



Ideal Asset Allocation

An Investor Education & Awareness Initiative By Franklin Templeton Mutual Fund



What Is Asset Allocation?



Meaning

Asset allocation is an investment strategy


It helps to keep a balance between risk and return of any particular asset class

Asset allocation refers to investing a certain percentage of your investible surplus in respective asset classes, such as equity, debt, gold and real estate

How Is Asset Allocation Determined?



Your age is one of the biggest factors in determining your asset allocation

Age	Risk Taking Capability
25	High  Low
35	
45	
55	

(This table is indicative, and for illustration purpose only)

Age  =  Risk Taking Capability

Your income also determines your asset allocation

Growth Rate in Income p.a.	Risk Taking Capability
25%	High  Low
20%	
15%	
10%	
5%	
0%	

(This table is indicative, and for illustration purpose only)

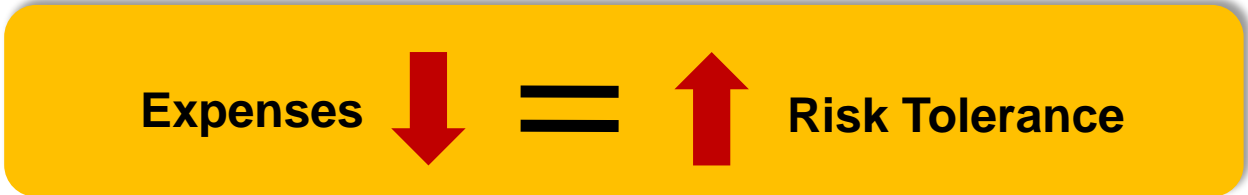
Income  =  Risk Tolerance

Expenses

Consider your expenses while determining your asset allocation

Growth in Expenses p.a.	Risk Taking Capability
5%	High  Low
10%	
15%	
20%	
25%	

(This table is indicative, and for illustration purpose only)



- The **existing assets** you hold in your investment portfolio is vital while determining your future asset allocation
- Consider the **concentration level** of each asset in your portfolio
- **Never put all your eggs in one basket**



Liabilities

- Consider your loans and liabilities while determining your asset allocation
- High interest rate on your loans leads to burden on your cash flows


Liabilities	Risk Taking Capability
Less	High
More	Low

(This table is indicative, and for illustration purpose only)


Interest Rate  =  Cash Flow

Time Horizon

Consider your investment time horizon



Time Horizon (Years)	Risk Taking Capability
30	High  Low
20	
10	
5	

(This table is indicative, and for illustration purpose only)

Longer time horizon =  Risk Taking Capability

Willingness To Take Risk

Are you ready to take high risk?

Asset Class	Risk	Return
Equity	High	High
Real Estate		
Gold		
Debt		

(This table is indicative, and for illustration purpose only)

Risk  =  Return

Risk  =  Return

Case Study



Case Study			
Name	Vijay	Ajay	Sanjay
Age	30	45	60
Life Stage	Unmarried	Married with 2 Kids	Retired
Income	Medium	High	Low
Expenses	Medium	High	Low
Assets	Low	Medium	High
Liabilities	Medium	High	Low
Time Horizon	Long	Medium	Short
Willingness towards Risk	High	Low	Medium
Overall Risk Appetite	High	Medium	Low

(This above table is indicative and used for illustration purpose only. The names used in the table are fictitious)

Asset Allocation for Vijay



Ideal Asset Allocation for Vijay	
Asset Class	Allocation (%)
Equity	80%
Debt	15%
Gold	5%

(This table is indicative, and for illustration purpose only)

Higher risk taking capability and longer horizon translates into an aggressive portfolio

Asset Allocation for Ajay



Ideal Asset Allocation for Ajay	
Asset Class	Allocation (%)
Equity	65%
Debt	25%
Gold	10%

(This table is indicative, and for illustration purpose only)

Moderate risk taking capability and medium horizon translates into a balanced portfolio

Asset Allocation for Sanjay



Ideal Asset Allocation for Sanjay	
Asset Class	Allocation (%)
Equity	20%
Debt	75%
Gold	5%

(This table is indicative, and for illustration purpose only)

Low risk taking capability and short horizon translates into portfolio skewed towards debt

Points To Remember



- **Invest early**
- Have **higher future growth in Income**, it increases your risk taking ability
- Keep a **track of your expenses**
- **Diversify** your assets
- **Avoid** excessive loans
- Longer your **time horizon**, greater will be your risk taking capability

Lets Do A Short Quiz!



**we now invite you to test your learning by taking up this simple quiz
(and win exciting prizes!)**

Quick Quiz



- 1) What is an ideal percentage of investment in Equities for an individual of the age of 25 years?
 - A. 20%
 - B. 25%
 - C. 30%
 - D. 75%

- 2) What is an ideal percentage of investment in debt for an individual of the age of 70 years?
 - A. 70%
 - B. 5%
 - C. 10%
 - D. 15%

Quick Quiz



- 3) As your age increases your risk taking capability.....
 - A. Increases
 - B. Decreases
 - C. Remains Same

- 4) Increase in your liabilities your risk taking capability.
 - A. Increases
 - B. Remains Same
 - C. Decreases

- 5) What should be the ideal asset allocation for an individual having high income, low expenses, no liabilities and 25 years of time horizon?
- A. Equity-5%, Gold-80% & Debt-15%
 - B. Equity-80%, Gold-15% & Debt-5%
 - C. Equity-15%, Gold-5% & Debt-80%



Thank You For Participating!



Mutual Fund Investments Are Subject
To Market Risks, Read All Scheme
Related Documents Carefully.



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