

EVERYTHING YOU SHOULD KNOW ABOUT

# Financial Planning

What, why & How?

## Areas covered

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



# 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.



Planning for  
uncertainty



Contingency  
planning



Goal based  
investing

# What is financial planning?

Failing to  
plan is  
planning to  
fail.

Allen Lakein

QuotePixel.com



## Benefits of planning

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



## Step 1 – plan for uncertainty



To protect  
Your family's  
future  
From  
uncertainty



To protect your family,  
Buy sufficient Life  
insurance cover

## Term Plan

Go for it!



# Benefits of Term Plan







To protect your financial  
freedom from medical  
contingencies

## Family Floater

Go for it!

How to ensure **sufficient** cover

Family Floater **Basic** plan  
+  
Family Floater **Super Top-up** plan



# What is super topup?



Option of buying top-up insurance along with your current health insurance policy.

# Comparison

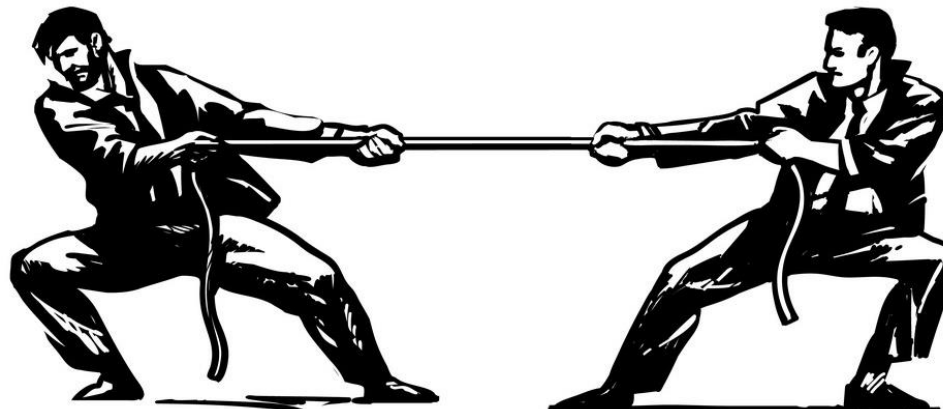
*Family of 4 people including 2 adults (Age 36 & 37) and 2 children ( Age 5 & 10 years)*

## Basic Plan

Basic Family Floater	
Sum Assured	25 Lacs
Premium	<b>Rs 36000*</b>

## Basic + Super

Basic + Super Topup	
Sum Assured	Rs (5+20) Lacs
Premium	<b>Rs 20,400*</b>





To protect financial loss  
arising due to accident

# Personal Accidental Insurance



Go for it!



To protect financial loss arising due to damage to property due to fire & other natural calamities

## Fire & Burglary Insurance

Go for it!

## Step 2 – plan for contingency



To protect  
Your family's  
future  
From  
contingency



## Create contingency fund



Build the contingency corpus to protect your finance from sudden job loss or recession

**Create  
contingency  
fund**

# How much contingency fund

Depends on nature of your job/business



## Where to invest

- Liquid assets
- With low risk
- Flexibility to withdraw anytime



Investing without setting clear goals, is just like playing a foot ball without having a goalpost, you shall run and kick a lot but shall not score anything.



## Step 3 – Set financial goals

### Buying home



### Buying a car



### Child's education



### Marriage



### Family Vacation



### Your retirement



# Set smart goals

Specific

**S**  
**G**

What do you want to do?

Measurable

**M**  
**O**

How will you know when you've reached it?

Achievable

**A**  
**A**

Is it in your power to accomplish it?

Realistic

**R**  
**L**

Can you realistically achieve it?

Timely

**T**  
**S**

When exactly do you want to accomplish it?

Ask these **questions** to yourself

**Why**

- Why do I need money?

**When**

- When will I need money?

