Expert role of CAs in a financial planning to help enrichthe society!

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In this article we will be discussing significance of financial planning, how every individual must – must make effective use of money and why/how the professional may consider this as another unique area of service to use their expertise for

Abstract:

Many people assume that, in order to be able to rich you simply need to have moneyat the end of the month but this isn't truth.

One need to know having money doesn't make us rich it is what we do with it that would turn into wealth. Whether we earn less or a lot, we must need there are ways to improve your finances and for it you need to have financial planning.

Financial planning is something that we all do, it is not necessary that the pattern must be same for all but if I am wishing a stable standard of living even afterretirement or there this guy saving a specific portion of his income for near future is nothing but a financial planning.

Yes we all know saving money is a good habit, but what we need to know is that one must always have a purpose for which you are saving your hard earned money. Saving without purpose will make us lose our money in the long run.

For instance, I have Ten thousand in my account and I leave it there for next twenty years, that saved money will have lesser purchasing power due to inflation, this is one of the reason one must expand their reach to getting familiar with the financial tools. One must saved money with a purpose for example saving money for providing down payment of your house, or for an

emergency situation but it is necessary to have a plan.

As you must know that Finance is something as a birth right for professionals like Chartered Accountant, so who could be better for the role of expert in financial planning.

How to have financial knowledge?

The internet is overflowed with various experts giving there expert knowledge over financial plan. Keeping up to date with financial trends even if you are not using it atthe moment is also good habit. This takes us to the one unique service that we chartered accountant can offer in the capacity of Virtual Financial Advisor.

Now, we know the already established service / role of professionals in the capacity of CFO stands of Chief Financial Officer in an organization. The responsibility of CFO typical involves tracking cash flow and financial planning and analyzing the company's financial strengths and weaknesses and proposing strategic directions. However remember there are 60% of our country's population forms the working age group, which brings a huge responsibility upon us as professional who can provide their expertise in finance planning to every individual who may require assistance in the same.

Starting with making them, understand the financial tools to putting a sound financial plan and assist in executing the same, the chartered accountant can do all.

But what are these **financial tools**:

There are certain ways which helps in growing our finances for instance, Mutual funds, stocks, bonds, bank account, and there are such ways that serves as a robust cushion support to financial state for instance life insurance, educational plan, pension plan, property insurance, life/ health insurance, travel plan, business capitalplan, etc. (*The same are explain further in detail*)

The former tools provide growth and compound the value of money over the time whereas the later tools helps in either lump sum or partially cash infusion to the person/his family/his business.

Introduction:

Every individual uses his intelligence, works hard and strives his best to create wealth for himself and his near and dear ones. Wealth has the ability to help you experience life at its fullest. Although a universal concept that wealth is the most important aspect of a most fulfilling life, yet not many individuals know how to create it. Many of the most educated individuals feel that earning money is same as creating wealth. The truth is wealth and money are two different concepts. **Wealth is generated and income is earned.**

To be wealthy one must use his money wisely and use the unused money wisely.

T T Munger US's Saving Expert said

"***The habit of saving is itself an education; it fosters every virtue, teaches self- denial, cultivates the sense of order, trains to forethought, and so broadens the mind***."

The true wealth creator is the one who uses his money to create ssets that create more money. As an intelligent being created by God, we human beings have been gifted to create wealth by using our hands and intellect. From the days when human life was nomadic to the present day of technology, the quest for creating wealth has never diminished in human beings. Although creating wealth has been since history, its also seen that there has been disparity of income between all the people of society. This gap has widened over the period of time. This brings us to an importantquestion as to what differentiates a rich man from poor?

We have heard of numerous turnaround stories where we have seen that with lot of persistence and hard work wealth was created by an individual who came for very meagre backgrounds.

All the people who created wealth, knowingly or unknowingly had planted a seed of financial planning which they nurtured throughout their life to bear the fruits of wealth.

The concept of financial planning is neither new nor does it apply to only wealthy people in society. In fact it has been in our society since time immemorial and has benefitted several people through various generations.

A financial plan is a detailed journey taken by an individual from the point of a desire to the achievement of that desire. For example if you desired to own a house of your own, the journey of financial planning begins at that very time and ends when you have actually brought that house.

What is Financial Planning?

It is a process that uses your financial resource to satisfy your financial goals. In short, it helps you plan the use of your money to meet your needs and retainsomething for rainy days.

Who need's financial planning?

There is no discretion as to who is classified to plan their finances. It applies to everyone who uses money to survive in this world, the difference lies only in their scale and level of income, investments and expenses.

Does every one plan their finances?

Not really, cause they hardly know what it means to plan their finance and hence always have reasons to postpone it. And people who have done have not just been fair with their money, but have also generated wealth for themselves and their generations.

How does Financial Planning help?

a. Steps in Financial Planning

While Financial Planning is a process of planning your finances, there are certain things you need to know before you could proceed with the planning phase. The factors to consider before financial planning have been in 4 steps below. A fair understanding of these four steps are sure to make the financial planning process more meaningful

- **Knowing Your Financial Goals**

Financial goals of an individual define what he or she would like to achieve in terms of money over a period of time. Some examples of financial goals are

- Buying a residential property worth 3 crores in April 2023
- Saving Rs. 60 lakhs for daughter's marriage expenses in 2030
- Purchasing a resort worth Rs. 1 crore in Kerala
- Planning for a retirement income of Rs. 6.lakhs per monthstarting 2030
- Repaying Housing loan worth Rs. 35 lakhs in 5 years startingfrom 2021
- Purchasing Gold worth 5 lakhs in 3 year's time
- Saving Rs. 10 lakhs for renovating the independent house inDelhi in 2 year's time

These goals can be divided into Short Term, Medium Term and Long Termdepending upon the means available to support them

- **Knowing Your Financial Position**

Cash Flow Statement

A statement that gives details about how much money you received, how much you spend and how much you save is called the Cash Flow Statement.

A cash flow statement consists of details pertaining to cash received and cash paid during the years irrespective of the year to which it belongs. All payments made by way of cash or through bank are considered and payments made from all bank accounts are considered. The payments could be for expenses, repayment, investment and loan everything is considered. The balancing figure is generally allocated among bank balances and cash in hand.

This statement is a basic document to be prepared in case of individuals who do not maintain proper books of accounts. From the details available in this account a Statement on Income and Expenditure and Balance Sheet can be prepared.

Statement on Net worth

A Statement on Net worth provides a quick looks at your financial situation at a certain point of time. It gives details about your assets, liabilities, and the difference between the two is your net worth. In short it tells you how much money you will be left with had you paid of all your liabilities with the help of money from your assets (cash generated by way of interest or by sale of the asset).

Sample Net worth Statement

	Mr. Vijay Kulkarni
Liquid Assets	Rs.
Savings Account	5,00,000
Fixed Deposit with Bank	3,00,000
Liquid Fund	-
Cash	50,000

Invested Assets	
Stocks	1,00,000
Mutual Funds	2,00,000
Bonds	1,00,000
PPF	5,00,000
Gold	3,00,000
Real Estate – Land	25,00,000
Other Assets	
House	50,00,000
Car	5,50,000
Total Assets (A)	**98,00,000**
Liabilities	
Home Loan	40,00,000
Car Loan	2,00,000
Total Liabilities (B)	42,00,000
Total Networth (A-B)	56,00,000

Investment Calculations

Investment calculations involve preparing a schedule for saving target one wishes to reach keeping their long term goals in mind. While preparing these figures one has have in mind the Time value of money concept, for we all know that a rupee earned today is far more valuable than a rupee earned tomorrow. Also it will be of interest to reader to know the magic Compounding Interest can create.

Compounding Effect

People with very limited income have been able to save around 3 to 4 crores by investing in equities over a period of two to three decades amounts in the range of 10, 50 and 500.

The idea behind preparing a Cash Flow Statement or a Networth Statement is for the investor or the individual to understand his position and what exactly he does with money he earns or receives. Where an individual has savings in lakhs of rupees earning an interest of about 6 % , it will be worthwhile to pay off his loans taken at the rate of 16% from the savings held, instead of retaining the savings and repaying the loan with interest.

- **Knowing Your Risk**

Every individual born in this world has some kind of risk to face. While some of them are not man made choices while the others are. On this basic we can divide the risk into General Risk and Risk of Choice

- **General Risk** – General risk includes loss of life, loss of property, disability, risk of health and few other uncalled for liabilities
- **Risk of Choice –** This risk is concerned with the choice we make as far as our investments are concerned, in other words we can also called a Financial Risk.There can be a loss or a gain. In case of business ventures, and professional practice, the environment can be favourable or adverse. It also includes the risk of investing in equities, gold and real estate

- **Know Your Investments**

Now, having had a fairly good idea about your goals, your financial position and the possible risks you are about face, it's time to evaluate how to put the money you

have saved into use and also to decide what percentage of money saved will beinvestment to meet your Short term, Medium term and Long term goals.

c. When should one opt for Financial Planning?

The moment one begins earning money or has property to manage, one should optfor Financial Planning.

How does financial planning work for you?

You are the focus of the Financial Planning process. As such, the results you get from working with a Financial Planner are as much your responsibility as they are those of the Planner. To achieve the best results from your Financial Planning engagement, you will need to be prepared to avoid some of the common mistakes shown above by considering the following advice:

- Set measurable goals

  Set specific targets of what you want to achieve and when you want to achieve results. For example, instead of saying you want to be 'comfortable' when you retire or that you want your children to attend 'good' schools, you need to quantify what 'comfortable' and 'good' mean so that you'll know when you've reached your goals.

- Understand the effect of each financial decision

  Each financial decision you make can affect several other areas of your life. For example, an investment decision may have tax consequences that are harmful to your estate plans. Or a decision about your child's education may affect when and how you meet your retirement goals. Remember that all of your financial decisions are interrelated.

- Re-evaluate your financial situation periodically

  Financial Planning is a dynamic process. Your financial goals may change over

the years due to changes in your lifestyle or circumstances, such as an inheritance, marriage, birth, house purchase or change of job status. Revisit and revise your Financial Plan as time goes by to reflect these changes so that you stay on track with your long-term goals.

