

Business Standard

Before you use any goal-based investing platform, ensure that you understand the basics of mutual fund investment

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Start-ups are trying to make goal-based investing as easy as shopping online. An investor doesn't need to worry about which fund to pick or how much to allocate between equity and debt. A few swipes on the mobile screen and the platform suggests an investment portfolio based on an investor's risk profile, age and investment horizon.

Sample this: You want to start investing to buy a house. Open the app and fill in details such as tenure and the target amount. Answer a few questions for risk profiling. The platform will tell you the names of debt and equity funds that suit you the best and the amount you should invest in each scheme. Choose a date and start the systematic investment plan.

These platforms do make investing easy for someone who has little knowledge about financial planning, but they have their drawbacks. "They offer limited products. If you select, say, retirement as a goal, these apps won't design a portfolio considering an individual's investment in the employees' provident fund (EPF) and public provident fund (PPF). The two are critical products for retirement planning," says Mrin Agarwal, founder director of Finsafe India.

Not all apps are goal-based: There are over a dozen platforms that help individuals invest in mutual funds. Some of these, like Paytm Money, Mobikwik, Coin by Zerodha and Groww, focus on do-it-yourself investors, who prefer to select their funds. “Our focus is on simplifying transactions and on-boarding process. There is no paperwork when a user starts an SIP, stops it, or modifies it. An investor can do it instantly,” says Harsh Jain, chief operating officer & co-founder, Groww.

Start-ups such as Fisdom, Kuvera, Orowealth, Goalwise and Scripbox offer goal-based fund recommendations and asset allocation. To cater to the different needs of existing investors, these investment platforms have also been adding more offer. Fisdom, for example, also provides term insurance, the National Pension Scheme and digital gold. Orowealth has paid services if a customer wants to talk to a financial planner or need stock advisory. On Goalwise, a user can interact with an investment advisor for a fee.

Some also offer the option of a family account where different portfolios of the family member can be clubbed under a single user identity (ID).

A good starting point: Financial planning is an elaborate process. Investment advisors first draw up a plan which they review every year and modify in accordance with the situation of the individual. Similarly, the correct risk profiling is more of a judgement call of an advisor. For many, the risk profile changes depending on gains or loss they face in their investments. Advisors also use financial products beyond mutual funds to make a portfolio and to protect it. The offer on mobile apps are nowhere close to this. But in-depth planning comes at a price. The charge for a financial advisor can vary from Rs 15,000 to Rs 40,000 a year.

The majority of customers on mobile investment platforms are millennials (born between 1981 and 1996), many of whom are first-time investors. “Many below 30 even struggle to save money for their short-term needs, such as going on vacation or buying a two-wheeler. Getting on an online platform can inculcate the discipline to save,” says Vijay Bobba, co-founder & CEO, Wizely. This is an online platform which targets youngsters and helps them save for short-term goals up to 300 days.

Online platforms come in handy for first-time investors or those who have just started. They can help to build an initial corpus and introduce the individual to working of mutual funds. These technology-driven platforms are low-cost. Due to competition, the basic investment service is free. A majority of players also offer direct mutual fund investment.

Depending on the age, responsibilities and income, the requirements of an individual change. “When a person crosses 30 years and has a family, he usually requires more comprehensive planning. Constructing their portfolio is a complex task. For such

customers, we offer advisory on the phone to take care of their end-to-end needs,” says Ankur Choudhary, co-founder and chief investment officer, Goalwise.com.

Be wary of fund recommendations: Many of goal-based apps have their proprietary algorithms that analyse funds on different parameters. A slight change in parameters can lead to a completely different outcome. If one platform takes a minimum five-year track record and another three-year, the fund recommendation of the one would be completely different. And, it's true of the mobile investing apps. For the same goal, time horizon and risk profile, each platform suggests different categories of funds and varying allocation to equity and debt. Investors, therefore, need to opt for a platform that transparently mentions parameters used in fund selection and publishes the list of funds that met their criteria.

Recommendations on some platforms also don't conform to general principles of investing. One of the platforms, for example, recommends 100 percent allocation to a gilt fund for a short-term goal like saving for a vacation that the investor will take after two years. Gilt funds are highly volatile. Typically, investment advisors don't recommend putting money in them.

Another principle of investing in a debt fund is to match your time horizon with the average maturity of the fund. One platform recommends debt funds that have a much higher portfolio maturity than the investment horizon needed for the goal. In yet another case, a platform recommends a sector fund for retirement and equity savings scheme for short-term goals of one-two years.

Before you use any goal-based investing platform, ensure that you understand the basics of mutual fund investment. Else, you are better off putting money in a bank fixed deposit, which is simple to understand and gives guaranteed returns.

A COMPARISON OF GOAL-BASED PLATFORMS					
Platform	Paperless KYC	Products offered on app	Direct plans	Charges	Fee-based advisory
Fisdom	Yes	Mutual Funds, term insurance, National Pension Scheme and digital gold	No	Free	No
Kuvera	No	Mutual fund and term insurance	Yes	Free	No
Orowealth	Yes	Mutual funds and stocks	Yes	Free*	Yes
Goalwise	Yes	Mutual funds	Yes	Free*	Yes
Scripbox	Yes	Mutual funds	No	Free	No

*These platforms also have fee-based advisory. Orowealth offers stock advisory, which has a separate annual fee.
Source: Companies