Early Bird Gets The Worm

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A carefully planned investment process initiated early not only helps you identify what you need to do in the present to lead a particular lifestyle in the future but also avoids pitfalls in your investment process. That's because when you are young, you can afford to make mistakes.

Investing money is a life-long process and the sooner you start, the better off you will be in the long run. Unfortunately, many young people do not think about their financial future, mentally or financially. While some indulge in newfound financial freedom, there are also those who don't start investing thinking that it's too early to do so. The fact, however, is that there several advantages to starting your investment process early. Therefore, if you are a youngster, you must get into the habit of saving and investing early.

Remember, for every 10 years of delay at the start of your investment process, you will need to invest three times as much each month to catch up. Therefore, if you are young, don't be afraid to start investing even with small sums. Note that even smaller contributions made on a regular basis, in a highly potential asset class like equity, can help you create a healthy corpus in the long run. Needless to say, the longer you keep your money invested, the more you benefit from the power of compounding. If you continue your investment process sans any interruption, the ups and downs will all even out over the years.

A carefully planned investment process initiated early not only helps you identify what you need to do in the present to lead a particular lifestyle in the future but also avoids pitfalls in your investment process. That's because when you are young, you can afford to make mistakes as you have time on your side and your investment amount is small. In fact, learning from these mistakes can go a long way in making you a better investor. You learn about the do's and don'ts of investing in an asset class like equity and figure out the benefits of having a defined time horizon as well as staying committed to it.

Investing through SIP allows you to become a disciplined investor and turn the market volatility to your advantage as you benefit from 'averaging'. More importantly, by the time you reach the stage when you have more clarity on setting the right targets for some of the most important goals of your life like retirement and children's education, you feel confident about your investment decisions as you develop the capability to follow an investment strategy that is not influenced by the market moods as well as fear and greed.

However, to benefit from this disciplined and potentially rewarding approach in the long run, you must optimise your investment process. A random approach can either expose you to unwarranted risks or disappoint you in terms of returns. Remember, you won't achieve your investment goals by investing a random amount that is either not enough to achieve your goals or exceeds your capacity to invest, thereby compelling you to interrupt your investment process. Another important factor is to increase your investment amount as your income rises.

Even if you believe that you are investing an adequate amount to achieve your defined goals, stepping up your investment amount creates a cushion for the future. Mutual funds have made it quite easy to increase the investment amount through the SIP top-up facility wherein you can opt for an upper limit and increase the amount of the SIP periodically. Last but not least, you must remember that patience and perseverance hold the key to making you a successful investor. An investment vehicle like a mutual fund has all the ingredients that are essential to achieve your varied investment goals. They offer the best in terms of transparency, tax efficiency, liquidity, flexibility and professional fund management.

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