- Start planning as soon as you can

  Don't delay your Financial Planning. People, who save or invest small amounts of money early, and often, tend to do better than those who wait until later in life. Similarly, by developing good Financial Planning habits such as saving, budgeting, investing and regularly reviewing your finances early in life, you will be better prepared to meet life changes and handle emergencies.

- Be realistic in your expectations

  Financial Planning is a common sense disciplined approach to managing your finances to reach life goals. It cannot change your situation overnight; it is a life long process. Remember that events beyond your control such as inflation or changes in the stock market or interest rates will affect your Financial Planning results.

- Realize that you are in charge

  If you're working with a Financial Planner, be sure you understand the Financial Planning process and what the Planner should be doing. Provide the Planner with all of the relevant information about financial status. Ask questions about the recommendations offered to you and play an active role in decision-making.

Exercise

a. Write your financial goals and the time when you want to achieve them. Write every goal as much detail as possible. Consider everything including the provisions you would have to make for your parents and siblings along with

your spouse and children. These include mediclaim policies, critical illness policies etc.

b. Write all your current assets and liabilities. Write for every penny that you have in the form of cash and investments, your PF account balances, stocks, shares etc.

NECESSITIES OF FINANCIAL PLANNING

Like mentioned earlier financial planning is the single most effective tool to create wealth for yourself. It is the means through which we can move brackets from different income levels and help us achieve financial goals.

In fact it is seen that some kind of financial planning exists at all levels in society. Even a person in lowest income group makes plan for securing his child's future. He works diligently and saves for their college fees. Thus every person makes a plan only the level and degree of the financial assets change with the level of income.

Also it is seen that financial planning is a very crude activity even in household with many assets and higher income levels. Most of the times it is left unattended and is considered an activity to be done after retirement. However studies have shown that a person who has a financial plan in place attains many more financial goals than one who does not have any goals. Following are the reasons why financial planning is necessary:

- Cash Flow: Financial planning helps in increasing cash flow as well as monitoring the spending pattern. The cash flow is increased by undertaking measures such as tax planning, prudent spending, and careful budgeting.
- Capital: A strong capital base can be built with the help of efficient financial planning. Thus, one can think about investments, and thereby improve his financial position.
- Income: It is possible to manage income effectively through planning. Managing income helps in segregating it into tax payments, other monthly expenditures, and savings.
- Family Security: Financial planning is necessary from the point of view of family security. The various policies available in the market serve the purpose of financially securing the family.
- Investment: A proper financial plan that considers the income and expenditure of a person, helps in choosing the right investment policy. It enables the person to reach the set goals.
- Standard of Living: The savings created by through planning, come to the rescue in difficult times. Death of the bread winner in a family affects the standard of living to a great extent. A proper financial plan acts as a guard in such situations, and enables the family to survive hard times.
- Financial Understanding: The financial planning process helps gain an understanding about the current financial position. Adjustments in an investment plan or evaluating a retirement scheme becomes easy for an individual with financial understanding.
- Assets: A nice 'cushion' in the form of assets is what many of us desire for. But many assets come with liabilities attached. Thus, it becomes important to determine the true value of an asset. The knowledge of settling or canceling the liabilities comes with the understanding of our finances. The overall process helps us build assets that don't become a burden in the future.

- Savings: It is good to have investments with high liquidity. These investments, owing to their liquidity, can be utilized in times of emergency and for educational purposes.

ELEMENTS OF FINANCIAL PLANNING

A financial plan is a comprehensive plan which takes into consideration the long term and short term financial goals of an individual. A good financial plan should be integrated with your personal goals and should be orchested with various stages of your life. This makes sure that you have financial backing at every important milestone in your life. Example planning for your wedding is an important milestone of your life and to back it with finances is the financial goal. Unless it is perfectly orchested to match of time is made between the two, the there is no smooth sailing of your personal goal.

Each element of the financial plan is essential to create the perfect tune of happiness and contentment in your personal and financial goal. So here are important elements of a perfect symphony.

Cash Flow Planning

Understanding your cash inflows ie your earnings from various sources like salary, rental income etc and cash outflows like living expenses, income taxes and savings is an important first step in the financial planning process. Prepare a statement of all the cash flows. Special mention here is that there may be some cash flows like interest on fixed deposits or on National Savings Certificate which you must include in your cash inflows. While writing cash outflows list your expenses in as much detail as possible. It is often better to consider expenses for next 6 months so that they can be planned for now. **Retirement Planning**

Financial independence is a common goal; often defined as having the ability toenjoy life and do as you wish without financial concerns. Advances in medical

technologies and research have resulted in people living longer; many will spend as many years retired as they spent working. While an active and longer life is desirable, it comes with certain challenges that need to be addressed. Inflation, taxation, and rising health care costs are some of the factors that need to be taken into account when determining how best to achieve financial independence.

Retirement planning should provide for medical expenses and other care which is required with aging.It should consider expenses for regular checkups and preventive check ups. Retirement life is also for travelling to different places if you like travelling and have postponed it for lack of time during youth , plan for travel expenses extensively. Take into consideration that annual vacation with your family at an foreign destination and spiritual travel.

Your retirement planning should keep you financially fit even after your regular stream of inflows have stopped. This is very crucial as fixed incomes as often threatened by inflation, taxation policies of government and changes in interest rates .Keep a tab on all these factors.

Investment Planning

Most of the times we keep accumulating investments without knowing their purpose

In India even the most educated youth does have no or very little financial literacy. He is often seen buying investments or insurance policies to decrease his tax burden.But a good financial plan is about investing with a purpose. Your portfolio should have a specific purpose. Therefore there must be a financial plan in place to meet those specific goals. Also it is important to understand you risk appetite. Risk tolerance is very personal and differs from one individual to another. So understanding your risk tolerance helps you choose investments wisely. Using

techniques such as asset allocation, diversification, and creating a bond ladder for your cash needs allows you to reduce risk. The goal of this structured approach is to reduce risk as well as the impact that the volatility of the market can have on your portfolio (and your emotions). It also intends to provide flexibility and balancewithin your portfolio

Insurance Planning

The best of financial plans can fail if exposed to risks such as premature death, disability, or the need for long-term nursing care. Additionally, in this increasingly litigious environment, it is imperative to have adequate personal liability protection. By evaluating and understanding these risks, one needs to develop and implement a strategy to reduce the potentially devastating effects the unexpected can have on your financial wellbeing.

Estate Planning

The purpose of estate planning is to ensure that your wishes (as it pertains to prolonged medical care, for example), as well as your assets (who inherits what) are protected when you are no longer in control, either because of illness or death. It also provides comfort to your heirs that they are carrying out your desires the way you intended.

INCOME PLANNING

Income means any money received for work or through investments. It is usually received at a fixed interval of time. For salaried people income is received in the form of salary which is received at the end of each month. In such cases the amount is fixed and the interval is also fixed. In case of business and professionals the income is variable and the interval between the two receipts is also variable.

Money is one of the most essential elements of life. It is your ability to pay that defines the quality of life. Each one of us deserves to be rich and lead a fulfilling life. However we have negative beliefs towards money that it is bad to have lots of money. But Napoleon Hill in his book" The science of getting Rich" says that it is the fundamental duty of every human being to be rich so that we contribute towards thewealth of the entire mankind. The only condition is that the money earned should come from a legitimate source and should be pure money.

As individuals we may have more than one source of income. The source s of money may be in the form of salary, income from business, income from profession, income from investments, income from hobbies, income received as honorarium. In fact the more the sources of income the greater is your cash flow and in turn more money is available for investment into your financial goals.

How to procure money/Income

Procuring money is simply earning money for ones needs. All of us procure money from various sources. Employment, self-employment, entrepreneurship, business are some of the many forms of earning money. It is widely understood that in order to have money one has to procure it (earn it).

Unfortunately majority of the people believe that financial planning is all about earning money. In short what they look forward is knowing about ways of earning money. Undoubtedly earning money or procuring it is the first step in financial planning but it is not all. The planning begins only after procuring it.

There are two ways of procuring money

1. Active Procurement
2. Passive Procurement

When we spend our time and put in hard work to earn money, be it an employment or business, this kind of earning is classified as Active Procurement of Money.

“Passive Money” is when you invest money retained with you in business ventures or investment avenues where others work to earn money for you. Therefore whether or not you participate, the money you invest is put to work and in turn fetches an earning for you. It becomes absolutely important on those rainy days when your active participation is not available.

While in the first instance you work for money, in the second one, you make money work for you. In both instances, you earn additional money. Therefore procuring money as a process does not stop with just income from employment or business, it also emerges from sound investment decisions.

Very few investors know and understand that one has to plan for Passive money even while making Active money. Such investor not just stay rich and self-sufficient, they also tend to show better financial stability when compared to those who sincerely believe in the concept of working hard for making money, but fail miserably in putting it to use.

Every financial decision is worthwhile provided due care is taken before putting money. Ad hoc decisions without research always end in losses. Financial prudence is all about checking yourself twice about the financial decision you are about to make, instead blindly following others or getting carried away by advertisements and sales person.

Understanding the nature of Income

It is essential to know the nature of income and becomes extremely important to determine their taxability, accounting, economical significance and finally the nature

of use they can be put to. Income earned can be regular or seasonal. The time duration indicates the regularity of income and whether the money received isincome or not.

Capital inflow of money is not taxed. Whereas money earned from services rendered, performing trade, exhibition of talent, from employment are generally taxed.

a. Regular Income and Seasonal Income

Whether Regular or Seasonal, money earned is income. This is different from gifts received, money devolving intestate, through will, lucky draw and the like. The timing of inflow of money does not alter the nature of money. Money earned is income, it can be earned by performing a service, trade, or investing money.

b. Active and Passive Income Earning Capacity

Money earned by one's personal participation is termed active income earning capacity and money earned without one's personal participation is termed Passive Income Earning Capacity.

c. Levels of Income

While so much has been discussed about money and income, it is the level of income that determines the nature of financial planning. Level of Income and Nature of Commitment are the two criteria that determine the nature and effectiveness of financial planning. A person earning Rs. 1,00,000 per month and committed to spend Rs. 85,000/month ends up saving Rs.15,000/month. While a person earning Rs. 60,000/month and having commitment to spend about Rs.30,000/month saves about Rs. 30,000/month. While the standard living and other such aspects are kept outside the purview of this discussion, ultimately what matters is not what you earn,but what you keep.