**What**

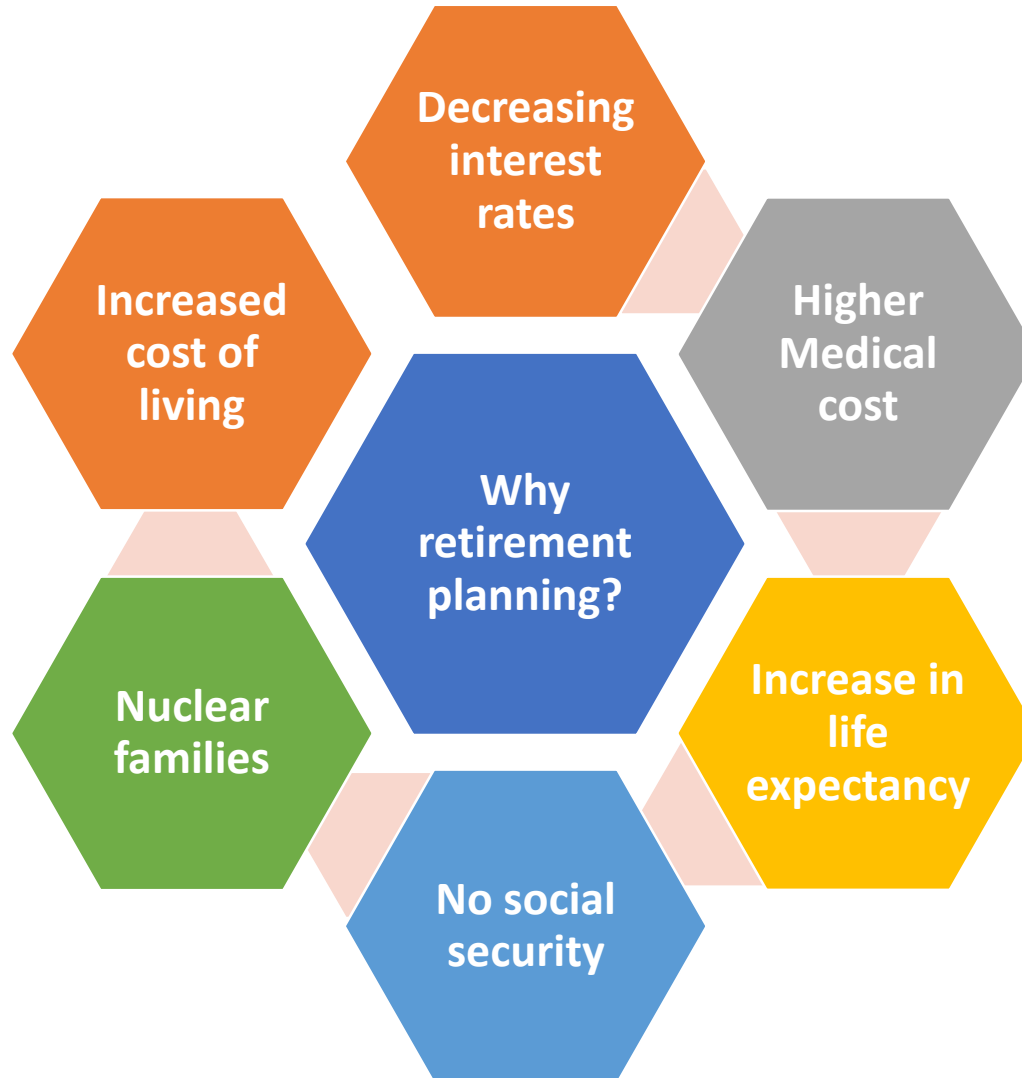
- What the exact amount will I need?

**How**

- How will I achieve that amount?

