

FINANCIAL PLANNING

FAILING TO PLAN IS PLANNING TO FAIL



Areas covered

- What is financial planning?
- Why Financial planning?
- How to protect from uncertainty?
- How to protect from contingency?
- Goal based investing?

Agenda



What is financial planning?

Logical process of managing your money in a way that can help you to achieve all your financial goals with ease and also protect you from uncertainty and contingency.



**Risk
Management**



**Contingency
Planning**



**Goal based
Investing**

Benefits

- Helps in reducing financial uncertainty
- Protects you from financial contingencies
- Reduces the stress and anxiety
- Helps you to set financial goals
- Increases the chances of attaining goals



Risk Management



To protect your loved ones'
Financial Future

Term Insurance

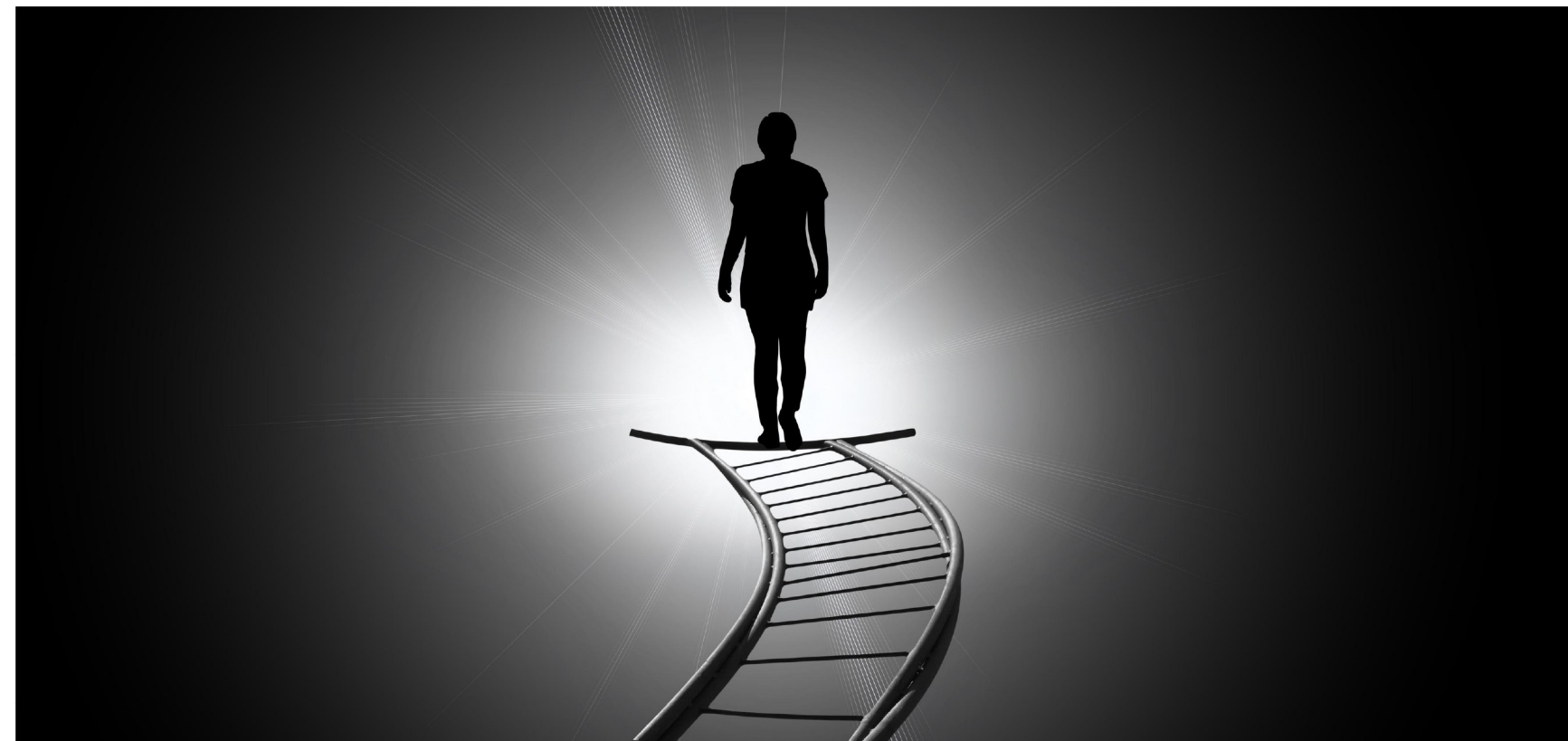
1st step for uncertainty planning is to have the enough Life Insurance cover of earning member.