Preparation of Cash flow Statement:

A cash flow statement is one which records all the incomes of an individual. It should record all the sources of income and the amount flowing from each source and the interval at which the income is received. This will help an individual to makeallocations for achieving financial goals.

Cash flow statement of an Individual

Income source	Interval	Amount
Salary	monthly	Xxx
Rent from House property	Monthly	Xxx
Rent from shop let out	Monthly	Xxx
Interest on FD	Quarterly	Xx
Honorarium from Teaching at college	Half yearly	Xx
Income from attending music shows as a singer	seasonal	Xxx

INVESTMENT PLANNING

Investment planning refers to the process of creating passive money ie you make the money work for you. Investments can be classified into safe and risky ones. While safe investments earn lesser return, risky ones get greater returns.

Savings v/s Investing

In essence, the difference between savings and investment is that savings is simply idle cash while investments help your funds to grow over a period of time. One can meet his short term needs with his savings but to meet his long term goals, he needs to make investments. Savings primarily help to protect the principal while investments help to earn returns beyond the inflation rate.

The **investment objective**

There are 3 basic investment objectives:

- safety,
- returns and
- liquidity

It means that one would like the investment to be absolutely safe, while it generates handsome returns and also provides high liquidity. It is rather very difficult tomaximize all three objectives at the same time. A trade off is required. If one wants high returns, one may have to take some risks; or if one wants high liquidity, one may have to compromise on returns.

There are investment opportunities that are high on risk and there are investment opportunities that are low on risk. Each is called an asset class. An investor needs to allocate his savings to one or more asset classes depending upon his circumstances.

Investment Option	Returns	Liquidity	Safety	Active Involvement	Amount Required
Equity Shares	Low to High	Moderate to High	Low	Yes	Medium
Debentures	Moderate	Low	Moderate	No	Medium
PSU/FI Bonds	Moderate	Moderate	High	No	Low
RBI Tax Free Bonds	Moderate	Moderate	High	No	Low
Debt Mutual Funds	Moderate	High	Moderate	No	Low
Equity Mutual Funds	Low to High	High	Low	No	Low

Source: First Step to Investing A Beginner's Guide, Ministry of Corporate Affairs, GOI, 2011

Age of the Investor and Asset Allocation(Mix)

Perfect asset allocation is the one that suits your profile. A key factor in determining your investing profile is your age. Well age is not the only factor to take into consideration, you can manage your asset allocation according to your age.

While younger investors are better off with a portfolio featuring more stocks with greater growth opportunities. Older investors nearing retirement should prefer portfolios with a greater percentage of fixed income and reliable revenue streams with a very less proportion of stocks with their associated risks.

An asset allocation involves several rules of thumb. A common suggestion is to invest your age in bonds. Say you are a 40 year old, you may use a 40/60 (bond/equity) allocation. Though it might seem a little conservative for young people, it is a slightly risky adventure for people above 40 years.

Category and Criteria for Selection

There are parameters one should look at based on their individual status. The following can be considered a thumb rule for investing

	Students	Salary Earners-Private	Salary Earners-Government	Professionals	Traders	House wives	Retired Persons
Returns	VI	VI	I	VI	VI	I	I
Liquidity	LI	I	I	LI	LI	I	I
Safety	I	I	VI	I	I	VI	VI
Tax Savings	LI	VI	I	VI	VI	LI	LI

VI: Very Important I:Important LI: Less Important

Source: First Step to Investing A Beginner's Guide, Ministry of Corporate Affairs, GOI, 2011

Capital Market Investments

- **Equity Shares**

An appropriate investment avenue for an investor who is prepared to take risks for higher returns. Over the long term, returns from equity shares at aggregated levels are generally higher than most other avenues. (As on 31st March, 2011, the BSE Sensex had generated a compounded annualized return of 17.6 per cent over the last 10 years).

- **Debentures and Bonds**

There are three types of debentures**:**

- Non convertible debentures (NCD) – Total amount is redeemed by the issuerat a specified time
- Partially convertible debentures (PCD) – Part of the value is redeemed andthe remaining is converted to equity shares at a specified price and time
- Fully convertible debentures (FCD) – Full value is converted into equity at aspecified price and time

An ideal investment avenue for investors seeking assured and regular income. They typically offer interest rates higher than bank fixed deposits. Some bonds offer tax benefits to the investors

Primary Market - Purchase of Securities

An issue is calledan ***Initial Public Offering (IPO)*** when an unlisted company makes a fresh issue of shares or some of its existing shareholders make an offer to sell of part of their existing shareholding for the first time to the public. An IPO of fresh shares is made by a company when there is a need for money, for the purposes of growth-expansion or diversification or acquisitions or sometimes to meet its increasing working capital requirements.

What is Further Public Offering (FPO)?

When an already listed company makes a fresh issue of securities to the public orthe existing promoters make an offer for sale to the public it is referred to as FurtherPublic Offering (FPO).

When it is made?

Fresh securities are issued by a company when **i**t needs money for

- growth-expansion or
- diversification or
- acquisitions or
- even to meet its increasing working capital requirements.

It is important to note that the FPO route is also being utilized extensively by the Government for the PSUs for the purpose of disinvestment of government’s holdings.

Investing in IPOs/FPOs

DOs

- ✓ Read the Prospectus/Abridged Prospectus carefully, with special attention to:
    - -Risk factors
    - -Background of promoters
    - -Company history

- -Outstanding litigations and defaults
- -Financial statements
- -Object of the issue
- -Basis of Issue price
- -Instructions for making an application

✓ Always use the ASBA process for applying - Wherein the investor authorizes his bank to block in his bank account an amount equivalent to the application money. While the money remains in the bank, on finalization of the basis of allotment, only the amount equivalent to the allotment amount is debited to the bank account, and the remaining amount is open for regular use.

✓ Where one hasnot received the credit to demat account/refund of application money, it is important to lodge a complaint with compliance officer of the issuer and with post-issue lead manager for further follow up and action.

DON'Ts

- Never be influenced by any implicit/explicit promise made by the issuer or anybody else
- Never invest based only on the prevailing bull run of the market index or of scrips of other companies in the same industry or scrips of the issuer company/group companies
- Never expect the price of the shares of the issuer company to necessarily go up upon listing or forever

Secondary Market – Purchase of Securities

It is a market where the issued shares and bonds/debentures are sold and boughtamong investors through a broker of a stock exchange.

Investing in the secondary marketDOs

- ✓ Check the credentials of the company, its management, fundamentals and recent announcements made by them and other disclosures made. A main source of information are the websites of the exchanges and companies, databases of data vendors, business newspapers and magazines
- ✓ Go for trading/investment strategies commensurate with your risk-bearing capacity as all investments carry some risk, the degree of which varies according to the investment strategy adopted
- ✓ It is important to transact only through SEBI-recognized stock exchanges and deal only through SEBI-registered brokers/sub-brokers
- ✓ Ensure you provide clear and unambiguous instructions to your broker/sub- broker/DP
- ✓ Make sure to insist on a contract note for each transaction and verify details in the contract note, immediately on receipt. Crosscheck details of your trade available with the details on the exchange's website
- ✓ Make sure that the broker's name, trade time and number, transaction price and brokerage are shown distinctly on the contract note given.
- ✓ Kindly issue cheques/ drafts only in the trade name of the broker
- ✓ Ensure delivery of shares/depository slip in case of sale and pay the money incase of purchase within the prescribed time
- ✓ Ensure receipt of payment/deliveries within 48 hours of payout
- ✓ Get periodical statement of accounts
- ✓ Take time to scrutinize both the transactions and the holding statements that you receive from your DP
- ✓ The Delivery Instruction Slips (DIS) Book issued by the DP should be carefully maintained. It is important to insist that the DIS numbers are pre-printed and your Client ID is pre-stamped
- ✓ One can use the freezing facility in the demat account where it is not being used.

DON'Ts

- Never forget to take account of the potential risks that are involved ininvestment in shares
- Never go for off-market transactions
- Never deal with unregistered intermediaries
- Never fall prey to promises of unrealistic returns or guaranteed returns
- Never invest on the basis of hearsays, rumors and tips
- Never be influenced into buying into fundamentally unsound companies
- Never should you blindly follow investment advice given on TV channels/websites/ SMS
- Never invest under pressure or imitate investment decisions of others whomay have profited from their investment decisions
- Never get misled by companies showing approvals / registrations fromGovernment agencies as the approvals could be for certain other purposes
- Never should you get carried away with advertisements about the financialperformance of companies

Mutual Funds

There are two-steps to identify a suitable mutual fund:

- Selecting a fund with investment objectives and preferences, return objectives, time horizon and risk tolerances that meet the requirements of theinvestor.
- Selecting a fund that has a detailed asset allocation strategy by fund type category to reflect the investment objectives of the fund.

The Indian Equity Market has grown significantly in the recent years; Mutual Funds are not left far behind. Both the avenues have created wealth for the investors. But for the creation of wealth through this avenue a proper understanding of the MutualFunds is must.

Purchase of Mutual Fund Schemes

New Fund Offering (NFO) is a new scheme launched by a mutual fund to collect funds from the investors. Investors can also contact agents and distributors of mutual funds for necessary information and application forms. The units of existing schemes can be purchased directly from the fund itself or from distributors/brokers/sub-brokers/agents.

Investing in mutual fund schemesDOs

- ✓ Read the offer document carefully before investing
- ✓ Investments in mutual funds may be risky, and do not necessarily result in gains
- ✓ Invest in a scheme depending upon your investment objective and risk appetite
- ✓ Note that past performance of a scheme or a fund is not indicative of the scheme's or the fund's future performance. Past performance may or may not be sustained in the future
- ✓ Keep regular track of the NAV of the schemes in which you have invested
- ✓ Ensure that you receive an account statement for your investments/redemptions

DON'Ts

- Never invest in a scheme just because somebody is offering you a commissionor some other incentive, gift etc.
- Never get carried away by the name of the scheme/ mutual fund
- Never be guided solely by the past performance of a scheme/ fund
- Never forget to take note of the risks involved in the investment
- Never hesitate to approach the proper authorities for redressal of your doubts/grievances.
- Never deal with any agent/broker dealer who is not registered with AMFI

COMPANY FIXED DEPOSITS

Companies accept Fixed Deposits from investors for short durations of 6 months to 3 years. While they are similar to bank fixed deposits but they offer lesser liquidity and usually carry higher risk and return. This results in mobilization of household savings for utilization in productive purposes by the corporate sector.