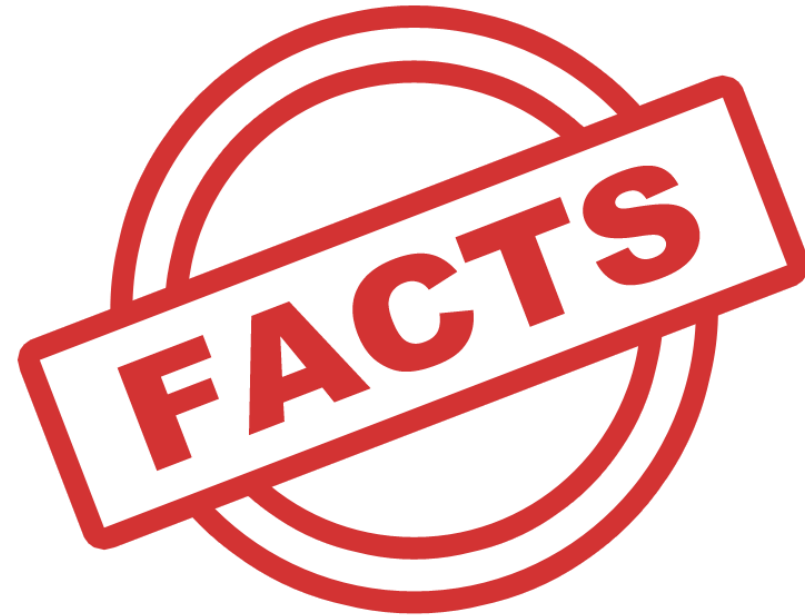


# Pay yourself first



## Some **shocking** facts

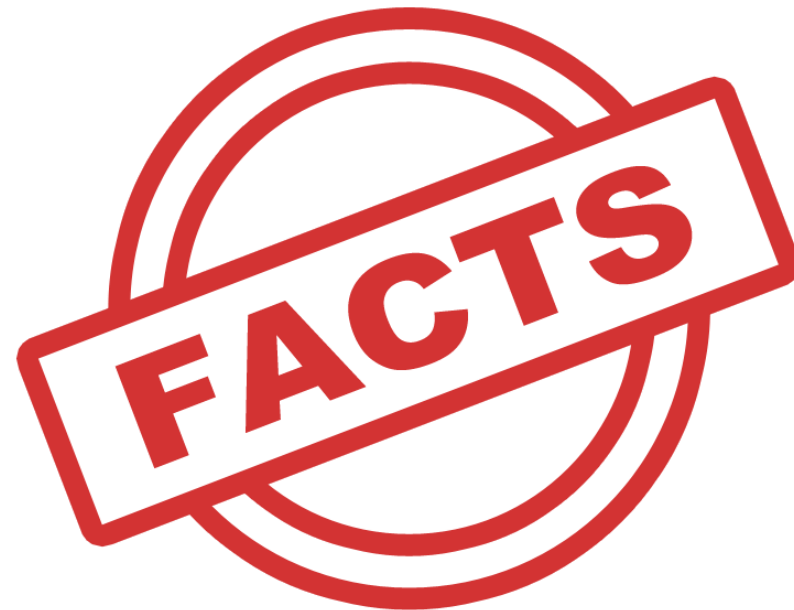
- Life expectancy in India will touch at 74 years and above by year 2050
- Less than 7% of Indians are financially independent post retirement



