Identifying and Prioritizing Needs and Goals
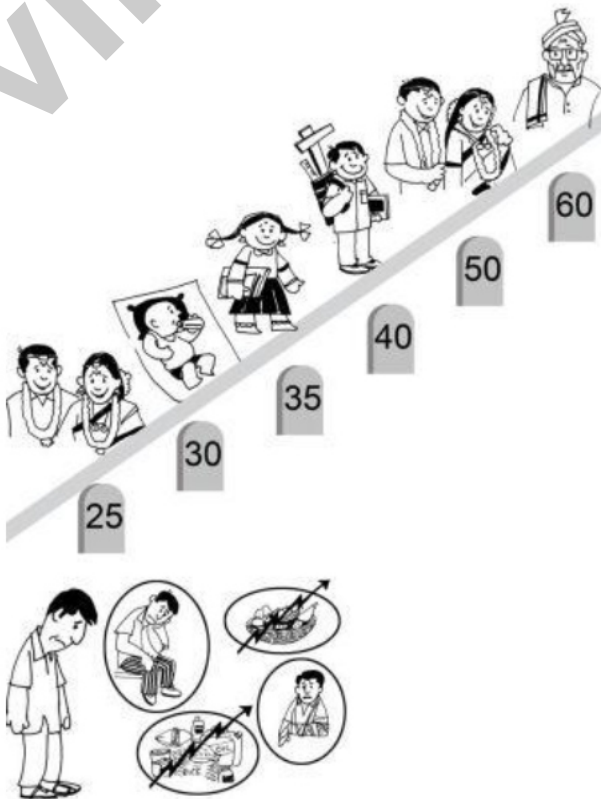
SHORT TERM GOALS				LONG TERM GOALS		
NECESSARY GOALS				**NECESSARY GOALS**		
Paying Nandan's annual fees	Next month	Rs. 34,000	From fixed deposit of Rs. 50,000 maturing next month.	College fund for Nandan	2025	?
						Start investing in an insurance company child plan
				Marriage expenses for the kids	2035	?
						Mutual fund investment in scheme
Holiday in Simla-Manali next May	?	?	?	Purchase a second house for investment purposes	?	?

1. They would have to list out all the goals they could think of in as much detail as possible.
2. They would have to decide by when they would ideally like to achieve the goal.
3. They would have to put a cost to each goal. It is easier to put a cost to a short term goal...all they have to do is find out the current price. For the long term goals, they would have to find out the current price and increase it by a certain per cent for every year until the goal is ready for achievement. For instance, if a post graduate education costs Rs. 4 lakh today, by the time Nandan is ready to enter the course, say 15 years from now, it will cost approximately Rs. 8,31,500. This is based on an assumption that the cost of education will increase at the rate of 5% every year. If you have trouble guessing how the cost of any goal will increase over time, use the average inflation rate for the past few years as an average rate of increase for all future goals...and hope prices do not increase by more than that!
4. Lastly, and most importantly, they will have to gather all their current investments and see which ones match the goal in terms of maturity and amount. This is because they have invested without any planning so far. Ideally, and from now on, they will look at this list of goals and choose investment products. Each product will have the same tenure as a goal. By the time that goal is ready for fulfilment, the amount that the financial product will return will be equal to their expected cost. Of course, it is not necessary for them to choose one investment product per goal...they may use a combination of products for each goal or each set of goals.