early years while gradually reducing risk as the goal approaches. This is especially important over a 15–20-year horizon, as staying fully invested in equities until the final year can expose the corpus to a sharp market correction.

A 36-year-old investor with a moderate-to-high risk appetite reached out to ETMutualFunds to build a Rs 1 crore corpus for his child's higher education over the next 18 years. He currently has Rs 1 lakh available for a lumpsum investment and plans to start monthly SIPs within the next three months. He wants to know how his mutual fund portfolio should be structured, how much he should invest each month and which fund categories he should consider.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors, analysed the portfolio and told ETMutualFunds that a practical starting point would be to assume a long-term annual return of 9%. The assumption accounts for different market cycles over the investment period, while a more conservative approach is recommended during the final three years as the goal approaches. The initial Rs 1 lakh investment, assuming a 9% annual return, could grow to around Rs 3.83 lakh over 15 years. If shifted to safer investments generating around 6% annually for the final three years, it could grow to approximately Rs 4.59 lakh by the end of the 18-year period. This would leave around Rs 95.41 lakh to be accumulated through monthly investments. Based on these assumptions, the estimated SIP requirement works out to around Rs 19,400 a month. For ease of investing, Dhawan suggests a monthly SIP of Rs 20,000 during the main growth phase. "Factoring in an assumed return of 9% during the primary growth phase alongside a conservative strategy of 6% for the final stretch, the required SIP contribution comes to approximately Rs 19,400 per month," he said.

How should the portfolio be structured?

During the first 15 years, the investor can maintain a predominantly equity-oriented portfolio given his long horizon and moderate-to-high risk appetite. Dhawan suggests allocating 50% of the monthly investment to large-cap funds, 30% to mid-cap funds and 20% to small-cap funds. For a Rs 20,000 monthly SIP, this translates to Rs 10,000 in large-cap funds, Rs 6,000 in mid-cap funds and Rs 4,000 in small-cap funds. The allocation combines the relative stability of large caps with the higher growth potential of mid- and small-cap stocks.

Before choosing specific funds, investors should understand the difference between active and passive funds. Passive funds track an index such as the Nifty 50 and generally have lower costs, while active funds are managed by fund managers seeking to outperform their benchmarks. For the large-cap allocation, Dhawan prefers passive index funds and suggests investing Rs 10,000 a month. This can form the core of the portfolio through exposure to established companies. He believes active large-cap managers have historically found it difficult to consistently outperform their benchmarks after fees.

For the mid-cap allocation, he suggests actively managed funds, with Rs 6,000 invested each month. The approach gives fund managers greater flexibility to research companies and identify potential growth opportunities.

Small-cap funds can account for the remaining Rs 4,000 a month. While they offer higher growth potential over the long term, they also carry greater volatility. Given the 18-year horizon, Dhawan believes a measured allocation can be considered.

International exposure required

The investor could also consider allocating 5–10% of the portfolio to international funds for geographical diversification. Overseas exposure can diversify the portfolio beyond Indian equities and provide some protection against rupee depreciation. However, regulatory limits on overseas investments by Indian mutual funds can affect fresh investments in international schemes. Investors should therefore check the availability of a scheme and any restrictions before investing.

Portfolio changes before the goal

The biggest shift should come during the final three years. Keeping the entire corpus in equities until the 18th year could expose it to a sharp market correction just when the money is needed for education expenses.

“The most crucial adjustment happens in the final three years, where the strategy shifts from wealth creation to capital preservation. Holding 100% of your portfolio in equities right up to year 18 leaves you exposed to short-term market downturns that could temporarily shrink your savings right when you need them,” Dhawan said.

He recommends starting the transition around the 16th year, gradually moving the accumulated corpus and ongoing investments from aggressive equity funds to safer, lower-risk assets. The assumption for this final phase is a return of around 6% annually.

Depending on the investor's tax bracket and applicable tax rules, short-term debt funds or arbitrage funds could be considered for the conservative allocation. The choice should take into account taxation and the investor's individual circumstances.

The objective is to shift the portfolio from wealth creation to capital preservation as the goal approaches. A market correction several years before the goal may have time to recover, but a sharp fall immediately before withdrawal could significantly reduce the amount available.

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