*Source: Various sources*

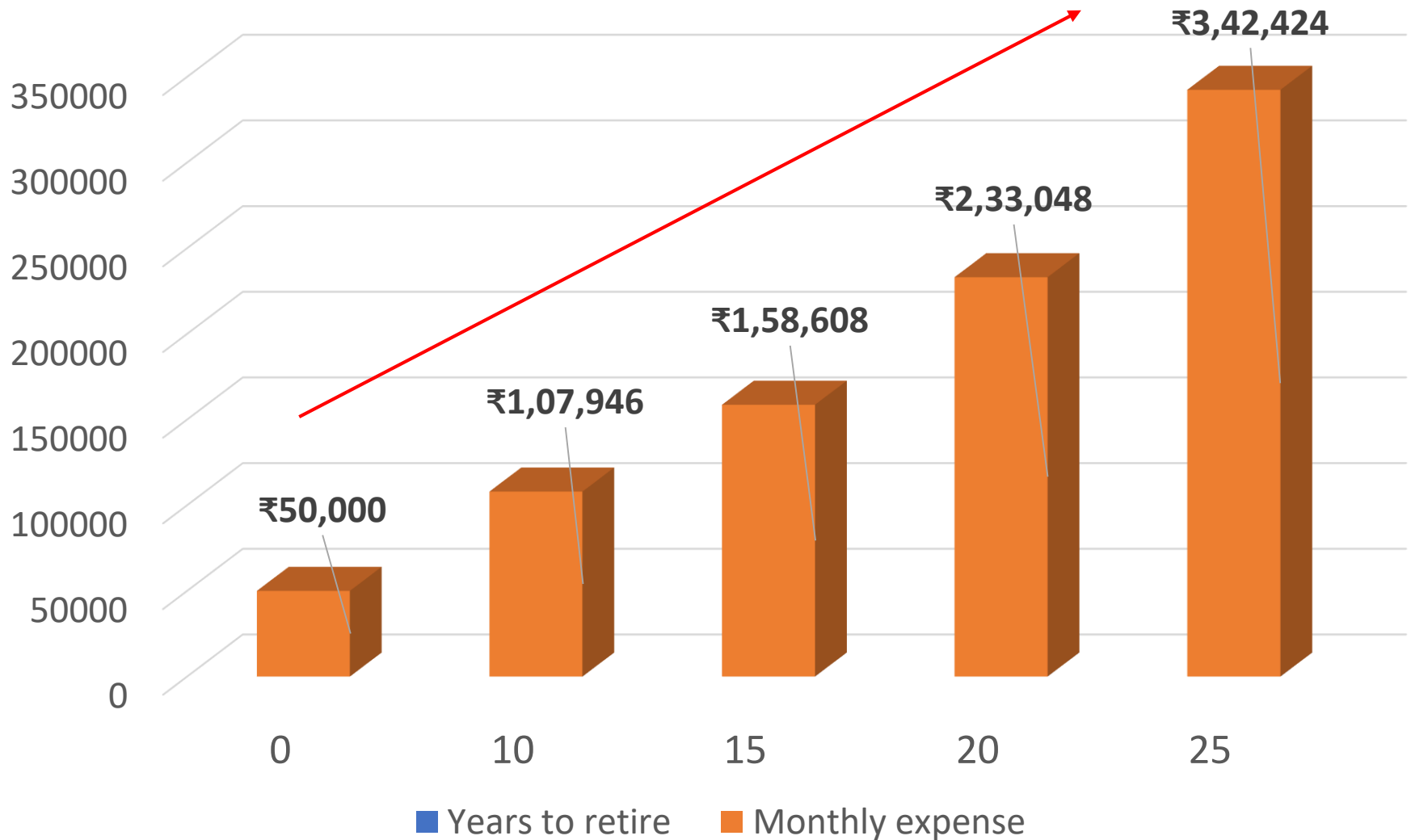
## More facts

- 87% of Indians have no committed saving plan for retirement.
- 7 out of 10 people expect the financial support from their kids after retirement



*Source: Various sources*

## Monthly expense at your retirement



## Retirement corpus – case study

Your Age	30	Pre retirement return	15%
Retirement Age	60	Post retirement return	10%
Life Expectancy	75	Inflation	8%
Current Monthly Expense	₹ 35,000	Monthly expense after retirement	₹ 3,52,193
<b>Retirement Corpus required</b>			<b>₹ 5,59,28,683</b>
Lumpsum investment required	₹ 8,44,694	SIP amount required	₹ 9,931

