7 Major Factors that Determine Your Investment Objectives

Every investor has his own set of unique investment objectives. What he wants in life, i.e. his

requirements and needs have a direct impact on his pattern of investment and its objectives.

Let us understand the influencing factors behind our investment objectives.

**1. Determining your requirements:**

Follow the path that helps you achieve your short-term and long-term goals. These can include funding the education for your children, or investing in your business for expansion, retirement or travel plans,etc. You can directly address your requirements by identifying these goals with your investment.

**2. Risk Tolerance**:

How much risk can you tolerate in the long run? Thus, understanding the risk factor is one of the major keys for choosing an investment scheme. The risk tolerance may differ for every investor, being a personal characteristic. Our age and the emotional make-up, also largely impact our ability to tolerate risks. Risk tolerance levels may differ for every part of your portfolio.

**3. Income Level:**

Your absolute income level as well as your return requirements, can largely effect your decisions relating to investment. Our income can also influence our risk preferences. Investors with higher income may be more inclined towards riskier strategies, as they can conveniently contribute to added investment capital at the time they face any losses

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**4. Tax Liability:**

Your tax or any special tax circumstances are a few considerations that will help you determine ways to seek the maximum utilization from your tax-benefiting investment schemes.

**5. Total Wealth**:

Our investment objectives should also consider the assets outside our portfolio. The value of a person’s expected pension, or his other retirement benefits may influence the return objectives and risk tolerance of his investment portfolio.

Moreover, our wealth levels can also impact the way we live (our lifestyle). A desired standard of living determines our risk tolerance factor, and should be considered with your investment objectives.

**6. Investment Time Horizon**:

This may require us to ask questions such as:

\* When do you plan to draw the assets in your portfolio?

\* Do you prefer to choose short or long term maturity assets?

\* Do you have enough time for recovering from a descending market?

\* How important is capital preservation, for meeting an urgent financial need?

**7. Liquidity Payment**:

This is about the ease with which you can transform your assets into cash, at or near to the latest fair market value. This may require us to ask questions such as: do we need an investment portfolio to liquidate easily, or can we wait some more?

Liquid assets examples include cash at hand, cash at bank, fixed deposits and liquid funds

**Other Considerations:**

You must acknowledge your overall financial assets, expected income sources and obligations that affect your portfolio under management. Questions that come up here include the following:

Does your job have an adequate retirement plan, or will you have to fund the same from your investment portfolio?

Is a stock-purchase plan from your employer,an important part of your personal wealth or is it a

diversification issue that arises when making other portfolio choices?

If you get tax-deferred or tax-qualified assets from your employment, what impacts does these have on your investment decisions?

Once your investment provides you the answers to all these questions, you will have surely succeeded in achieving all its objectives. Here, you may even seek help from your financial advisor, whose advice can be essentially valuable towards clarification as well as accomplishment of your investment objectives. However while doing this, you must ensure that he is not selling any investment product, therefore has no personal interest that can cause a conflict or bias in his investment advice.

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