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Wealth Creation explains Ankeet Deliwala of Pinnacle Funds Mart

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Wealth creation is the process of investing in various asset classes for achieving various Goals in life. The two basic principle for achieving a prudent wealth creation are:

- **Starting investment journey as Early as possible**
- **Asset Allocation**

Starting investment journey as Early as possible:

It is very important to start the investment journey as early as possible to achieve effective wealth creation process. Starting investments during the early stages of life will help achieving goals comfortably. It also helps in generating higher growth in the long term. Power of compounding is a concept that will help in building a considerable corpus in the future. The concept of compounding means returns on return. Therefore, the longer one stays invested, the higher will be the gain in wealth.

For example, a person starting investment of Rs 10 lakhs at the age of 24 years for tenure of 36 years till his retirement age 60 years, his 10 lakhs will be approx. 5,91 crores (ROI assumed at 12%)

Similarly, a person starting investment of Rs 10 lakhs at the age of 40 years for tenure of 20 years till his retirement age 60 years, his 10 lakhs will be approx. 0.96 crores (ROI assumed at 12%)

From the above it is evident the early you start, higher will be the gains and comfortably you will be able to achieve the Life goals.

Wealth creation process always starts with setting financial goals which are Retirement planning, Child education, child marriage etc. These goals have to be classified based on the time period as Short Term, Medium Term and Long-Term Goal.

Asset Allocation:

Asset allocation is an investment plan that attempts to mitigate risk by balancing portfolio through diversification. Asset allocation is an investment strategy that aims to balance risk and reward by apportioning an investor's assets according to an individual's goals, risk tolerance and investment horizon. The three main asset classes - equities, fixed-income and cash and equivalents - have different levels of risk and return, so each will behave differently over time.

This refers to the process of carefully weighing out the positives and negatives of certain investments and adjusting investment strategy in order to achieve the highest return on one’s investment.

The thumb rule of investing in Equities is 100 minus one’s age. For instance, a 25-year-old should invest 75% in Equities and 25% in Debt in order to accumulate long term wealth and goals, which needs to be reviewed on periodic intervals and rebalanced accordingly.

Views are personal: The author Ankeet Deliwala is Founder of Pinnacle Funds Mart (An AMFI Registered Mutual Fund Distributor)

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