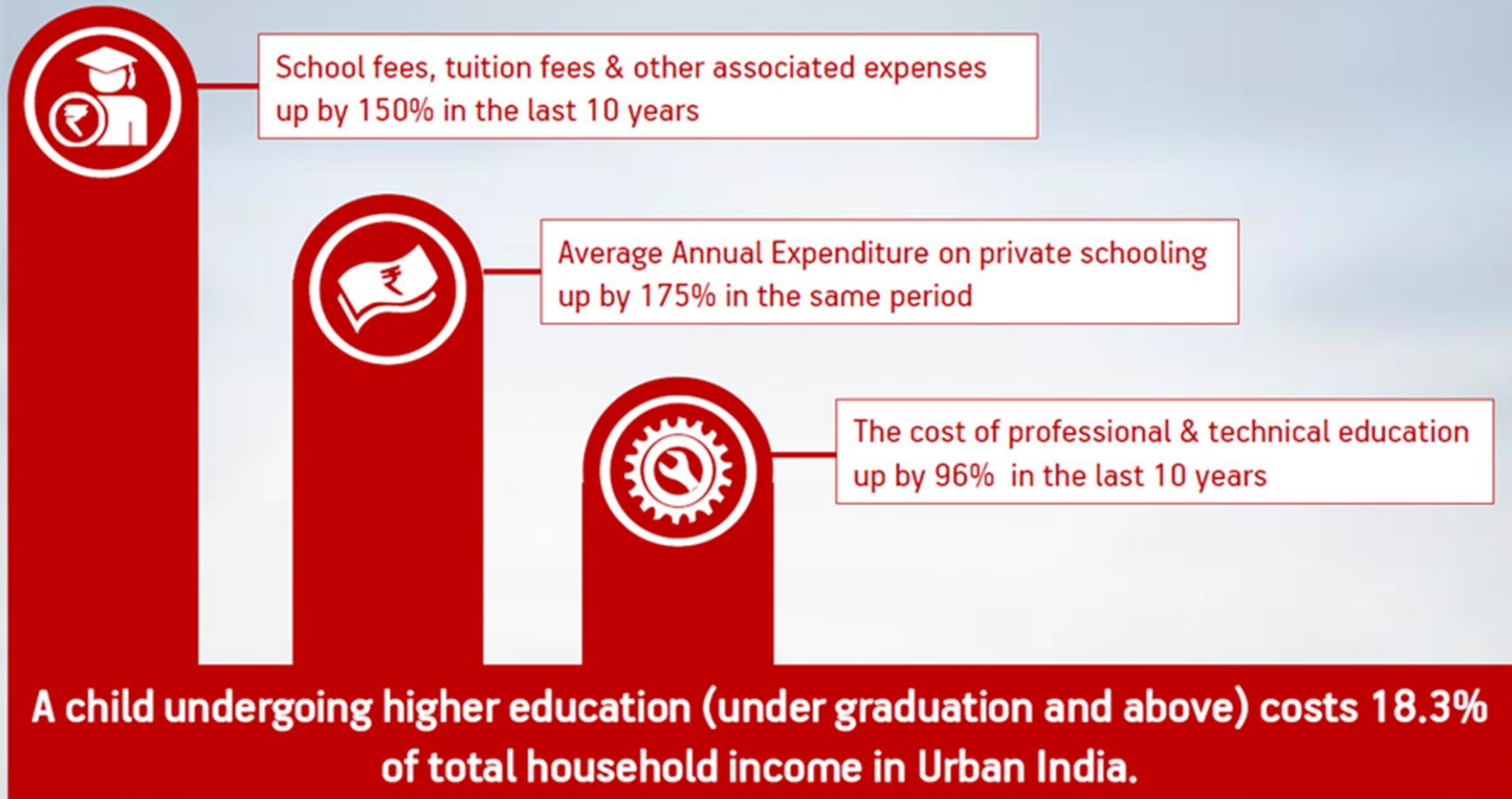
## Retirement corpus – case study

Your Age	30	Pre retirement return	15%
Retirement Age	60	Post retirement return	10%
Life Expectancy	75	Inflation	8%

<b>Retirement Corpus required</b>			<b>₹ 5,59,28,683</b>
Expected return	8%	12%	15%
Monthly Investment required	₹ 39,453	₹ 18,153	₹ 9,931

# Higher education for your child

Are we prepared to meet the rising educational costs?