Features of Company Fixed Deposits are:

- Fixed deposit scheme offered by a company. Similar to a bank deposit
- Used by companies to borrow from small investors
- The investment period must be selected carefully as most FDs are notencashable prior to their maturity
- Not as safe as a bank deposit. Company deposits are 'unsecured'
- Offer higher returns than bank FDs, since they entail higher risks

- Ratings can be a guide to their safety **Investing**

in company Fixed Deposits SchemesDOs

- ✓ Do check the credit rating assigned by the Credit Rating Agencies to the FixedDeposits being considered
- ✓ Do ignore the unrated Fixed Deposit schemes
- ✓ Do understand the background and credibility of the promoters
- ✓ Do choose a company with a better track record for similar rated companies
- ✓ Do avoid investing in Fixed Deposits of companies whose promoters have adubious record
- ✓ Do realize while investing in Fixed Deposits that if the company is unable torepay your money, you may end up losing it, as Deposits are unsecured
- ✓ Do refer to the investor service standards of the company
- ✓ Do lodge a complaint with the concerned regulator in case the company defaults in repayment of deposits (For listed companies, file complaint with SEBI; for manufacturing companies, file complaint with MCA; for banks and NBFCs, file complaint with RBI)
- ✓ Do state the name of the guardian in the application, if the deposit is in the name of a minor
- ✓ Do always have a nominee for the deposits made by you

DON'Ts

- Never invest all or substantial part of your savings in Fixed Deposits

- Never get lured by high interest rates
- Never forget to check on track record of the company
- Never invest in companies that care little about investor services
- Never hesitate to seek regulator's assistance for any grievance

PENSION PRODUCTS

The New Pension System (NPS) has been conceived as a no-load product. It also has other investor-friendly features like full portability at no cost, which allows investors to switch fund managers.

With no inducement to push one fund over another, the point of sale will either allow the customer to make the product choice, or the customer will be put in a default option. (Default options are used to make the decision for the customer who would rather not choose. The NPS uses a well-regarded, lifecycle-based investing formula that reduces the equity allocation of a person as they age.) The NPS could have taken the route of higher sales commissions than insurance to get market share, but it has chosen an ethically mature path, risking a slow start to the product off take in the market.

A retirement corpus can be built during the working life of a person by regularly contributing (the minimum amount being Rs. 6,000 p.a.) to the NPS till the age of 60. Such contributions are invested by the Pension Fund Manager (PFM) the investor chooses, in the investment option of his choice namely active choice and auto choice.

Active Choice

- Asset Class E (Equity): Invests in index funds (the maximum allowed is 50%, the balance has to be in Asset Class G & C)

- Asset Class G (Government securities): Invests in central and state government bonds

- Asset Class C (non government debt): Invests in liquid funds of Asset Management Companies, bank fixed deposits, rated bonds issued by corporates, banks, financial institutions, PSUs, Municipality and Infrastructure entities.

Auto Choice (Life cycle fund)

The contributions are automatically allocated to the three asset classes in a predefined manner depending on the investor's age. Upon subscribing, the investor is allotted a Permanent Pension Account Number (PPAN). The PPAN will remain constant even if the investor changes the PFM, his location or employer. The returns earned on the contributions would depend on the investment option. Charges are applicable to the NPS account as prescribed by the regulator- Pension Fund Regulatory and Development Authority(PFRDA). For further details, visit **www.pfrda.org.in**

Annuity/Pension Policies/Funds are products of the insurance companies and offer guaranteed income either for life or for a certain period without any insurance cover.

GOVERNMENT SCHEMES

The Government offers a wide variety of savings/investment products:

1. **National Savings Certificates (NSC)**
   - Popular Income Tax Savings scheme, available throughout the year
   - Interest rate of 8.5% & 8.8% respectively for 5 year and 10 year NSCs
   - Minimum investment Rs. 100, no upper limit
   - Maturity period of 6 years
   - Transferable and a provision of loan

2. **Public Provident Fund (PPF)**
   - Tax free interest rate of 8.7% p.aw.e.f 1st April 2013
   - Minimum investment limit is Rs. 500 and maximum is Rs. 1,00,000/-
   - Maturity period of 15 years
   - The first loan can be taken in the third financial year from the date of opening of the account, or up to 25% of the amount at credit at the end of the first financial year. Loan amount can be returned in maximum of 36 installments

- A person can withdraw an amount (not more than 50% of the balance) every year from the 7th year onwards

3. **Post Office Scheme (POS)**
    - One of the best Tax Saving Schemes
    - It is available throughout the year
    - Post Office schemes depends upon the type of investment and maturity period, which can be divided into following categories: Monthly Deposit/Saving Deposit/Time Deposit/ Recurring Deposit

4. **Infrastructure Bonds**
    - Lock in period of three years
    - Tax benefit U/S 88 on investments up to Rs.20,000
    - Any redemption prior to maturity nullifies the tax exemption

5. **KisanVikasPatra (KVP)**
    - Money invested in this scheme doubles in 8 years and 7 months
    - There is a minimum investment limitation of Rs. 100 with no upper limit
    - This scheme is available throughout the year
    - Currently, there is no tax benefit on investment under this scheme

INSURANCE PLANNING

Insurance planning is to protect yourself, your family and loved ones, your home, your assets, or your business against unexpected events. The idea behind insurance is to get a group to contribute financially to a fund specifically designed to help individuals **recover in the case of an unexpected loss.** In this way, insurance eases financial burdens that can occur when disaster strikes.

Purposes of insurance planning

Insurance planning is a critical component of a comprehensive financial plan that includes evaluating risks and determining the proper insurance coverage to mitigate those risks. The principal goal of insurance planning is to identify and analyze **risk** factors in life and **seek proper coverage** to attain a peace of mind if disaster strikes. The chances of recovering partly or fully are assured by having insurance. Therefore, insurance is an economic device transferring risk from an individual to a company and reducing the uncertainty of risk via pooling.

Types of Insurance policies:

- **Life Insurance**

Life insurance is the most common insurance cover for an individual. Life Insurance is a contract providing for payment of a sum of money to the person assured, or following him to the person entitled to receive the same, on the happening of a certain event. It is a good method to protect your family financially, in case of death, by providing funds for the loss of income.

Term Life Insurance

- Lump sum is paid to the designated beneficiary in case of the death of the insured
- Policies are usually for 5, 10, 15, 20 or 30 years
- Low premium compared to other policies
- Does not carry any cash value

Endowment Policies

- Provide for periodic payment of premiums and a lump sum amount either in the event of death of the insured or on the date of expiry of the policy, whichever occurs earlier

Annuity / Pension Policies / Funds

- No life insurance cover but a guaranteed income either for life or acertain period
- Taken so as to get income after the retirement
- Premium can be paid as a single lump sum or through installmentspaid over a certain number of years
- The insured receives back a specific sum periodically from a specifieddate onwards (can be monthly, half yearly or annual)
- In case of the death, it also offers residual benefit to the nominee.

Units Linked Insurance Policy (ULIP)

- ULIP is a life insurance policy, providing a combination of risk cover and investment.
- The dynamics of the capital market have a direct bearing on performance of ULIPs.
- Most insurers offer a wide range of funds to suit one's investmentobjectives, risk profile and time horizons. Different funds have different risk profiles. The potential for returns also varies from fund to fund
- ULIPs offered by different insurers have varying charge structures. Broadly the different fees and charges include- Premium allocationcharges, Mortality charges, fund management fees,policy/administration charges and fund switching charges.

- General Insurance:

General Insurance or Non-life Insurance helps you to safeguard yourself and the things around, which you value a lot. These may include your home, car a, business, crops, ships, goods etc These valuables carry a lot of financial risks. Therefore, General Insurance Plans provide **financial protection** from the impact of fire, storm, flood, earthquake, car accidents, theft and other travel accidents. It also covers us from the expenses spent on the legal actions. The tenure for a general

insurance is not like the tenure we have in life insurance. Mostly these types of insurance are yearly contracts.

Life Insurance and General Insurance both cater to different aspects in life. Life Insurance looks after risks of death and its consequences, whereas, **General Insurance helps in protecting risks due to other aspects of life and its diverse assets**.

Types of General Insurance

Motor Insurance

As per the Motor Vehicles Act, 1988, all vehicles running on the Indian roads is mandatory to be insured. Motor insurance companies allow you to choose the type of coverage you want to opt for. There are two types of motor insurance - Third Party Liability Cover and Comprehensive Motor Insurance Policy.

Motor Insurance category includes

- **Car Insurance**:

The smartest thing to secure your car financially is by buying a car insurance policy. This would save your finances if your car meets with an accident, or falls prey to any natural disaster like floods, earthquake, theft, etc.

There are 2 types of car insurance policy:

1. **Third Party Liability Car Insurance** is nothing but the coverage guaranteed to the third party only i.e. Damage to another person's vehicle or property, bodily injuries and permanent disability during an accident by your vehicle. It is a mandatory over as per the law. We wouldn't recommend you to buy this basic third-party insurance if you really love your car from the bottom your heart. This type of coverage is best for people who think motor insurance is mandatory and buy this type just for the heck of it.

2. **Comprehensive Car Insurance** is an optional coverage and thus is not mandatory. This type of car insurance provides coverage for third-party and also for your car. It is best for those who want to cover the losses due to the accidents and also to recover losses due to theft and natural disasters, and not for those who take car insurance merely as a mandatory clause.

- **Two Wheeler Insurance**:

There is nothing exciting than riding your bike wherever you wish to. Because for many, their two-wheeler is their personality. This makes it very important to insure your two-wheeler. Buying a two-wheeler insurance would save your money against the financial losses if your bike was damaged in an accident or say, robbed.

