

## What is Financial Planning and Its benefits.

### Why Financial Planning.

Like most people, you have hopes, dreams, and life goals for yourself and your family. These might include buying a home or business, saving for college education for your children, taking a dream vacation, reducing taxes, and retiring comfortably. Financial planning is the process of wisely managing your finances so that you can achieve your dreams and goals — while at the same time helping you negotiate the financial barriers that inevitably arise in every stage of life.

Managing your personal finances is ultimately your responsibility. However, you don't have to do it alone. A qualified financial planner, such as a CERTIFIED FINANCIAL PLANNER (CFP) professional, can help you make decisions that make the most of your financial resources.

### Financial planning can help you:



- ❖ Set realistic financial and personal goals.
- ❖ Assess your current financial health by examining your assets, liabilities, income, insurance, taxes, investments and estate plan.
- ❖ Develop a realistic, comprehensive plan to meet your financial goals by addressing financial weaknesses and building on financial strengths.
- ❖ Put your plan into action and monitor its progress.
- ❖ Stay on track to meet changing goals, changing personal circumstances, changing stages of your life, changing products, markets, and tax laws.

### Benefits of Financial Planning:

#### Intangible Benefits

- ❖ Peace of Mind.
- ❖ A Path or Direction to your life goals.
- ❖ A blue print to your financial life.
- ❖ Remedy mistakes already made and avoid mistakes that can happen in the future.
- ❖ Provide for a lifetime financial coach/ guide to all your important financial decisions in life.
- ❖ Demonstration and implementation of efficiency of savings.
- ❖ Providing financial literacy.

#### Tangible Benefits

- ❖ Helps monitor cash flows and reduces unnecessary expenditure.
- ❖ Enables optimum balance of income and expenditure.
- ❖ Helps boost savings and create wealth the right way, which will help realise your financial goals.

- ❖ Maximises returns from investments.
- ❖ Identity's targeted goal amounts towards Retirement, Child Education, Vacation Planning, Asset Purchase, Health cover, Life Insurance, Gifting to family, WILLS and Estate Planning.
- ❖ Works on existing resources to achieve goals and what are the gaps to be covered.

**Financial Plan process**



**Coverage**

**Cash Flow Statement**

**Income**

Salary Income/ Business/ rental/ Interest/ Dividend	Monthly	Annual
Mr		
Mrs		
Joint		
<b>Total</b>		
<b>All Incomes</b>	<b>Monthly</b>	<b>Annual</b>

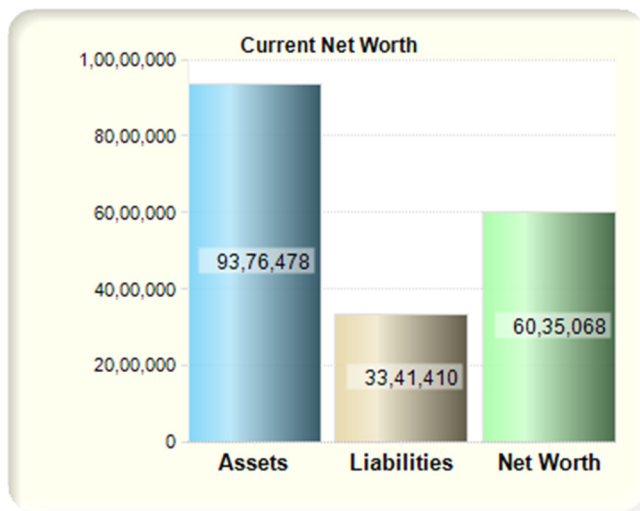
**Expenses**

<b>Housing</b>	Monthly	Annual
<b>Utilities</b>	Monthly	Annual
<b>Personal</b>	Monthly	Annual
<b>Food</b>	Monthly	Annual
Health Care	Monthly	Annual
Life Insurance	Monthly	Annual
Transportation	Monthly	Annual

Recreation and Entertainment	Monthly	Annual
Savings	Monthly	Annual
Income Taxes	Monthly	Annual
Other Discretionary	Monthly	Annual
All Expenses	Monthly	Annual
Total		
Suplus:		

### Net Worth Statement

#### Net Worth



*Investments & Financial Planning*

**Positive Net Worth of 60,35,068**

#### Goal Summary

Goal/Objective	Percent Complete	Target Amount as on Goal Start Year	Current Assets Allocated	Surplus/ (Shortage)	Additional Annual Savings
Emergency Fund	0%				
Retirement Goal in 2043.	19%				
Marriage Goal December 2030 in 2015	68%				