Source: ABSL AMC



To give you an **idea**


## Expected fees of MBA after 20 years considering 10% inflation

MBA course	Current Cost	Expected fees
Domestic Premium B School	Rs 22 Lacs	Rs1.49 Cr
Domestic Top Management Institute	Rs 40 Lacs	Rs 2.69 Cr
International Premium Business school	Rs 52 Lacs	Rs 3.49 cr

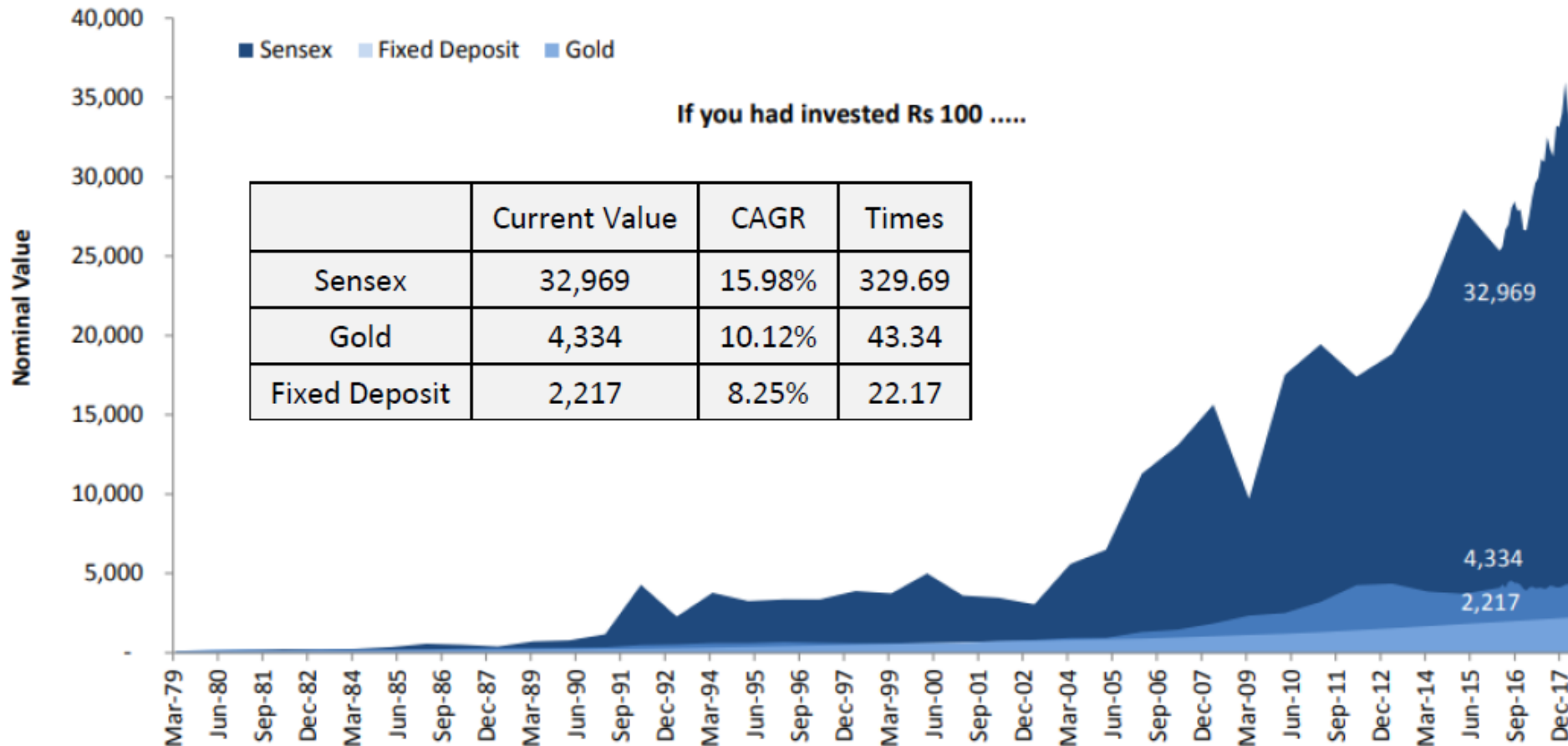
*MBA fees in top institute has risen from Rs 5.5 Lacs in 2008-09 to Rs 22 Lacs in 2018-19, a hike of **15% per annum***

