# MAKING PLANS FOR YOUR FUTURE DREAMS

TO WAY TO YOUR FUTURE GOALS LIES IN ESTABLISHING THEM AND THEN WORKING TOWARDS ACHIEVING THEM

BY **HIMALI PATEL**

Life without dreams is not actually very fun. Whether it is going on a continental Europe tour, buying that latest sports utility vehicle (SUV) or an apartment in the posh neighbourhood, most of our material dreams need one thing to fructify—money. Yes, these dreams do seem far-fetched, but as the saying goes, a big journey starts with small steps. Therefore, getting started is the difficult part, but once you do that and maintain a regular discipline, your dreams come within your reach.

Today, women are taking part in important household decisions, be it buying items for the home or managing the household finances. That said, managing the household and corporate life is burdensome. So, if women can at least commit to certain basic steps towards financial planning, the path to managing their finances in the later years of life becomes that much smoother.

Raveena Tandon rose to the top as a film star, but she was raised like any other normal child and survived on pocket money throughout her school and college days. That, she says, kept her grounded and made her understand the value of money. Says Tandon:" There is a popular misconception that women are unaware about finances related matters. In my case, I have always been keen to learn and understand financial things for myself even when I have professional help."

Financial independence is a huge asset for young women of today, says Zia Mody, prominent legal consultant and founder of AZB & Partners. She says: "In order to achieve your dreams you obviously don't want to lose the appreciation of that money. And that's when the proper planning comes in."

For women, whether married or single, the foremost part of the planning process is to take care of the contingencies, such as loss of job, wedding expenses, maternity, divorce or anything else that can hamper their savings. The rule is to identify and set goals to mark the beginning of the financial plan.

Photo: SOUMIK KAR

**RAVEENA TANDON 39**

**City** Mumbai

**Occupation** Film actor and television host

**Her Story** Mother of four children, she consults her financial advisers and chartered accountants when it comes to financial and monetary matters

"The film industry is a fickle world with no guarantees of a steady income. So, I have saved and invested only for giving a financially stable life to my family and children."

## FUTURE PLANS

### SET GOALS

Setting goals will help you take control by curbing short-term temptations in favour of the more important long-term goals. Also, to create a large corpus of funds, breaking funds from existing savings won't really help. Says, Dilshad Billimoria, founder, Dilzer Consultants, "Ensuring not to touch the corpus you have saved for your golden years for short-term escapades can create disciplined savings and long-term wealth accumulation."

That said, one needs to classify the goals into short-, medium- and long-term ones. For instance, a vacation abroad and buying a home theatre system will figure in the list of short-term goals, while buying a house and a bigger car will come in the list of medium-term goals. At the same time, children's higher education, providing for dependent parents and, saving for your and your spouse's post-retirement needs will figure in the list of long-term goals. Says Tandon: "Ever since motherhood, my goal has been the future of my children. The film industry is a fickle world with no guarantees of a steady income. So, I have saved and invested with the sole aim of giving a financially stable life to my family and children."

Nevertheless, women tend to save more into lower risk-lower return options, such as bank fixed deposits (FDs), Public Provident Fund (PPF) or traditional life insurance products. Says Tejal Gandhi, chief executive officer (CEO) and founder, Money Matters: "Fixed income only gives linear growth in the 8-10 per cent range. Equity investing gives compounded growth over a longer period." Besides the aversion to risk-taking, women sometimes, because of a lack of awareness, end up investing the money in their savings account in FDs in the same bank, even though other banks could be offering a higher rate of interest.

Says television and film actor Smita Bansal: "The biggest mistake women do while starting financial planning is that they take financial awareness very lightly. They need to be more aware and understand the broader options of investment available to them."

### CHANNELISING THE SAVINGS

For a start, women need to be aware of the diversification and benefits that arise from investments in high-return options, such as exchange-traded funds (ETFs), equities, and the compounding effect of investment in these instruments over the long term. That said, to benefit from the long-term return potential of equities, which can generate returns well higher than inflation, one has to make an early entry. This will help one remain invested for a long period and meet her goals in a timely manner.

The better approach towards equity-based products, such as equity mutual funds (MFs) is to choose 3-5 equity MFs and start a systematic investment plan (SIP) in them. One may start daily, weekly or even monthly SIPs in equity MFs of one's choice. This, besides helping one make 'forced savings', also gives one a financial headstart. If a woman starts saving, say, from the age of 25, when she is likely to be in her first job, she can save around 10 per cent of her net income till she reaches the age of 30, by when she is likely to marry. Here, even if savings dip a bit, the headstart will give her the extra advantage.

Investing in gold can be a better option if it is invested in the form of financial instruments, such as gold ETF and MFs. Purchase of physical gold leads to higher holding costs and liquidity issues, but ETFs are a good way of investing in gold. The prices are real time and the costs are minimum. The hassles are also less. Says Billimoria: "Gold is an asset class and like in any other asset, the allocation should be about 5-7 per cent of the portfolio."

**SMITA BANSAL 35**

**City** Mumbai

**Occupation** Television and film actor

**Her Story** Mother of two, prior to her marriage, her father helped her with her investments and savings. Now, she consults her chartered accountant for all her financial planning

**"The best way to fulfil your future dreams is to put aside little savings every month, which might come out as a substantial amount useful for your children's education and wedding purpose."**

### DE-RISKING

Though equities help in accumulating a corpus, debt helps in preserving it thereafter. So, as a rule of the thumb, start the derisking process while you are about three years away from your goal, which could be either your child's higher education or your own retirement. Start shifting funds out of equity and into debt assets. MFs provide tools such as systematic transfer plan (STP) whereby the investor can achieve the derisking objective with much ease and convenience.

Further, reviewing the goals periodically is very crucial to ensure that you are on right track towards meeting your financial goals. Says Bansal: "Women tend to invest, but they lose track of all investment after some time. It is very important to be organised. One has to do follow up in a timely manner."

### WATCH-OUT

For women, the importance of creating a contingency fund for career breaks, health insurance corpus and retirement goals should become the initial focal point along with fulfilling their other dreams. Having planned for the most uncertain expenditures will ensure that she does not dip into her long-term investments to meet her emergency needs. Says Tanwir Alam, founder & CEO, Fincart:" Set aside six months' monthly expenditure as an emergency fund. Those who are self-employed and have to service loans, should keep about 9-12 months of monthly expenditure for contingency purpose."

Even while one creates a contingency fund, it's important not to ignore risks at any time. Premature death could derail other goals, such as children's expenses. Many a times, women do not give sufficient importance to insurance cover, which is actually a risk management tool to take care of the unforeseen events that could otherwise jeopardise the family's finances. Thus, women should buy pure term life plans with adequate cover.

### END NOTE

The key to a secure future is to save and invest with the right people. Therefore, one needs to be very careful and intelligent when it comes to financial matters. Says Tandon: "Women need to know their finances and learn enough about it to prevent anyone taking them for a ride. Merely relying completely on someone else without having any knowledge about financial matters is not advisable at all."

So, learning the tricks of investment early on will go a long way in managing finances for a lifetime. Says Bansal: "The best way to fulfil your future dreams is to put aside little savings every month, which might come out as a substa-ntial amount useful for your children's education and marriage purpose."

So, even if you make mistakes during the initial days of investing, you can still master the basics, which will be go a long way in helping and making your dreams come true. ❋

himali@outlookindia.com