World Tour December 2015	0%				
Parents Accumulation Corpus 2016 in 2016	0%				
Buying a Luxury Car in 2018	0%				

**Goal funding map:**

S No.	Particulars	Present Value	No of Yrs	Future Value	Current Assets	Amount	Future Assets	Amount
<b>Education Goal</b>								
1	Graduation	Present Value of Goal	Remaining Years for Goal	Future Value of Goal		Current Assets Utilized	Monthly SIP	Monthly Investments (Fixed)
2	Post Graduation							-
3	Marriage							-
	<b>Total</b>							-
<b>Retirement Corpus</b>								
7	Retirement Corpus	NA	No. of Years for Retirement	Retirement Corpus			Monthly SIP	Monthly Investments (Fixed)
<b>Car Purchase</b>								
	Downpayment	Current On Road Price of the Car		Future Value of Car		Total Current Assets Utilized	Monthly SIP	Monthly Investments (Fixed)
9	Loan Funding		Vehicle Loan Tenure (in Years)	Vehicle Loan Amount		NA	EMI	Vehicle Loan EMI
	<b>Total</b>	<b>Current On</b>		<b>0</b>		<b>0</b>		

**Pointers to a Successful Financial Life.**

- ❖ Even if you are in your late thirties or mid-forties, the earlier you start, the better. Every day counts!
- ❖ Be Honest with yourself. Seek Help where needed.
- ❖ **Set sensible and set measurable goals. Be realistic in your goals, after considering current resources and affordability with investment and risk capacity.**
- ❖ Just like an annual health check, review your plan regularly to ensure you are on track.
- ❖ Get financially literate today! Ask Questions.

## Opportunity cost of not having a financial plan and utilising services of a Certified Financial Planner.

Need	Without a Planner	With a Certified Financial Planner
Child Education	Invest in a child policy in child name	Invest in select mutual funds/ETF.
Adequate Insurance	Sum insured of Rs 10,00,000 with premium of Rs 1,00,000 and still under insured.	Sum insured of 1 crore with premium of Rs 12000 p.a for a 30 year old male, and sufficiently insured
Retirement	Invest in money back policy Rs 1,00,000 p.a for 20 years with returns of 6% and still not reach the desired goal	Invest in Mutual funds/ Tax free bonds/EPF/PPF Rs 50,000 for 15 years and meet the desired goal with proper asset allocation
Vacation Planning	Invest in FDs with post tax and post inflation returns of 3%	Invest in short term debt with post tax and inflation returns of 8%

Above investments come with varied, risk return tax implications.

**A Certified Financial Planner, will help you plan the exact amount to be invested for your goals**

## Concepts of Financial Planning

### Inflation

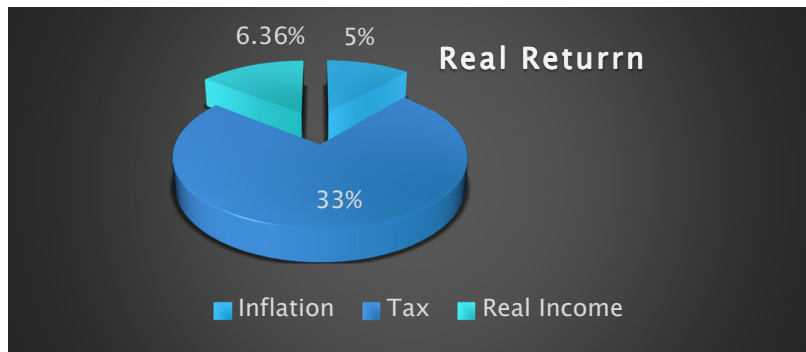
The purchasing power of the rupee has depreciated by more than 90% over the last 30 years. The purchasing value of Rs 100, 30 years ago, can fetch you Rs 6 only today.

Below is a table showing the depreciation of Rs 1000 over a period of 30 years at various inflation rates.

Years	Inflation per cent per annum					
	2	3	4	4.5	5	6
5	9,057	8,626	8,219	8,024	7,835	7,472
10	8,203	7,440	6,755	6,439	6,139	5,583
15	7,430	6,418	5,552	5,167	4,810	4,172
20	6,729	5,536	4,563	4,146	3,768	3,118
25	6,095	4,776	3,751	3,327	2,953	2,330
30	5,520	4,119	3,083	2,670	2,313	1,741

### Real Return:

To fight inflation, invest in a product that gives higher post tax and post inflation return. Focus on real income for wealth creation.