There are two types of two-wheeler insurance policy:

1. **Third Party Two Wheeler Insurance** is nothing but the coverage guaranteed to the third party only .i.e. to another person's vehicle or property, bodily injuries and permanent disability during an accident by your two-wheeler and is mandatory by law. We wouldn’t recommend you to buy this basic third-party insurance if you really love your two-wheeler from the bottom your heart. This type of coverage is best for people who think two-wheeler insurance is mandatory and buy this type just for the heck for it.
2. **Comprehensive Two Wheeler Insurance** is an optional coverage and thus is not mandatory. This type of insurance provides coverage to third-party, to you as well as your vehicle. It is best for those who want to cover the losses due to the accidents and also to recover losses due to theft and natural disasters, and not for those who take two-wheeler insurance merely as a mandatory clause.

There are certain perks of buying motor insurance which includes personal accident cover, cashless services at network garages, roadside assistance, towing support,etc.

- Health Insurance

Health Insurance industry in India is seeing a groundbreaking change due to private insurance providers offering customized plans to the consumers. These plans are tailor-made considering the varied requirement of customers. For example, there are plans customized only for diabetic patients, cancer patients, etc.

Health Insurance is a type of insurance that covers the insured's medical and surgical expenses. Depending on the policy terms and conditions, the insurer either pays the insured in the form of reimbursement or offers a cashless facility at the listed network hospital of the Insurance Company.

Certain **benefits** offered under Health Insurance Plans are:

- Pre & Post Hosptialization Benefit
- Cashless Treatment
- Day Care Treatment, etc.

You can also opt for **additional Riders** along with a **Comprehensive Health Insurance Policy** to enhance your health insurance plan even better. This may include,

- Room Rent Waiver
- Maternity Cover
- Critical Illness cover
- Hospital Cash
- Personal Accident Rider, etc.

Health Insurance is divided into 4 categories which includes **comprehensivehealth insurance, family floater cover, surgery cover and individual cover**.

- Travel Insurance

Travel insurance would help you tackle all the travel and medical contingencies while you travel abroad. It is utmost important to add travel insurance to your checklist while you plan your vacation, be it for leisure or business. Travel insuranceis gaining back all its lost significance.

The main reasons to buy a Travel Insurance is to avoid unforeseen conditions like

- Flight delay
- Loss of baggage
- Loss of passport
- Medical emergencies
- Emergency dental expenses
- Hospital cash allowance
- Accidental death
- Hijack distress allowance
- Financial emergency assistance, etc.

Other than the benefits listed above, it also offers coverage for expenses to take theinsured's mortals back to the home country and many more.

Travel Insurance Category includes:

- International Travel Insurance
- Student Travel Insurance
- Group Travel Insurance

- Senior Citizen Travel Insurance
- Domestic Travel Insurance
- Schengen Travel Insurance
- Asia Travel Insurance
- Corporate Travel Insurance

- Home Insurance

A home offers the peace, serenity and warmth that you may be looking for after a tiring day at work. Therefore, buying a home insurance is utmost important. It offers protection to the entire structure of your house and ensures utmost security for all the belongings that you may collected over the years. There are certain home insurance policies that offer coverage till 5 years. You would have to pay a premium based on the value of the belongings in your home.

Home Insurance Covers the **Structure and Content** of your home from below

Fire and Peril Cover:

- Due to Fire, Explosion
- Aircraft Damage
- Lightning
- Earthquake
- Missile Testing Operations

Natural Calamities

- Flood
- Hurricane
- Storm

- Landslide and Rockslide
- Cyclone, etc.

Man Made Calamities

- Riot
- Strike
- Theft or Burglary

Home insurance, however, doesn't include loss or damage due to nuclear perils, any consequential loss, damage due to war, damage or any loss due to pollution, contamination, etc. Also, valuables like bullion, gold and silver are not covered, however, if you wish to, then you can certainly opt for a special cover.

- Marine Insurance

Marine insurance is also known as **Cargo Insurance**. It covers any loss or damage due to cargo, terminals, ships and other transport or cargo through which any property is acquired, transferred or is held between two points that can be the origin and the destination point.

The **various types of Marine Insurance** includes,

- Cargo insurance
- Hull insurance
- Freight insurance
- Liability insurance, etc.

- **Rural Insurance**

Rural insurance helps to fulfill the requirements of rural and agricultural businesses which is the base of rural insurance. The motive of this type of general insurance is

to ensure that **working capital as well as assistance is offered to the ruralfamilies**. This can be done in the form of income generating assets.

Rural Insurance includes

- Livestock such as goat, sheep, cattle, etc.
- Agricultural pump sets
- Plantation like grapes, rubber trees
- Sub-Animals including silkworm, honeybee, etc.

DOs

- ✓ Do review your insurance coverage
- ✓ Do consider how much life cover you need and your affordability to paypremium
- ✓ Do study details of various schemes
- ✓ Select a policy that suits you in terms of your requirement and premiumoutflows
- ✓ Do get an advice from an insurance professional who offers policies ofdifferent insurance companies
- ✓ Do go online to get the best quotes and verify the same before choosing one
- ✓ Do consider two single plans rather than joint cover
- ✓ Do disclose correct information in your application
- ✓ Do check and update your policy regularly

DON'Ts

- Don't purchase a policy unless you understand the concept behind it
- Don't buy life insurance unless you need it

- Don’t opt for the cheapest deal without understanding the risk
- Don’t forget to check for terminal illness benefits
- Don’t limit your choice to one insurer
- Don’t over-burden yourself with unaffordable premium outflows
- Don’t blindly trust the information that is available online
- Don’t lie in your medical exam
- Don't cancel any current insurance policy until you receive a certificate
- Don't do anything to hinder an investigation if you file a claim
- Don't default on your payments which may lead to cancellation at the time ofneed
- Don't forget to report accidents and mishaps to your insurance company,even if you don't plan on filing a claim

RETIREMENT PLANNING

Retirement is certain in life. It comes to every person who is working. The differenceonly lies in the timing. For employed persons the retirement age is predefined. It is usually 60 years in India. In case of employees in private sector they may be retained for more than 60 years of age and may retire a little later at 65 years. The self employed professionals or business relatively enjoy a unrestricted age of retirement. However every single person is sure to come to a phase in, life where his

capacity to earn actively has come to an end and he has to rely on his passive income.

Retirement is a phase in everyone’s life where there is no fixed source of income andyou have to rely on the income generated from your investments. Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program, and managing assets and risk. Future cash flows are estimated to determine if the retirement income goal will be achieved.

In the simplest sense, retirement planning is the planning one does to be prepared for life after paid work ends, not just financially but in all aspects of life. The non- financial aspects include lifestyle choices such as how to spend time in retirement, where to live, when to completely quit working, etc. A holistic approach to retirement planning considers all these areas.

The emphasis one puts on retirement planning changes throughout different life stages. Early in a person's working life, retirement planning is about setting aside enough money for retirement. During the middle of your career, it might also include setting specific income or asset targets and taking the steps to achieve them. Once you reach retirement age, you move towards distribution phase.

Why do we need retirement planning?

A structured retirement plan helps you to handle various factors like surpluses, shortfalls and emergencies. With the advancement of medical science, the life span after retirement has increased significantly. It is more likelythat we many survive equal number of years we spent while earning.This requires us to plan for our retirements at very early stage so that enough time and surplus is available for

investing that will be your source of income during retirement.Broadly we need to plan for the following during the retirement

1. **To cover daily living expenses**

Living expenses are the household expenses which we cannot dispense with even after retirement. One must provide for these expenses by building corpus so that the daily needs are meet comfortably and that you do not have to compromise on your standard of living.

By planning and building a sizeable retirement corpus, you can ensure that your family's standard of living is not compromised post retirement.

2. **To cover medical expenses**

As one's age progresses, the number of health issues and emergencies also increase. These include some fixed medical expenses like health checkups and preventive heal checkupson regular basis of yourself and your spouse.You also need to provide for any hospitalization and emergencies.

Mediclaim or health insurance policies sometimes may not cover all your medical expenses.

Therefore, your retirement corpus must be large enough to cover your and your family's medical expenditure to avoid a financial crunch in the later years of life.

3. **To fight inflation**

Inflation refers to the rise in the prices of goods and services.It has the power to kill the value of your money.

Inflation reduces the purchasing power of our hard-earned money. A trend shows that there is rise in price of goods and services and it will continue to be on a rise until you reach the retirement age.

This means that you would have to pay more for everything in the future. From grocery to travel to accommodation, it is all going to cost you relatively more in the future.

Without a sound retirement plan, that aims at establishing an adequate retirement corpus keeping in mind inflation, life expectancy, rate of return and so on, it would be impossible for you to achieve all your retirement goals.

4. To deal with uncertainties

Life is quite unpredictable and uncertain. It can sometimes throw us in adverse situations and circumstances which we may not have expected. Some situations have the power to create a financial as well as emotional turmoil in your life such as natural calamities, loss of loved ones, financial difficulties in the life of family members and so on.

Having a sufficient corpus to take care of such contingent events can always come toyour rescue. Thus, while you approach retirement, it is imperative that you have a sufficient contingency fund, so that the intermediate period of turbulence and turmoil can be managed better and not hinder your long-term goal of retirement.

5. To meet your retirement goals

Retirement goals are the objectives that you wish to achieve in your retirement years. These could be travelling and exploring new places or taking up hobbies that you have always wanted to pursue.

However, if you do not plan and save for all these retirement goals in your working life, they cannot become a reality in your post retirement years.

Hence, it is absolutely essential to have a strong Retirement Plan that will give you awareness on where you stand today, and what steps you need to take to achieve this goal.

Steps in retirement plan

1. Determine the retirement corpus.

This is a much personalised calculation. It is largely dependent upon the life stylethat one has led through years. Retirement corpus should provide for the basic necessities of life without compromising on the standard of living. The retirement corpus should also provide for the expensed of dependents. Like for college fees of your children, wedding expenses ,EMI for house etc.

2. Start early

Retirement happens at later age but retirement planning should start early. Is one is to ask what is the ideal time to start for retirement planning? The answeris as soon as your start earning. The sooner one starts creating corpus for retirement, the smoother is the journey. Early start gives you ample opportunities to invest in high earning but high risk investments. This gives you leverage when you become less risk taking once you have been married and havechildren.

3. Follow your asset allocation

No investment should be made without the end in mind. Your every rupee should be invested so that it forms a part of the pool of assets you would need at every stage of life. So it is very crucial to follow the asset allocation.The different asset classes (equity, debt, gold) have different attributes which help in maintaining the required balance in one's retirement portfolio.The asset allocation has some interrelationship with the number of years you have before retirement.

