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to equity. The return is determined by the performance of a basket of stocks). For more than five years, go for pure equity funds."

'HOW CAN I MAKE MONEY IN STOCKS?'

Akshata Shah, a 32-year-old marketing professional, wants to enter the stock market, but doesn't know where to begin. She says, "I have tried reading financial newspapers and watching business TV shows, but I am worried about losing money."

Making money in stocks is difficult with a short-term approach. But stocks do well if you buy and hold over long periods (seven years or more). Start by tracking a company's performance over two-three years. You could also get dedicated fund managers to manage your stock exposure. "Instead of buying a few stocks here and there, it is better to take a portfolio approach," says Rego.

'WHAT KIND OF LIFE INSURANCE SHOULD I GET?'

Generally, the amount of term cover should be linked to the extent of your loans and liabilities, keeping in mind your current income. "Ensure that the cover you choose is adequate, considering that your family's needs and standard of living would increase with time," says Khalid Ahmad, products head at PNB MetLife India Insurance Co. Ltd. "Also take into consideration the mode of payout to your family—a monthly income for, say, ten years may be as essential as a lump-sum payout."

A health insurance plan can enhance your protection. Ideally, get a mediclaim policy and one with critical illness cover. Review your coverage every two to three years. If you start young and your objective is wealth accumulation, you can try a market-linked plan (such as ULIP). You can choose to decrease your equity exposure as you get older.

'HOW MUCH MONEY WILL I NEED WHEN I RETIRE?'

Vidisha Singh, a 30-year-old lawyer, is planning her retirement corpus. "I have just started saving, but I still don't know how much I should be putting away per month to maintain a similar lifestyle at retirement."

The required amount a person needs for retirement depends on factors such as life expectancy, retirement age and monthly expenses. Pankaj Parashar, senior investment advisor at WealthTrust, says, "Let's say a 35-year-old wants to retire at 55 and his/her monthly expense is ₹50,000 and he/she hasn't started saving yet. So assuming a life expectancy of 80 years, inflation during retirement of 6 per cent and the return on the investment during retirement at 10 per cent, the person would need around ₹3.85 crore at the time of retirement. To reach this amount in 20 years, you'd need to start an SIP in an equity sche of around ₹42,000 per month. The return from the fund is assumed as 12 per cent. If this amou seems high, postpone retirement to 60 years. Then, you can manage w an SIP of ₹25,000."

'WHAT PORTION O MY INVESTMENT SHOULD BE LOW AND HIGH RISK?'

Every single asset, that is stocks, bonds, gold and currencies, comes with its own set of risks and rewards, so choose careful If your risk appetite matches the risk profile of the asset, then go for it. Remember, however, that risk goes down with time. Rego says, "Anyone who is investing for 10-15 years can invest in equity funds, even if they are cautious about investments. There is little merit in putting your long-term money in traditional avenues such a fixed deposits, post office deposits and PPF because in the long run, these will give lower returns."