### Asset Allocation

What is asset allocation?

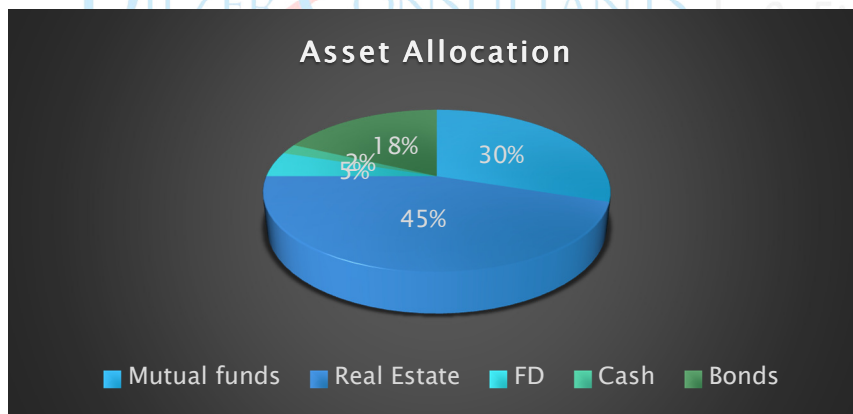
An investment that provides investors with a portfolio of fixed or variable mix of the three main asset classes - stocks, bonds and cash equivalents - in a variety of securities.

**Diversification is the highest form of Asset Allocation.**

Asset Allocation helps tide over different market conditions, since, no single asset class, continuously outperforms the other.

Therefore, to ensure an above average portfolio return is maintained, asset allocation should be the basis of any and every portfolio!

The percentages of allocation among asset classes may differ, according to age profile, income needs, goals, time horizon and risk profile of clients.



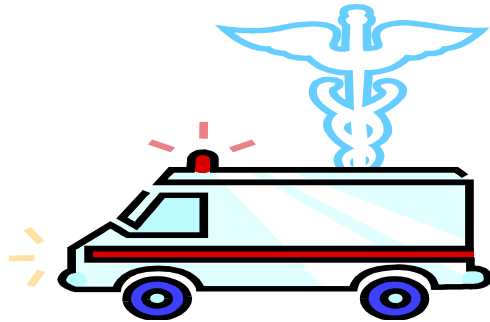
**What is your Risk profile?**



**Is your Health cover Sufficient?**



**Do you have an emergency fund?**



**Insurance**



What is your Human Life Value and worth to your family? Are you sufficiently covered for liabilities and are your goals covered?

What are the types of insurance products and need. Not to mix investment with insurance.

**Cost of Delay**

Goals	Cost Today in INR	Cost after 10 years INR	Cost after 20 years INR
Cost of Domestic Education Today	7,00,000	15,11,247	70,43,860
Cost of Overseas Education Today	90,00,000	194,30,325	905,63,912
Expenses of Rs 1,00,000 per month today	1,00,000	2,15,892	10,06,266
Cost of a upper mid segment house purchase today	120,00,000	259,07,100	1207,51,883

**Financial Planning Involves:**



**Investment Vehicles to reach your financial goals.**

- ❖ Mutual funds.
- ❖ PPF.
- ❖ EPF.
- ❖ Bonds.
- ❖ Life Insurance.
- ❖ Health Insurance and Critical Cover.
- ❖ Real Estate Investment options.
- ❖ Real Estate Property Management Solutions.
- ❖ Gold.
- ❖ ETFs.
- ❖ Company FDs.
- ❖ Art.

**Factors to consider while making investment choices:**

- ❖ What is the rate of interest on your portfolio?
- ❖ What is the real return on your portfolio?
- ❖ What are the charges on the product
- ❖ If there are any guarantees offered, request for the same in writing.



- ❖ Diversify your portfolio according to your risk profile and desired asset allocation.
  - ❖ Constantly monitor your investments.
  - ❖ Don't save what is left after spending. But spend what is left after FIRST SAVING
  - ❖ Add nominees to all your investments.
  - ❖ What is your life expectancy?
  - ❖ Are your savings enough?
  - ❖ How will your portfolio look in 10, years, 15 years, 20 years.
  - ❖ How to handle the income distribution phase in retirement.
-