

HDFC MF

Weekend Bytes

A weekly series from HDFC Mutual Fund

Bonus vs Salary

Why Investing Your Bonus Deserves a Different Strategy



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When your monthly salary comes in, there's usually a plan waiting for it. Rent, EMIs, groceries, SIPs, your salary already has a job even before it hits your bank account.

A bonus, however, lands differently.

It feels like a sudden cash windfall and somehow may not get the status of "serious money". And that feeling may lead to impulsive spending or opting for a lifestyle upgrade with the bonus money. This is where a concept from behavioural finance called mental accounting steps in.

Imagine someone who saves ₹10,000 every month through SIPs from their salary and receives a ₹2 lakh annual bonus.

Instead of investing most of it:



₹60,000 goes into a vacation upgrade



₹50,000 into gadgets and shopping



The rest quietly dissolves into other discretionary spending

Ironically, the same person would hesitate to skip even a single ₹10,000 SIP, yet could think little about spending ₹1 lakh from the bonus. That's how mental accounting work.



How This Impacts Long Term Financial Goals

Bonuses are often the **largest chunks of corpus** people receive in one go. If used wisely, they can:



Accelerate retirement savings



Secure children's future



Build a strong emergency fund

But when treated purely as windfalls, their long-term potential gets traded for short-term gratification

Reframing the Bonus Mindset

The key is not to eliminate enjoyment—but to **change the mental label**.



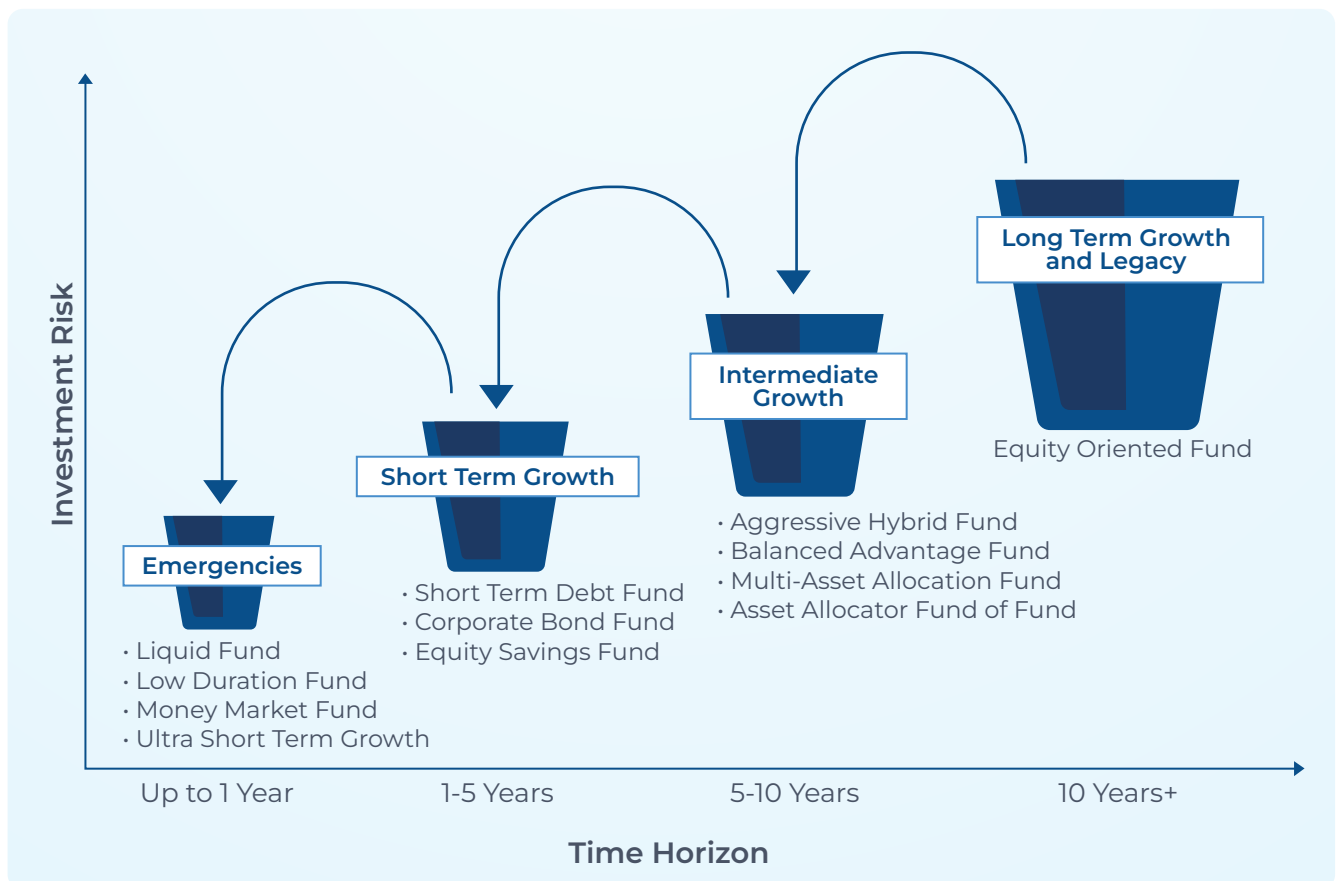
X Instead of thinking *“This is extra money”*

✓ Try thinking *“This is future money arriving early”*

Bucketing Bonus Money for potential income and growth

One effective way to counter mental accounting is “bucketing” your investments, assigning the bonus to different time based buckets, each with a clear purpose.

Instead of viewing the bonus as one large amount, it can be mentally divided into buckets aligned to time horizon and risk comfort.



Note: The information herein is for general purposes only. The recipient(s) should before taking any decision, make their own investigation and seek appropriate professional advice.

This approach doesn't eliminate lifestyle spending.

Instead, it helps to promote



Conscious
enjoyment



Structured
spending



Safeguarding long
term priorities

Tip

In uncertain market conditions, one may consider first parking the bonus in **liquid or short term debt funds** and then **gradually invest into equity or hybrid funds via a Systematic Transfer Plan (STP)**. This allows a phased approach to investing while maintaining liquidity and discipline.

Staggered lump-sum investments via STPs could help spread investments across multiple periods, effectively averaging the cost of investing and reducing the impact of market volatility. To understand more on how staggered lump-sum investments via STPs help during volatile markets, you can refer to the Weekend Byte article: [Navigating Crisis Waves: How Staggered Lumpsum Investments via STPs Keep You Afloat.](#)

Making wise choices with your bonus isn't just about the present year; it's about shaping your financial life for the long term. Remember, **"Yeh appraisal sirf saal ka nahi Life ka bhi hai"**

This appraisal isn't just for the year; it's for life. So, as you decide how to use your bonus, also think beyond immediate upgrades. Think about buying yourself peace of mind, flexibility, and future freedom.



Views expressed above are indicative and should not be construed as investment advice or as a substitute for financial planning. Due to the personal nature of investments, investors are advised to seek professional advice before investing.

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world