Why Life insurance

"A man who dies without adequate life insurance should have to come back and see the mess he created."

Will Rogers



Benefits of term plan

- High Sum Assured
- Affordable Premium.
- Easy to Understand.
- Income Tax Benefits.
- Accidental Death Benefit Coverage.



Ideal risk cover - life insurance

- Life insurance cover should be based on the financial goals and liabilities.
- Thumb Rule is
 - Your Annual Income * 10

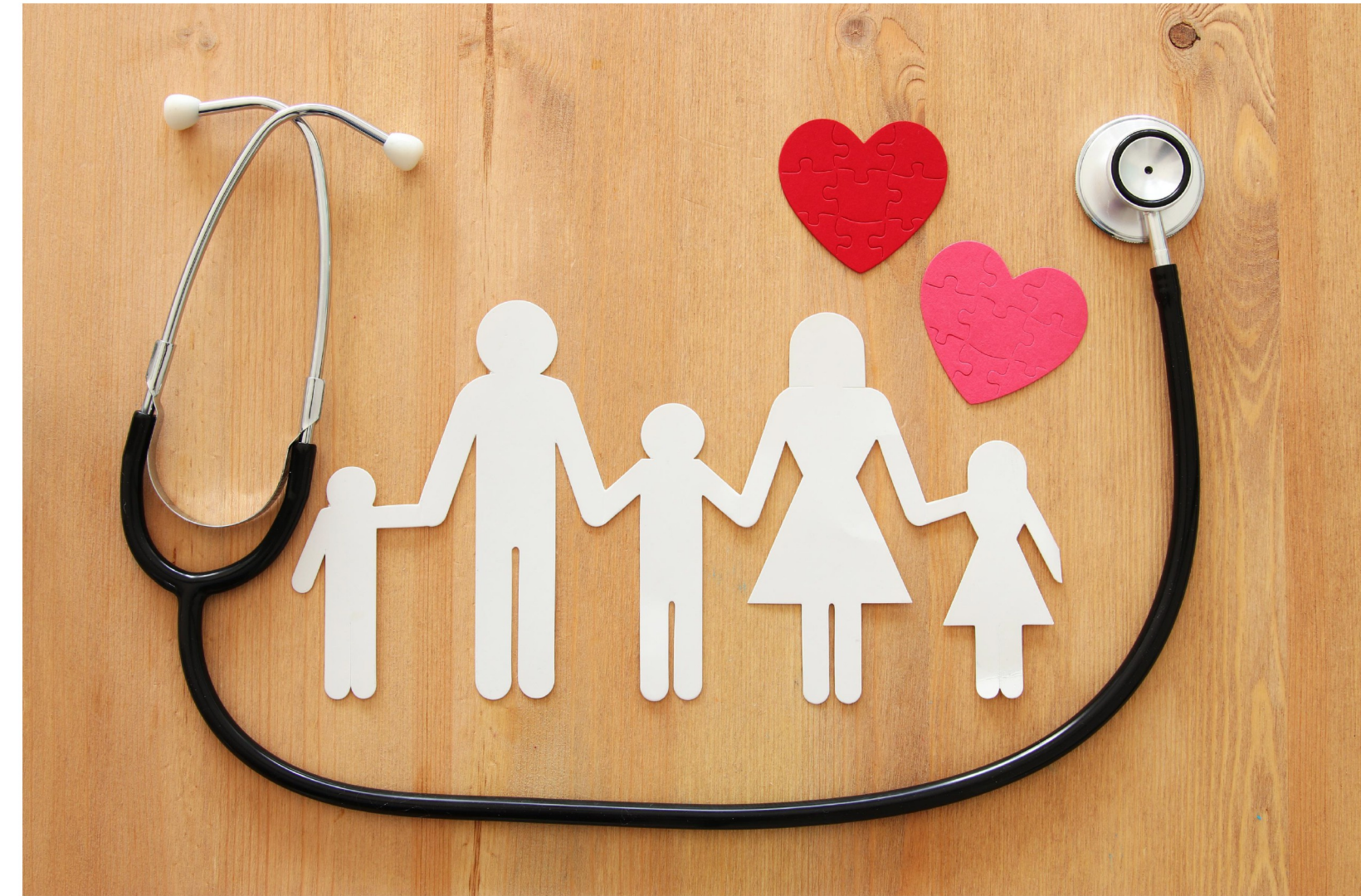
10x

Health Insurance

To ensure the **best treatment** for your family and to protect your long term investment portfolio from **medical emergency**

Health Insurance

2nd step for uncertainty
planning is to have the
enough Health Insurance
cover for entire family