Source: ABSL AMC

# Kids education planning

Kids Age	<b>8</b>	Hig Edu. After years	<b>13</b>	Inflation	<b>10%</b>
			Current cost of Education	Future Cost	Monthly investment required @ 15%
			<b>₹ 10,00,000</b>	<b>₹ 34,52,271</b>	<b>₹ 7,758</b>
			Expected return	<b>8%</b>	<b>10%</b>
Monthly Inve. Required	<b>₹ 12,834</b>	<b>₹ 11,137</b>	<b>₹ 9,648</b>	<b>₹ 7,758</b>	<b>₹ 6,223</b>

# Choose right asset class



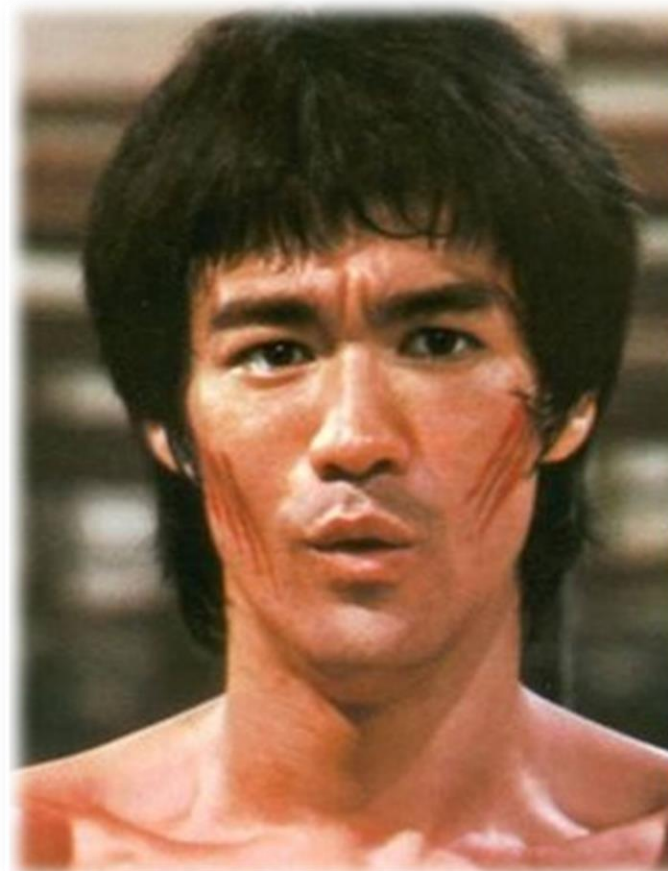
**Source:** Bloomberg, MOAMC internal analysis, Data as on 31<sup>st</sup> March 2018

**Note:** The information herein is used for comparison purpose and is illustrative and is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future.