While in early stages you can allocate a large percentage of your portfolio in risky asset classes, such as equities and real estate. This is because; you have ample amount of time and opportunities to recover from any possible setbacks in the value of the portfolio.Hence, investing in equity mutual funds via SIP (Systematic Investment Plan) mode works the best. You can start with amount as low as Rs 500 and gradually increase your investments with growth in salary.

In your 30s or 40s you are mostly climbing the corporate ladder and earning a higher income. But, you also have added responsibilities such as home / car loan, raising your children and saving for their future, taking care of your parents in their old-age and so on.

When you are in this phase, it is important for you to have a clear picture of your financial goals. However, retirement planning should not take a back seat in lieu of meeting other goals. It is imperative to remain focused and maintain consistency in saving for your retirement. In fact, with an increment in salary or profits, you must also increase the amount of contribution you make to theretirement kitty.

When you are in the 50s age group, you have reached the pinnacle of yourearning potential. By this time, most of your major outlays in life such as home loans or children's college education are already behind you. Hence you can increase the contributions towards your retirement goal to a great extent and also save a large portion of your monthly earnings. Use this as an opportunity to give a last booster for enhancing the retirement corpus.

4. Choose your Insurance plan

Insurance is a must in retirement planning. As one grows old the number of physicalailments that one might suffer from also increases.

Moreover, our life is quite unpredictable. Hence it is extremely important for you to have a suitable and adequate health insurance policy or mediclaim.

Apart from this, it is also wise to opt for a personal accident and critical illness policy from an early age. It is also advisable to maintain a medical contingency fund worth 5 – 10 lakhs (depending upon how much you can afford) and a general contingency reserve with 6 to 12 months of your expenses to compensate for unforeseen events.

This will ensure that your retirement savings do not get eroded in case something unfortunate is to happen to you or any of your family members.

5. Review your Plan

Your retirement plan needs to be monitored at regular intervals (at least once a year) to make sure you are on target to meet your objectives. Any changes in the income, expenses, retirement age etc. needs to be incorporated in the plan.

Also, make sure the plan meets your investment objectives in the changing market scenario.

- **ESTATE PLANNING**

Henry David Thoreau said "Wealth is the ability to fully experience life". As human beings bestowed with intellectual capacity, we work hard throughout our life to create wealth for ourselves and our loved ones. We build estates and create funds for ourselves and for the security of our family.

However while creating wealth and getting rich is your right, understanding that wecannot carry any of our wealth when we die is also a reality check that we need to remember. It is here where the planning your wealth becomes most important part of creating wealth itself. As Zig Ziglar says"Expect the best. Prepare for the worst.

Capitalize on what comes.”
Lets understand what is estate planning and how it is done.

What is Estate?

Starting with the definition of the term estate itself is very crucial. The Longman Dictionary of contemporary English defines estate as “all of someone’s property and money, especially everything that is left after they die”. For common understanding estate included land, building, cars, investments, insurance policies, jewellery, paintings and bank balance of an individual soon after his death.

It is a common myth of estate planning that, estate planning is meant only forwealthy people and not for a common man with meager bank balance. One needs to understand here that it is not the size of the wealth that requires estate planning. Estate planning is more about expressing your desire as to who should receive your estate after your death. And this could be a meager sum of Rs. 1000/- in your bank account when you breathed your last. So estate planning is consciously distributing your assets to your near and dear ones and also for the purpose of charity. Estate planning is more about fulfilling your wish than about the assets themselves.

When is the right time to start with estate planning?

As is said that there is no time like present time to start any good deed, there is no time better than the present time for planning your estate. Here one should understand that Estate planning is an ongoing process. Its dynamics change with any addition in the estate or the beneficiary. So one can be sure that while your current estate planning consists of your current assets, it is flexible enough to include your future wealth and future recipients.

As Estate planning advisors, we suggest our clients to start with estate planning as soon as you start earning some income. This puts you into the habit of investing and

creates a tempo for creating more investments and wealth with individuals. It makes sure that every rupee earned is well invested and well spent.

What happens if you haven't planned for your estate?

"Never say you know a man until you have divided an inheritance with him." - Johann KasparLavater

Therefore, although being optimistic is a good thing, it is vital to anticipate even the unexpected and take necessary steps towards estate planning while we build wealthto sustain ourselves and our families.

In the event one dies without an estate plan, his assets are said to be Dying intestate.There could be serious disputes amongst family member over your estate that can devastate the peace and happiness you've always sought for your family.

In the absence of any will(which is one of the ways of estate panning), the assets are distributed in accordance with the Indian Succession Act .The Indian Succession system is complex, confusing to the layman, and often, cumbersome. There isn't a uniform civil code applicable to the whole of India, due to which religion plays an important role in deciding the right of inheritance.

Forced Heirship is a rule of law wherein an individual is not free to dictate who will inherit the estate on his death. It automatically confers power on certain individuals to bequeath certain portion of the deceased's estate.

These individuals are known as 'protected heirs' and typically include the surviving spouse, children, and/or other relatives of the deceased.

The rationale behind Forced Heirship is family protection. There may be a possibility that the deceased, who was the primary bread-winner, had a few dependants. The Forced Heirship rule does not permit an individual to Will away hisestate without providing for his dependants.

On the other hand, these restrictive rules apply irrespective of the terms of the deceased’s Will, and there may be a situation where the stated wishes of the deceased may not be carried out by dissatisfied protected heirs.

However, one should note that, the Forced Heirship provisions typically apply only to a portion of the deceased’s estate and the balance may be distributed at the discretion of the testator.

So, is Forced Heirship applicable in India?

Hindus follow the Hindu Succession Act, 1956. Muslims follow Islamic Law on Succession—Sharia Law. There is a Parsi Law, a Christian Law, and a Special Marriage Act for spouses following different religious faiths, etc. Regardless, all Wills, except Wills written by Muslims are governed under the Indian Succession Act, 1925 for the purpose of execution, probate, etc. of Wills.

The exception to the above rule is the state of Goa, where the Portuguese Uniform Civil Code applies, making it mandatory for all religions to follow a common law regarding marriages, divorces, and adoptions.

So, if you are a Hindu, Parsi, or a Christian, who aren’t residing in Goa, you have the freedom to Will away your estate as per your wish, even against family wishes and social customs and traditions, which means, the rules of Forced Heirship don’t applyto these individuals.

However, if you are a Muslim, the Islamic Law on Succession—Sharia Law, permits you to Will away only 1/3rd of your property while 2/3rd is retained by the family, irrespective of a Will to the contrary. This restriction can be waived by all members of the family, in favour of the testator, permitting him to Will away his property as per his desire.

Different ways of Estate planning

1. WILL

A Will is legal declaration of the intention by the one making it – the testator – with respect to property that he/she desires to be carried into effect after his death. You can distribute your assets either equally or as per your wish. You can provide for the financial security of your spouse and dependent children. You also have the choice to provide for your grandchildren without providing for your children. This is the most important benefit of writing a will that it givesyou control of how you want o distribute your estate and to whom.

2. TRUST

A trust is an agreement between the settlor and the trustees to transfer the legal ownership of assets / property to the trustee with the obligation that the same should be held for the benefit of the beneficiaries as specified in the trust deed.

A Trust has four components:

1. **Author of the Trust/settlor**: He's the one who settles the Trust or in other words is the author of the Trust
2. **Trustee**: An individual / entity appointed by the Settlor to administer the Trust and accept the responsibility to act as Trustee.
3. **Beneficiary**: The person(s) for whose benefit the Trust is created is called theBeneficiary.
4. **Trust-property or Trust money**: This the subject matter of the Trust and can comprise of both, movable and immovable property viz. cash, jewellery, land, investment instruments etc.

A trust can be of two types depending upon the beneficiaries it intends to create.

Public Trust: A public trust is constituted mainly for the public at large. Hence the beneficiaries are incapable of ascertainment. Usually such trusts are in the nature of religious or charitable trust.

Private trust: Atrust is said to be private when it is constituted for the benefit ofone or more individuals who are, or within a given time maybe definitely ascertained. A private trust is governed by the Indian Trust Act, 1882, but if such a trust is created by will, it shall be subject to the provisions of the Indian Succession Act, 1925.

Wills vs. Trusts

By adopting a Trust route, a person can avoid the issues which arise in a Will, such as— authenticity of the Will, mental soundness of the person making the Will and alleged forgery etc. The grounds on which a Will can be challenged are numerous.

Moreover, the probable time to get a probate on a contested Will could take several years and can be expensive.

On the other hand, a Trust deed is never disclosed to anyone and is highly confidential and there is no need to obtain probate.

Estate planning for NRIs

Global Integration of economies has led to creation of wealth across geographical boundaries for Indians.An NRI many be holding properties in the country of his residence if the laws of the country permit him to do so and may be holding some property in India. There is also a chance for him to inherit property in India. Estate planning for NRIS should consider various estate taxes or inheritance taxes that may be applicable in the country of their residence. Also NRIs have to consider what amount can be repatriated outside India. There is a limitation of 250000 US dollars that can be repatriated outside India. This may be an important consideration when

an asset is sold in India and the NRI wants to take the proceeds outside India. An NRI should also provide for the taxes that may arise when the property is sold in India.

Taxation Aspects of assets acquired under inheritance.

Currently there is no inheritance tax in India. The only tax that is levied is the capital gains tax which is levied in the year in which the inherited asset is sold and there is either profit or loss arising from such sale. Also any income which is derived from such property such as rent is also taxable in India

WILL, THE MOST IMPORTANT DOCUMENT OF YOUR LIFE

Human life is capable to create his own destiny. He creates his own path of success . We work hard to create a comfortable life for ourselves and our loved ones. The basic necessities of life like food water and shelter are the ultimate aim for every individual. He feels secured with the money that he earns. Every individual acquires some wealth during his life time. Even an average individual has some balance left inhis savings account which he wishes to pass on to his next generation. As humanswe work hard in creating assets and wealth. However death is the most certain event of any human's life.

It is this certainty that one needs to spare sometime at this movement to realise what will happen to your loved ones after one's death. One must plan for smooth transition of the wealth that he as created to be passed on to his future generations. Thus "will" becomes an important document every individual should make.