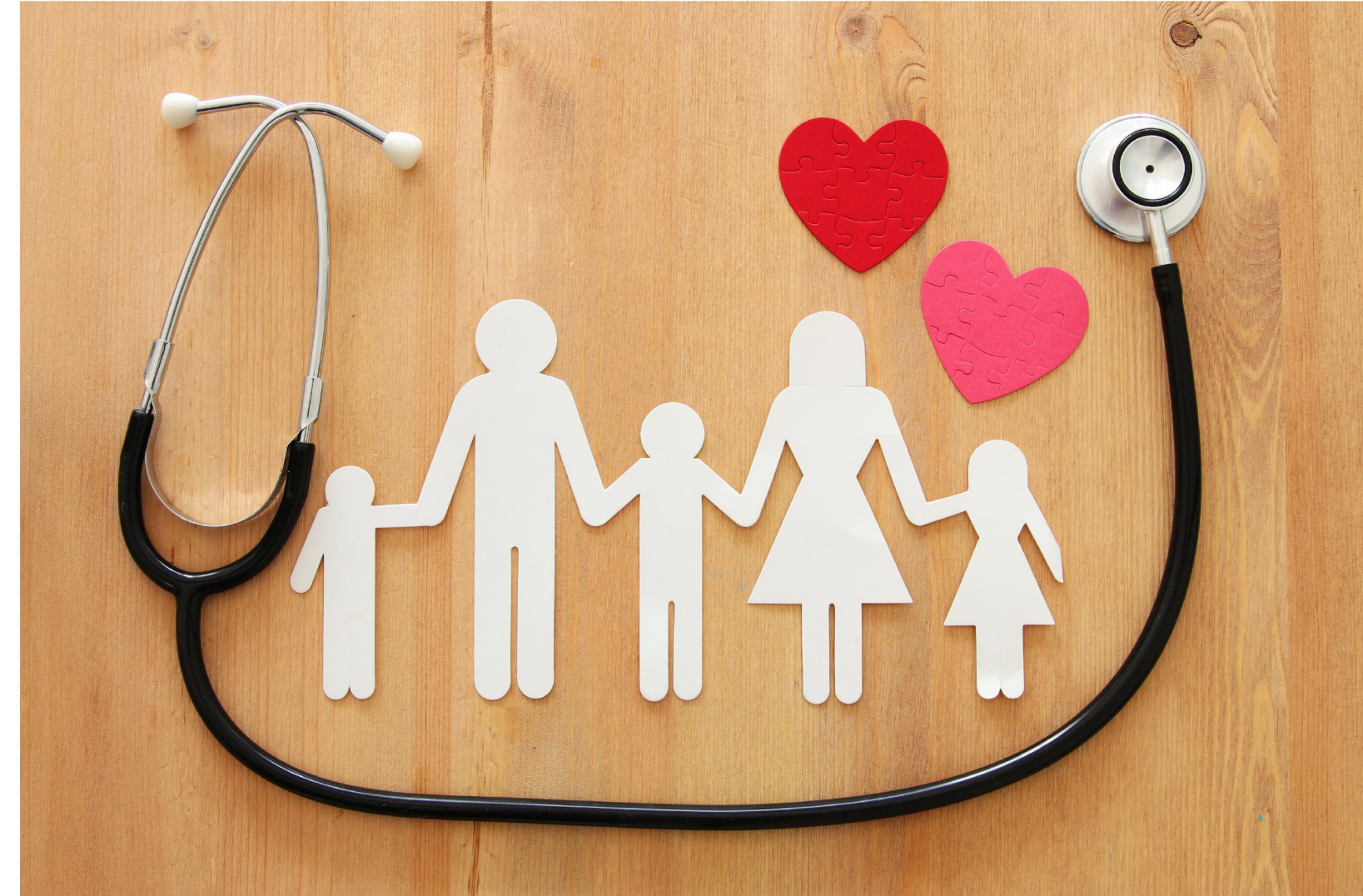
Benefits

- Optimum Cover for Health-related Issues
- Cashless treatment
- Pre & post hospitalization cost coverage
- Financial Safety Against Rising Medicinal Costs
- Tax Deduction for premium under section 80 D



Which product to buy?

- One should have the cover for entire family.
- Buying **Family Floater Policies** is ideal choice
- Family floater policy can cover entire family.



Family Floater Policy

- Health insurance plan which covers the entire family on the payment of a single annual premium.
- Can be used in case of multiple hospitalizations in the family.



