

Step 1: Savings Goal

Define your savings target: Calculate the amount you need to save to purchase the house. Considering the current house price of 1 crore, you need to save enough to cover the down payment (20% typically) and closing costs (3% typically).

- Down payment: $1 \text{ crore} \times 0.2 = 20 \text{ lakhs}$
- Closing costs: $1 \text{ crore} \times 0.03 = 3 \text{ lakhs}$
- Total savings target: $20 \text{ lakhs} + 3 \text{ lakhs} = 23 \text{ lakhs}$

Step 2: Time Horizon

Determine the investment horizon: You have 15 years to reach your goal ($40 - 25 = 15$). This will guide your investment strategy.

Step 3: Investment Risk Tolerance

Consider your risk tolerance: As a person with a risk appetite of 0.7, you are moderately risk-averse. You should allocate your investments in a balanced portfolio that minimizes risk while still providing the potential for growth.

Step 4: Investment Plan

Create a diversified investment portfolio: To achieve your goal, consider the following investment options:

- **Fixed Deposits (FDs)**: Invest a portion of your savings in FDs to earn a guaranteed return with minimal risk. Consider both short-term and long-term FDs for flexibility and higher interest rates, respectively.
- **Recurring Deposits (RDs)**: Start an RD to automatically transfer a fixed amount from your salary account to a dedicated RD account. RDs provide regular interest payouts and encourage disciplined saving.
- **Public Provident Fund (PPF)**: Invest in PPF as a long-term savings option. PPF offers tax-free returns and can be used to claim tax deductions under Section 80C.
- **Equity-Linked Savings Scheme (ELSS)**: Invest a portion of your savings in ELSS mutual funds to gain exposure to the stock market. ELSS funds offer tax deductions under Section 80C and have the potential for higher returns compared to FDs and RDs.
- **Gold**: Consider purchasing gold in physical form or through gold exchange-traded funds (ETFs) to diversify your portfolio and hedge against inflation.

Step 5: Monthly Investment Amount

Calculate the monthly investment amount needed to reach your goal:

- Savings target: 23 lakhs
- Time horizon: 15 years (180 months)
- Monthly investment amount: $23 \text{ lakhs} / 180 \text{ months} = 12,778 \text{ rupees}$

Step 6: Review and Adjust

Regularly review your investments: Monitor your portfolio's performance and make adjustments as needed. Consider increasing your investments if you have extra savings or if the market conditions are favorable.

Step 7: Professional Financial Advice

Consult a qualified financial advisor: To ensure your investment plan aligns with your specific financial situation and risk tolerance, consider seeking professional advice from a financial advisor.