What is a will?

Simply put A will is the wish of the person making it, with respect to the property that he has created during his life time. It brings out the wish of the writer as to who and how will his property will be distributed.

Need to write a will

Although a very important document , very few individuals write up a will. The reason for not writing a will could be that one does not accept the mortality. The other could be that its too early to write a will or it could be that will is only for rich men and women who have lot of properties and wealth. But the reality is that a will is essential for every individual who has some wealth that he can leave behind to hissuccessors.There is not right time for making a will. It can be written as soon as one owns an immovable property. In case of bank deposits , the purpose is achieved by making nominations.

More over a will is an evolving document which means it can be changed whenever one wishes to make changes. One may add a property or gain more shares or may want to allocate some fixed amount for a specific use in his will. One may change a will when there are person is addition in family like when you get married or hen a child is born. This makes it possible for an individual to write a will at the very earliest stages of life and not postpone it to the later stages of life.

The most important reason to write a will is that it gives the executor complete control on how his assets would be distributed after his death. Here the executor may distribute his assets proportionately or disproportionately. The executor may decide to give away his entire property to only one heir leaving out the rest or may even decide to distribute to any institute or organisation for the general benefit of society. It will be completely as wished by the creator.

What happens if there is no will?

In absence of a will, the property of the deceased is passed on to his heirs as per the Hindu Succession Act 1956 or the Muslim succession Act or the Indian succession Act 1925 depending upon the religion followed by the deceased. The Hindu Succession Act 1956 which is applicable to Hindus, Buddhists ,jains and Sikhs divided the property into different classes as mentioned in the schedule appended to the act. Section 10,11 and 12 of the Hindu Succession Act 1956, speak about the way property is distributed between the heirs in different classes.

The effect is that without a will, you will have no power over who inherits your assets. For egif Suppose you wanted your minor daughter to have Rs 1 crore for higher studies. Not leaving a will means this amount may be distributed among, say, five legal heirs, and she will end up with only Rs 20 lakh .A will enables a person to decide which asset goes to which hire and in what proportion

How to write a Will

A will can be drafted wholly on your own or through a lawyer. Also a will an be at anytime during the life of a person. The will may be written on a plain paper giving out all the personal details like name, address,place and date . Enter the full name of the person who is receive a particular property giving the detailed description of theproperty and state your relationship with the person who is to receive the property.The will should be signed and witnessed by two persons.

The other most important part of the will is the declaration to be made- that your are revoking all earlier wills, that you are of sound mind, and that you are not making the will under any undue pressure. If a person is very old, it is better to attach a doctor's certificate certifying his mental health and sanity.

Registering a will

A will may be either registered or unregistered. A registered will is one where the will is registered at the sub-registrar's or the registrars office of the district court under whose jurisdiction a major part of property lies.

Registration of a will does not have any particular santity. It can also be challenged in the court of law. However a registered will carries a sense of authenticity since it is approved by a government official.

Advantage of registering a will

Often soundness of mind, forged signatures and coercion are the grounds on which a will is challenged in the courts of law. With registration of will by a personal visitto the registrar , the authenticity of will is established . Hence these possibility of contesting the will on these grounds is minimised

Points to remember while writing a will

Although a Will is a simple document, writing it in the most precise manner is the key. Following are the points to be kept in mind while writing a will:

1.Be specific and detailed

The will should set out all the details regarding the moveable and immovable properties of the executor of the will. Give out every detail of the property with descriptions. Give name of the persona whom you want to inherit a particular property, name address and your relationship with him.

Mention every bank account, with the number, bank name and address. Also mention where you have safe deposit lockers, their key numbers , nominees as to who can operate the locker after the demise of the primary locker holder. Similarly, for investments and insurance, list the scheme name, number, financial institution, and insurer, along with the addresses. For more than one property, distinguish each one clearly by listing dates of purchase, addresses and taxes paid.

2. Appointing the right executor

An Executor is a legal representative of the person who has made a Will. He is responsible who distributes the assets of the deceased person in accordance with the wishes of the deceased as enumerated in the Will. Therefore it is important as who whom do you appoint as the executor of the will. It is prudent to appoint someone younger as executor of the will. An executor can be either your relative friend or even a third party executor.

3. Appointing guardian for minors

Where you intend to pass on your property to your minor children, you must appoint a guardian for them in your will. The guardian shall act as care taker of the assets till he becomes an adult.If no guardian has been appointed, and the owner's signature is required to sell, finance or conduct other business transactions. In the absence of the guardian,the court typically gets involved to protect the child's interests .

Any body whom you trust can be appointed as the guardian of the minor children .A parent can easily nominate the other parent as a guardian in case he/she passes away. Grandparents or other close relatives can also be appointed as guardians.

4. updating the will

As mentioned earlier will can be written at any time. Considering the uncertainity of life, the earlier a will is written the better. Having said that the will cannot remain stagnant. With changes in life , the will also should undergo a change. An addition in the family because of marriage or birth of child, the will should be altered. Also one accumulates wealth throughout life. Any addition to property or investments shouldbe included in the will as soon as they are acquired or are made.

5. Plan for yourself before planning for others

Plan for your life, health and illness before thinking of distributing your assets to your heirs. Most people do not account for terminal illness in their wills.Were you tosuffer from a terminal illness, disability, or go in a coma, it will not only impact your finances but also your loved ones. Although this van be taken care of by having a basic health insurance and a critical illness, it is equally essential to make certain provisions in your will.

Mention clearly who will take charge of your estate and financial affairs, as well as conduct the day-to-day transactions. Appoint someone to take healthcare decisions for you in case you are not in a position to do so yourself.

Writing a living Will

In a landmark judgment, the Supreme Court recognised that a terminally ill patient or a person in a persistent vegetative state has the right to die with dignity. To do this, the person will have to execute what is called a 'living will'. The judgment has recognised the right to die with dignity as a fundamental right.

A living will, also called a directive to physicians or advance directive, is a document that lets people state their wishes for end-of-life medical care, in case they become unable to communicate their decisions. It has no power after death.

Some other aspects of will

1. **Take stock of all your assets**: We often make investments and forget about them.Specially the Fixed deposits or NSC certificates or post office deposit receipts. We may have taken investment plans like sukanyasamrudhiyogana, where the depositor is allowed to made deposits once a year or there may be insurance policies where the terms are that you receive a part of lump sum amount after a particular term say 15 years and the rest of the amount you receive at the age of 70 years. List down all such investments and assets. These investments are often ignore and nobody except you will know about them. So do a stock taking activity once in 6 months or once a year.
2. **Register assets in Joint names**: Registering assets in joint names with the mode of operation as "either or survivor" should be preferred. By doing this, there is no blockage in case one of the owner of the assets dies. The survivor can perform all tasks and this ensures smooth transition of assets.
3. **Mediclaim and general policy** : Having an insurance policy is a must and the first step towards your financial planning. Insurance helps you cover your family in the event of untimely demise of the insurer. The insurance creates financial security for your loved ones. There are many insurance policies available in the market. One can have as many polices one wants to but I urge you to have atleast one term policy. This helps you cover for life and creates financial security for your family.A term policy should be taken as soon as youcan. The younger you are the lesser is the premium on such policy.

   Other important policy is to have medi claim. A mediclaim policy is the one which covers your illness. There are many mediclaim policies available in the market. Choose one which suits you the best. Make sure that your medicalim policy covers your diagnostic expenses and critical illness.Some policies provide for existing illness to at a higher premium, avail it. Also make sure that your policy has wide network of hospitals under them. This way the time

required to process your claim is very less. After all at such time of illness finance would be the last thing one would have to worry about.

4. **Having a professional advisor** :It is understandable that not everyone is aware of all aspects of financial planning. In such case have a professional advisor. He is equipped to provide you with custom made financial plan. In fact the purpose of any financial plan is to help you achieve your financialgoal. A professional advisor will help you in choosing the right investments and policies which will help you reach your financial goal with ease.
5. **Financial plan**: Every individual must have a financial plan. It is must if you want to create wealth and lead a peaceful life. The mantra is to start early. One can have a financial plan with what ever savings you have. Even children can be taught how to make use of the money from their piggybanks. You can teach your children to set aside small amounts of money which they can later use to buy their favorite toy or a bicycle or anything which they desire to possess. This gives them early training on how to plan for their financial goals.

   The first step in to write down your financial goals. These may be higher education, Wedding , buying a house, buying a car, foreign travel, Children's education, t heir wedding, your retirement, philanthropy etc. Then assess your risk appetite. This will help the financial planner in choosing the right investment mix for you. The thumb rule is the divide your investments into debt and equity depending upon your age. At younger age , 100- your age should be invested in long term equity eg if you are 25 years old you should invest 75% in equity and 25% debt. Thus you will have cushioning to take risk now and reap the benefits later.
6. **Retirement planning**: of all the financial plans that we make, retirement planning is the most crucial one. Start your retirement planning early. This way the corpus that is required to receive a decent amount after you retire

can be built steadily over years. Make provisions for leading your life comfortably after you stop earning. It is often said don't work hard to make others rich, spend the money you have earned for your pleasure.

The best asset a parent can leave to their children is the knowledge of financial planning by which they can create their own wealth.

WOMEN AND FINANCIAL PLANNING

Although women constitute a large percentage of work force today, it is hardly seen that they are active into any financial planning. This is true for even women who have thriving careers and make lots of money through their salaries, business or professions.

Women are natural financial managers. They are make budgets and manage them with ease. Never have we seen that the stock of grocery being dried up or a guest has been not treated to an elaborate lunch because he arrived without notice. Women are great at managing risks too. While all os this may be running smooth without any deliberate action, it is essential that women consciously make financial plans for themselves and for the family. It is seen that solid planning by the woman of the house of her own finances will make the family's financial plan stronger to meet goals like buying a dream home, planning for the higher education of children etc. Financial planning is also critical for women to meet their own personal and professional aspirations, without depending on anyone.

Financial planning for women has some important dynamics that need to be addressed. Although women are great at their work and juggle many things, they are drawn towards bearing and raising children. So often they take breaks from their careers to look after their children. This is a critical phase in life of every woman where she compromises on her financial independence to take care of the family. This difficult phase can be dealt with by proving for some passive income that she

can derive from her investments made while she was working. In a way we can call it as sabbatical planning. This can be achieved by good and early planning.