## Investing fixed amount every month in **Mutual Fund**



**Discipline** is the key

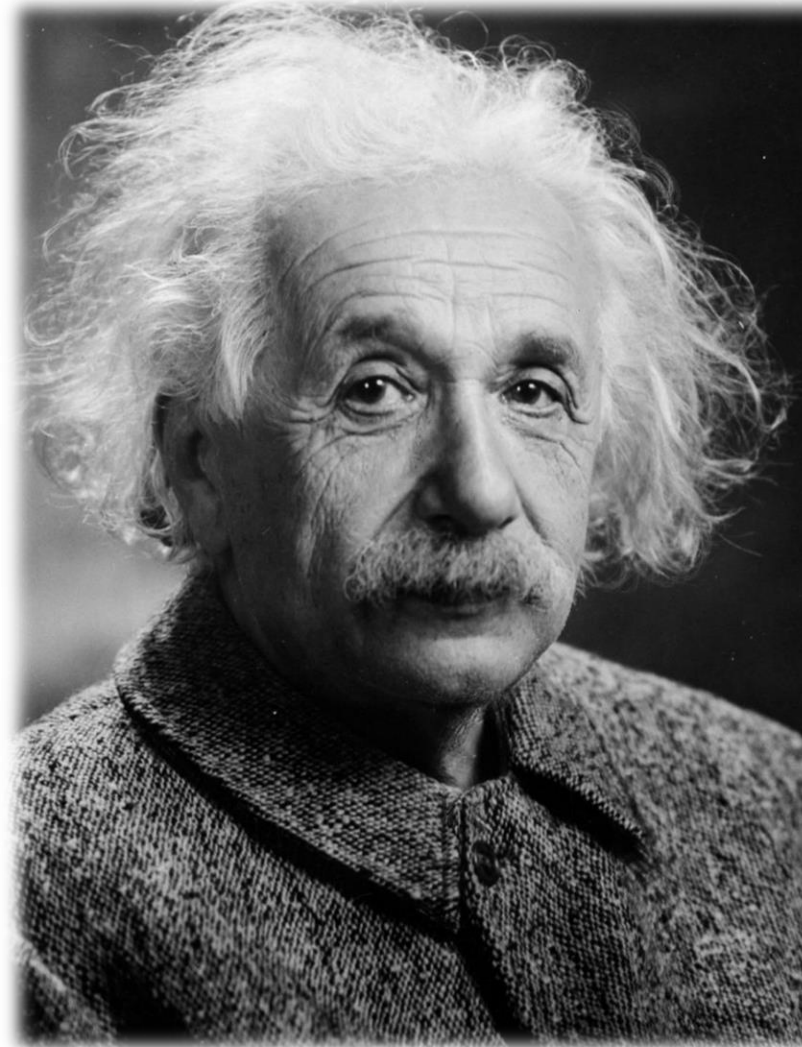


I fear not the man who has practiced  
10,000 kicks once, but I fear the man  
who has practiced one kick 10,000  
times.

— *Bruce Lee* —

AZ QUOTES

# 8<sup>th</sup> Wonder of world



"COMPOUND INTEREST IS THE EIGHTH  
WONDER OF THE WORLD.  
HE WHO UNDERSTANDS IT EARNS IT, HE  
WHO DOESN'T, PAYS IT."

- ALBERT EINSTEIN

**FENIUS**



# Long term track record

Particulars	15 Years	20 Years
Total no. of schemes	67	29
Highest Return (%)	22.96	24.21
Lowest Return (%)	10.13	12.53
Average Return (%)	16.19	18.63
Schemes with 20% + CAGR	4	10
Schemes with 15% + CAGR	48	24
Schemes with 12% + CAGR	63	29
Schemes with 8% + CAGR	67	29

All diversified equity funds which has completed 15 years and 20 years respectively as on 30<sup>th</sup> April, 2018



# Summary

- ✓ Plan for uncertainty
- ✓ Save for contingency
- ✓ Set SMART goals
- ✓ Start investing early



# Thank You