Ideal combination for higher cover

- It's advisable to have higher cover for entire family, as medical costs are very high.
- Buy the combination of
 - Basic Policy & (with 3 or 5 lacs cover)
 - Super Topup Policy (with 10 to 20 Lacs cover)



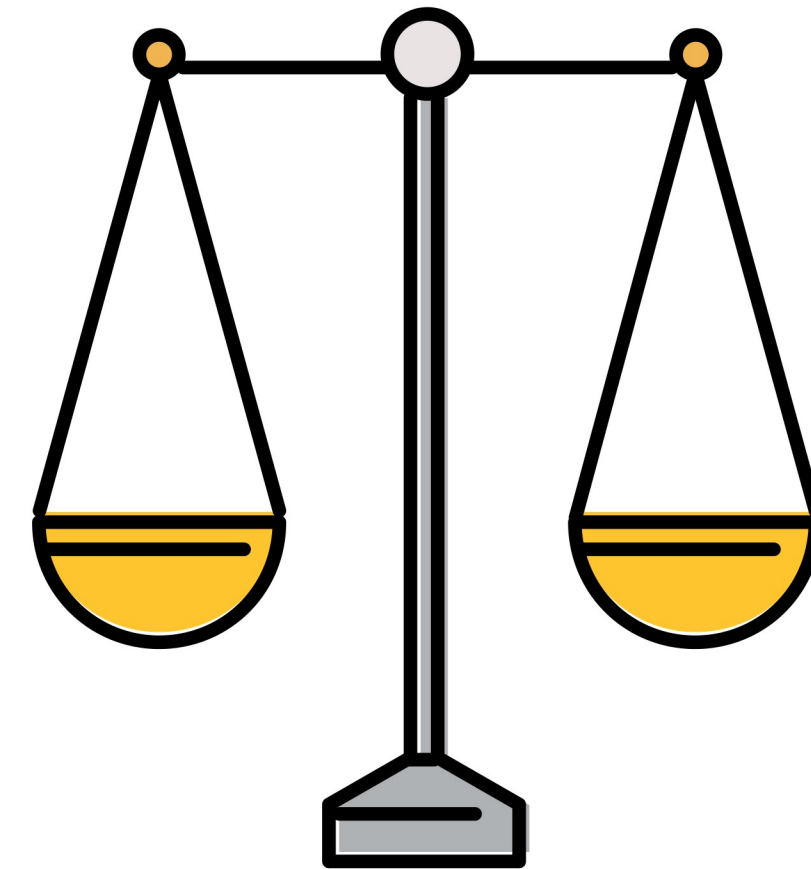
Benefit of super top-up policy

- Super Top-UP policy can be used in case of limit of basic deduction (cover of your basic family floater) is exhausted.
- It offers you financial relaxation in the event when your hospitalization claim bill crosses your sum insured under any other Mediclaim policy.