If the women is earning in addition to the male member of the family, it is wise to use her income into investments, and the primary income can be utilized for meeting the expenses and fixed commitments like education and housing loan. Sincewomen are great at multiplying things, investments made from their incomes go a long way. This can bring a sense of financial confidence to them even when they are on breaks from their careers.

Insurance policies:

Often it is seen that women ignore very important aspect of financial planning. Buying an insurance policy is very crucial to safe guard against any financial loss due to death. The insurance can provide financial security to your loved ones in yourabsence.

Provide for your life goals

This may be planning for vacations, learning a new hobby, taking p higher education, doing some charity or staring your own business. Women can plan their finances to provide for everything they wish to achieve. A good financial plan helps you create corpus to meet all your financial goals. Start by investing in mutual funds and build on to your investments as move forward.

Write a will

It is rarely seen that women make will of their estates. Will is an important document because it gives you a means to distribute your assets in the manner you like. A working women may have created various assets during her life time like house, investment in shares, gold, jewellery etc. Even home makers without fixed income have some assets like investments, gold and silver which she may be

wishing to pass on to her children. Writing a “will” will help women in allocating their assets as per their wish. They may provide for their grandchildren’s education or wedding or may want their jewellery to be gifted to anyone particular in their family like daughter or daughter in law or even a niece! But this can be done only by writing a will. In the absence of a will the assets will be distributed as per the provisions of the Hindu Succession Act or the personal law of the religion to which she belongs.

Retirement planning

Planning your retirement may be as crucial as making investments at you age. Understanding the financial health and planning for your retirement goals is crucial part of planning for women. Retirement may be phase where you would be free from all the responsibilities and you would want to pursue your hobby or go on a international vacation or a spiritual vacation as per your liking. All this can be achieved with a good financial planning

The 50-30-20 rule of Budgeting:-

Elizabeth warren in her famous book “All your worth- Ultimate Lifetime Money Plan” invented the famous 50-30-20 rule of budgeting our expenses, it sums as out of our after tax saving the money should be divided in such way that all your wants, needs, and savings are justified.

Out of our total income taking 50% for things that are our needs for instance roof over our head, food, and other basic needs which means things that we need to be able to survive. We also understand life can’t be all about paying bills hence the 30%of the income can go for our wants but which are not our needs for instance travel expense, all the entertainment etc. The remaining 20% is for investing and savings.

Why technology is important in improving our financial plan?

The advance digital technology is allowing financial advisors to work and served virtually, another crucial service role that a professional can provide is in the capacity of Virtual Financial Coach, now the term may be almost similar to be financial advisory but here we are suggesting service more in a way as a coach.

The financial coach may by understanding clients’ financial situations by empirically analyzing their financial documents; identify their needs and goals; define clear objectives; prioritize actions; offer guidance, education, and accountability; and support clients toward greater financial health and security

To be able to fit into role the professional must adapt/improve certain skills such as

- Ability to interact effectively and confidently with individuals at all social andeconomic levels
- Competently assess clients’ current financial situations through review oftheir tax returns, accounts, credit reports, etc.
- Have clear understanding of how to ascertain clients’ income, assets, debt,and credit scores by reviewing their financial records.

- Demonstrated ability to calculate financial health markers (debt-to-income ratio, net worth, etc.)
- Ability to document results, conducts accurate measurement, and generate outcome reports.
- Must have the necessary skill sets to empathize with clients about their financial situations, while also providing motivation and moving clients toward positive action.
- Clearly define financial coaching and has a deep knowledge of a financial coaches role.
- Must possess the content knowledge required to give clients high-quality and timely financial education.
- Effective communication skills, both verbal and non-verbal; and excellent writing skills.
- Teach financial education materials to individuals and groups in alignment with financial coaching standards.
- Financial coaches must have passed the Certified Personal Financial Consultant program and a criminal background check.

The financial coach is prime responsibility will to help those who struggle to budgetand make it easier for them to be able to make better financial decision.

Ace the role as financial advisor with the soft skills:-

1. **Communications and connections.** Financial advisors need to be able to communicate very complex information to people who aren’t as knowledgeable on the subject at hand. That means communications skills and the ability to connect with clients are essential.
2. **Sales and marketing.** It is also critical that financial advisors are able to bring in their own clients. While sales and marketing may not be the first

thing that comes to mind for the industry, each advisor will need to feel comfortable talking about their services in this way.

3. **Organization and attention to detail.** Of course, it may go without saying that organization is essential for a financial advisor to succeed. More importantly, that needs to be paired with the ability to keep even the smallest details in check.
4. **Problem solving skills.** It should also be noted that the primary role for a financial advisor to play in the lives of their clients is someone who can solve complex problems. Your client is looking for a specific outcome so it is important that you understand and can manage their expectations.
5. **Expertise and experience.** Lastly, of course, you must have the expertise in the financial planning arena to be able to effectively do this kind of job. Experience, in a similar field, will also help you get hired but with the right combination of all of the above the amount of experience is negotiable.

Expert Role of Chartered Accountants in Financial Planning

As financial advisors, CAs provide invaluable services that foster sustainable growth, promote ethical practices, and enhance community well-being. This article explores the multifaceted roles that Chartered Accountants play in financial planning to create a positive societal impact.

1. Strategic Financial Advisory

CAs serve as strategic advisors, helping clients navigate complex financial landscapes. By analyzing financial data and market trends, they offer insights that guide informed decision-making. For small businesses and startups, this guidance is particularly crucial. CAs can identify viable opportunities for growth and expansion while advising on potential risks. Their expertise enables entrepreneurs to optimize their resources effectively, contributing to job creation and economic stability within communities.

2. Budgeting and Resource Allocation

Effective financial planning hinges on meticulous budgeting and resource allocation. CAs help organizations develop detailed budgets that reflect their priorities and objectives. By ensuring funds are allocated efficiently, CAs can direct resources toward initiatives that enrich society, such as educational programs, healthcare services, and environmental sustainability efforts. This targeted approach to financial management not only enhances the impact of these initiatives but

also promotes accountability and transparency.

3. Investment in Social Enterprises

CAs can facilitate investments in social enterprises, which are organizations designed to address social issues while generating profit. By advising clients on socially responsible investments (SRIs), CAs can help channel funds into projects that yield both financial returns and positive societal impacts. These investments can support various sectors, including renewable energy, affordable housing, and education. By promoting the growth of social enterprises, CAs contribute to a more equitable and sustainable economy.

4. Tax Planning for Social Impact

Tax planning is a critical area where CAs can make a significant societal impact. With their in-depth knowledge of tax regulations and incentives, they assist individuals and businesses in optimizing their tax obligations. CAs can guide clients in maximizing deductions for charitable contributions, thereby encouraging philanthropy and support for community initiatives. By facilitating tax-efficient donations, CAs play a crucial role in increasing funding for non-profit organizations and social programs that address pressing societal needs.

5. Financial Literacy and Education

One of the most meaningful contributions of CAs is their role in promoting financial literacy. Through workshops, seminars, and educational materials, CAs can empower individuals and communities to understand fundamental financial concepts such as budgeting, saving, investing, and financial management. Improved financial literacy equips people to make informed decisions, leading to greater economic stability and resilience. By investing in the education of individuals, CAs contribute to building a more financially savvy society that can better navigate economic challenges.

6. Support for Non-Profit Organizations

CAs play an integral role in the financial management of non-profit organizations. These organizations often operate under tight budgets and must demonstrate accountability to their stakeholders. CAs assist non-profits in budgeting, financial reporting, and compliance with regulatory requirements. By ensuring that funds are utilized effectively and transparently, CAs enhance the capacity of non-profits to deliver essential services and programs to underserved populations. Their expertise helps non-profits maximize their impact, ensuring that donations are used for their intended purposes.

7. Sustainability Reporting and CSR

In today's business environment, Corporate Social Responsibility (CSR) and sustainability reporting have become increasingly important. CAs are pivotal in preparing these reports, ensuring compliance with relevant regulations and standards. Their skills in data analysis and reporting allow organizations to articulate their social and environmental impact clearly. By promoting transparency and accountability, CAs help organizations build public trust and demonstrate their commitment to social responsibility. This, in turn, can enhance their reputation and foster stronger relationships with stakeholders.

8. Crisis Management and Recovery Planning

Economic downturns and crises can severely impact organizations and communities. CAs are instrumental in crisis management and recovery planning, helping businesses navigate financial challenges effectively. Their ability to conduct thorough financial assessments allows them to identify potential risks and develop contingency plans. By advising organizations on cost-cutting measures, liquidity management, and recovery strategies, CAs contribute to economic stability and resilience in the face of adversity. Their guidance can be the difference between survival and failure for many businesses, impacting not just the organizations themselves but also the communities they serve.

9. Advocacy for Ethical Practices

CAs have a responsibility to advocate for ethical practices in financial management and reporting. By promoting transparency, integrity, and accountability, they help create a culture of ethical behavior within organizations. This advocacy extends to encouraging businesses to adopt fair labor practices, support local communities, and engage in environmentally sustainable practices. By fostering an ethical business environment, CAs contribute to the overall health of society, ensuring that businesses operate responsibly and in the best interests of their stakeholders.

10. Community Engagement and Partnerships

CAs can also facilitate community engagement and partnerships that enhance social impact. By collaborating with local governments, non-profits, and community organizations, they can help identify pressing societal needs and develop targeted financial strategies to address them. Such partnerships can lead to innovative solutions that leverage resources for maximum impact. For example, CAs can assist in structuring public-private partnerships that fund infrastructure projects or social programs, ultimately benefiting the community at large.

Chartered Accountants have a unique and powerful role in financial planning that extends far

beyond traditional accounting practices. Their expertise allows them to provide strategic financial advice, promote financial literacy, support non-profit organizations, and advocate for ethical practices. By leveraging their skills, CAs can help enrich society through sustainable growth, social responsibility, and community empowerment. As trusted advisors, Chartered Accountants are well-positioned to create a lasting positive impact, fostering economic stability and enhancing the well-being of individuals and communities alike. In a world increasingly focused on social responsibility, their role is more critical than ever, making them essential contributors to a better future for all.