



# 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

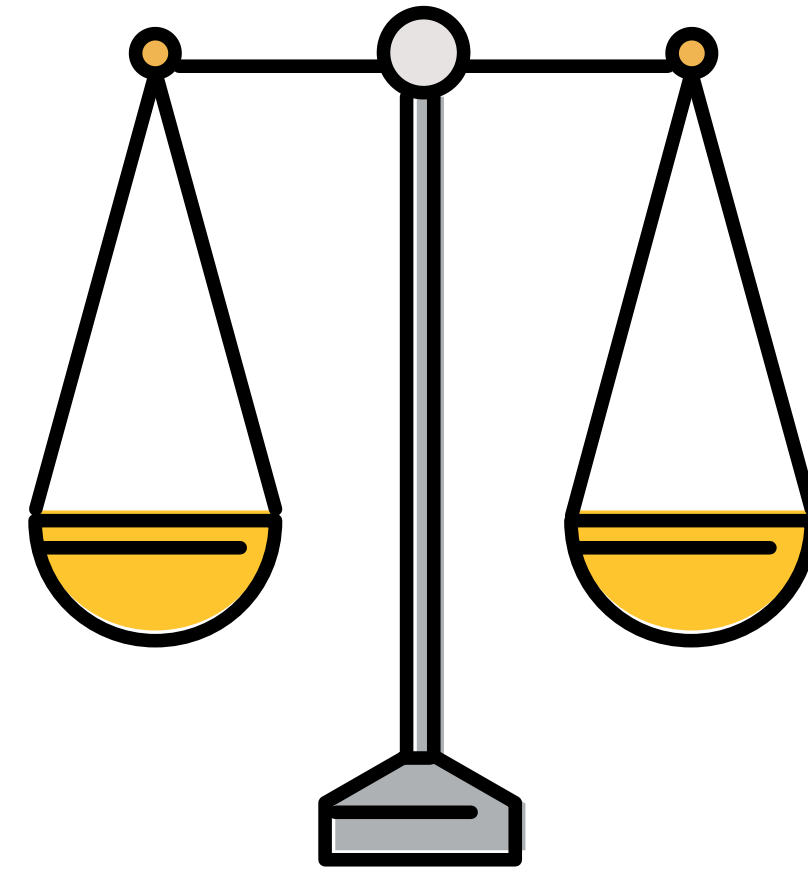
- Super Top-UP policy can be used in case of limit of basic deduction (cover of your basic family floater) is exhausted.
- It offers you financial relaxation in the event when your hospitalization claim bill crosses your sum insured under any other Mediclaim policy.





# 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.

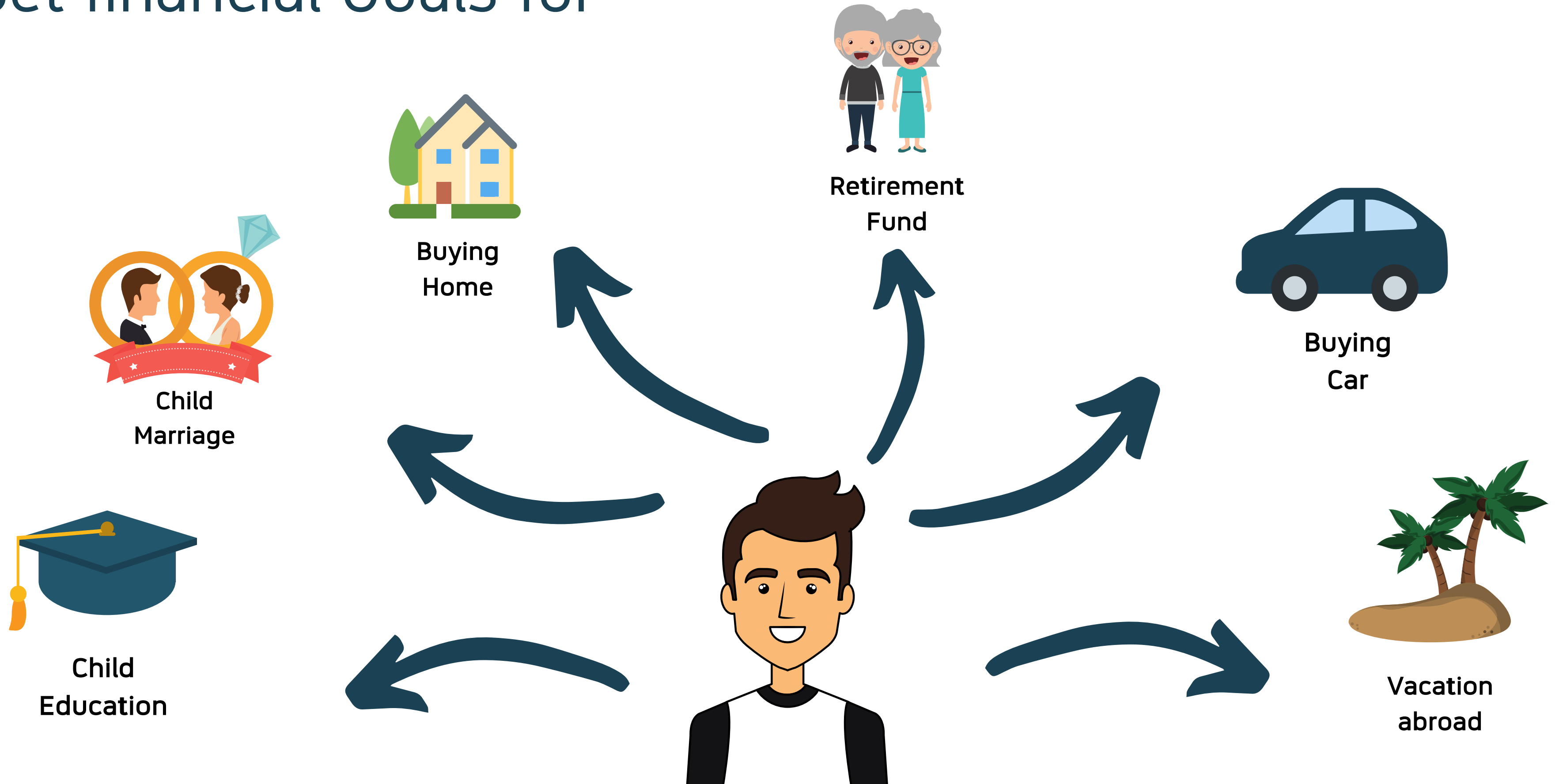


# How to set SMART goals?

- 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?



# Set financial Goals for





# Consider inflation





# Education planning

Current Post  
Graduation  
expense  
Rs. 10 Lacs



Future Post  
Graduation  
expense  
Rs 21.58 Lacs

\*after 10 years at assumed inflation of 8%



# Find out how much to invest?

Option 1  
Monthly  
investment  
Rs 9,636



Option 2  
Lump-sum  
investment  
Rs 6,95,116

\*after 10 years at assumed inflation of 8%, return expectation 12%





# 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.