Base policy Vs Floater+SuperTopup

- Family of 4 person
 - Male - **38 Y** / Female - **37 Y** / Child 1 - **12 Y** / Child 2 - **7 Y**
 - **Risk cover - 25 Lacs**
- Option 1 - Single Policy
 - Approx Annual Premium - Rs 38950*
- Option 2 - Base Policy 5 Lac + Super TopUp 20 Lac
 - Approx Annual Premium - Rs 21391*



*Actual premium may vary company to company and plan to plan. This is only for the illustrative purpose. The data is taken from the online websites providing the quotes.

Other insurance as per requirement

- Buy other basic insurance products as per your requirement
 - Home Fire insurance
 - Accidental insurance etc.



Contingency Planning

- The loss of regular income cripple your personal finance.
- Contingency can arise due to any non predictable reason like,
 - Job Loss
 - Business loss
 - Economic Recession
 - Pandemic etc.



Why to plan for contingency

- Contingency can arise anytime.
- Planning for contingency can help you to protect your long term investments.
- Provides the cashflow when the income stops due to contingency.
- Any unplanned expenses can be managed.



Create emergency fund

- How much Emergency Fund?
 - Minimum - 6 * Monthly Expenses
 - Upto - 12* Monthly Expenses
- Monthly expenses includes
 - Household expense
 - Insurance Premium
 - School Fees
 - EMIs
 - Medical expenses



Where to invest for emergency fund?

Emergency fund should be build by investing into avenues with following characteristics,

