Diversify your investment portfolio!

Money Matters

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WE are often taught in life that one should always have a Plan-B. If you are pursuing something so vigorously and by any change if it fails, there should always be an alternative option. Similar is the case on investment matters. You can't just concentrate of putting your money into a single investment option. Moreover, every single investment option has its own pros and cons. One is risky but with good returns while the other one is safe but with low returns and this is where we need to adopt a balanced approach.

I am sure you might have heard the famous saying stating 'never put all your eggs in one basket'; However its integral meaning is normally ignored by many investors while making their investment decisions. The needs of human beings are very varied as they are never similar for two individuals. There are many socio-economic factors like–Family Background, Age, Education Qualification, Income Level and Profession etc., which play an important role in determining the corresponding needs for a person.

Similarly every single individual has diverse needs which ought to be fulfilled as the time comes. Therefore a sole investment solution can't cater to all the needs of a person and thus calls for constructing a portfolio of investment for every single investor.

In layman's language, 'constructing a portfolio'-means investing money in different instruments [varying on risk, returns and liquidity] depending on the need profile of an investor. For example, a young employed person can make a high risk/ high return investments for a longer horizon, however as the time passes the same person needs to make certain investments which may relatively be carrying lower returns but at the same time counting higher on other parameters like safety and liquidity.

While a person grows near to his/her retirement, one would keenly look for an investment opportunity which can provide regular income during their post retirement days. On the other hand, a young couple with little ones to look after may opt for investment solutions which could take care of education expenses of their children as and when such need arises. Likewise, once you get old one of the priorities is to foot the medical bills, which can easily be achieved if one had joined a medical insurance scheme when it was needed to do so.

So as an individual grows his needs keep on changing. This necessitates the adoption of a need based tailor made investment solution(s). Through this way and with passage of time, one would construct a portfolio of investments catering to the varied needs of a human life.

Therefore, the need of the hour is to start constructing a portfolio for your investments which are tailor made to suit the day-to-day requirements of your life. While it is always important to have some liquid cash in your bank account to take care of any unforeseen need, it is equally important to invest your surplus money in an instrument with a long term perspective and having adequate potential for generating high returns.

Constructing a portfolio not only include investments in financial products but may consist of investments in precious Metals/ Stones like-Gold, Silver, Diamond and Tanzanite etc. Off late, investment in real estate is slowly emerging as one of the important constituents of one's portfolio.

Portfolio construction is an on-going exercise. Sometimes it may involve exiting from one constituent of a portfolio and making an additional investment into another portfolio or adding an altogether new constituent into the portfolio.

Though there is no readymade portfolio mix for an individual, some important constituents of a portfolio can be outlined as follows: Savings with Banks [short as well as long term], Equity Instruments, Investment in Unit Trust/ Mutual Fund Launched Schemes, Insurance Policies [life, accident, health] and Investment in Treasury Bills/ Bonds etc.

We all know that risk is an inherent factor while investing in any asset class, however its impact can be minimised by skillfully diversifying one's portfolio. Any single instrument-howsoever good it may be-can dramatically change adversely with the change in market conditions and if you had placed all your eggs in one basket, there are chances that you may lose everything at some point in time. Cheers!!!