- High Liquidity
- Low Risk



Ideal choice

BUILD EMERGENCY FUND THROUGH

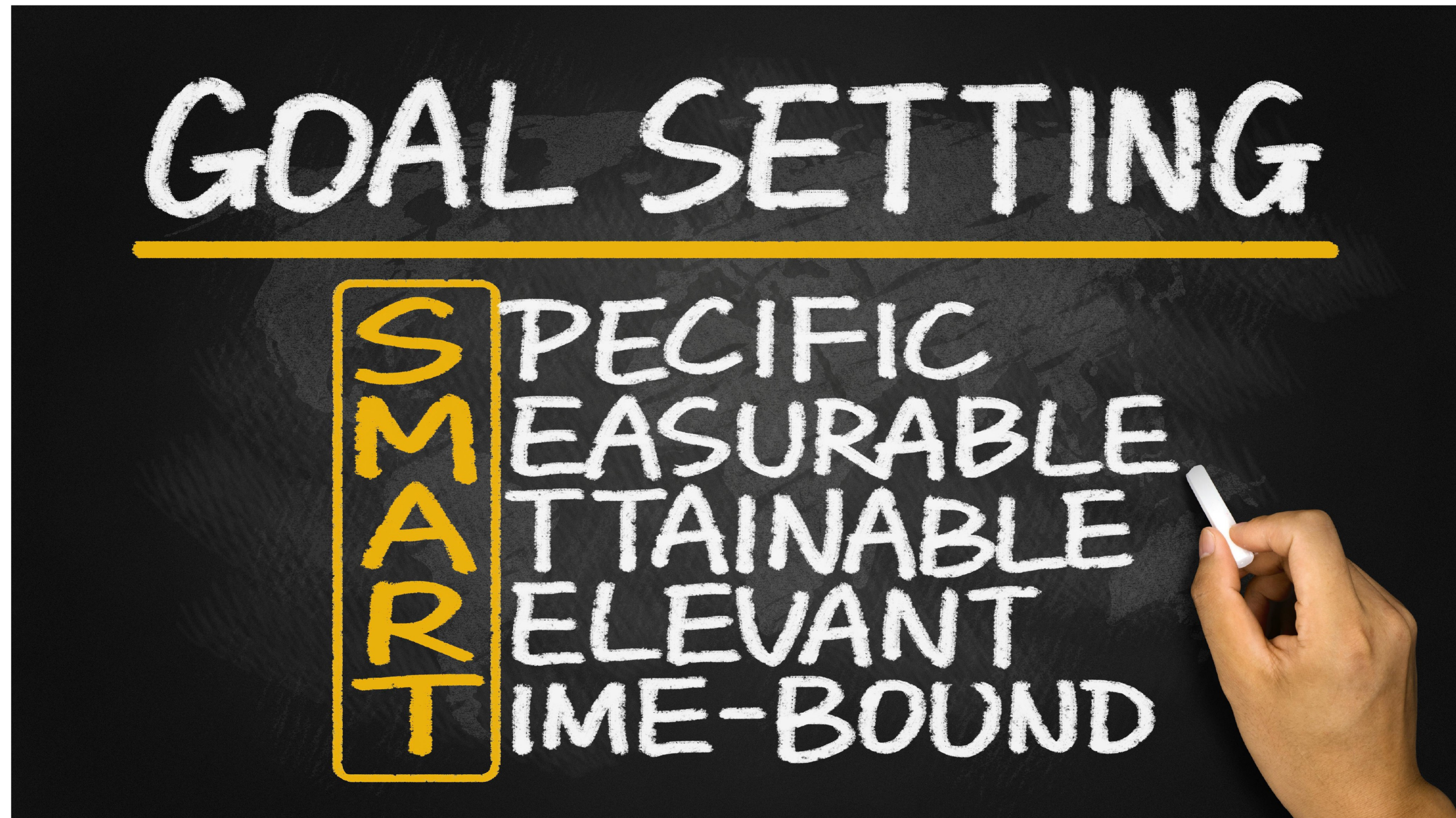
Liquid fund



Goal based investing



Goals should be S.M.A.R.T.



How to set SMART goals?

- Answer the following questions
 - For what will you need money?
 - When will you need money?
 - How much money will you need?
 - Can I achieve it with reasonable assumptions?



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Marriage fund for kids - Example

Current
Marriage
expenses
Rs. 20 Lacs



Future
marriage
expenses
Rs 63.44 Lacs

*after 15 years at assumed inflation of 8%

How much to invest

Option 1
Monthly
investment
Rs 13,330



Option 2
Lump-sum
investment
Rs 11,59,086

*after 15 years at assumed inflation of 8%, expected return 12%

Retirement planning

Current
Monthly Exp
Rs 25,000



Future
Monthly Exp
Rs 1,16,000*

*after 20 years at assumed inflation of 8%

Find out required retirement corpus

Considering 20
years of
remaining life
expectancy



Retirement
corpus required
will be

Rs. 2.89 Cr

*after 20 years at assumed inflation of 8%, post retirement inflation 6%, Risk free rate of return 6%, Return on investment till retirement 12%

To achieve the corpus

Monthly
investment
required
Rs. 30,402



In case of
sip with 10%
yearly topup
Rs. 15,515

*after 20 years at assumed inflation of 8%, post retirement inflation 6%, Risk free rate of return 6%, Return on investment till retirement 12%

Divide goals based on time

Short Term

Medium Term

Long Term

upto 3 years

3 to 5 Years

>5 years

*after 20 years at assumed inflation of 8%

Product selection

Short Term

Medium Term

Long Term

upto 3 years

3 to 5 Years

>5 years

Mainly Debt

Hybrid

Equity

*after 20 years at assumed inflation of 8%

The most crucial aspect

Take the help from
Professional Person

Why professional?

- They help you to identify and set SMART goals
- They help you to create the ideal plan
- They help you to choose the right product for you from hundreds of options available based on your requirement
- They help you to stay on course



Let's plan...

**Long term thinking and planning enhances short term decision making.
Make sure you have a plan of your life in your hand, and that includes the
financial plan and your mission.**

