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Don't rush, plan in advance

FINANCIAL PLANNING This year, take a planned approach to finances instead of waiting for last-minute tax deadline

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MUMBAI: Amit Choudhary, 40, an accounts manager at Shemrock Group of Schools in Delhi, thinks that a new financial year (FY) is a good time to look at one's finances. "I believe in planning at the beginning of the FY to avoid any hurried investment decisions and the discomfort in the last three months," said Choudhary. While 35% of his investment corpus is in debt funds and insurance plans, 65% is in equities, which includes systematic investment plans (SIPs) in mutual funds. "For FY20, if the markets get volatile considering it is an election year, I would still continue my investments." Financial planning is about creating a plan to meet one's financial goals. If you are still struggling to plan your finances, HTMoney tells you how to:

MANAGE YOUR CASH FLOW

Cash flow management is the ability to manage the money that comes into your account as income and the total outgo towards expenses and investments. Most people will know their income, but not everyone pays attention to their expenses. If you are not sure how much you spend, you can start keeping track of it for the first six months to get an idea. According to financial planners, you should save first and then invest. "First cut a cheque for your investments and then plan your expenses. Doing the reverse will leave no room for savings," said Deepali Sen, founder, Srujan Financial Advisers LLP.

BUILD YOUR EMERGENCY FUND; BUY INSURANCE

Your next step is to use the money you save to build an emergency fund and buy insurance policies before you start investing. For instance, Mumbai-based Bhagyashree Shinde, 28, a customer services representative at Ashland India Private Ltd, has decided to first build an emergency fund for FY20. "My first goal for FY20 is to have a contingency fund," said Shinde. Emergency fund provides you cushion in case of unforeseen circumstances such as job loss or any kind of medical needs. As a thumb rule, you must have at least six to 12 months expenses as emergency fund.

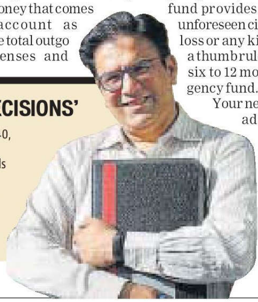
Your next step should be to have adequate insurance. Remember that insurance is not an investment product; it is for protection. If you have dependents, buy a term plan with a cover that is at least 10 times your annual income. Even if you have a health cover from your employer, you should buy a basic health plan. "The need for health insurance stems from rising healthcare costs along with increase in number of health issues," said Ravi Vishwanath, executive director and chief executive officer at Reliance Health Insurance. The amount can vary based on location and age. If you are 30-year-old living in a metro city, you should have a health cover of at least ₹10 lakh.

START INVESTING BASED ON YOUR FINANCIAL GOALS

The next step is to start building your kitty for your short-term and long-term needs. Your goals can be categorised into long-term (retirement or child's education) and short-term (annual vacation or buying a home appliance or gadget). For short-term goals you can consider fixed income instruments such as fixed deposit and debt fund. In case of long-term goals, you can opt for equity through mutual funds along with a mix of debt, depending on your risk appetite.

"You should first ask why you want to invest in mutual funds. You must have your goals clear in your head," said Swaroop Mohanty, chief executive officer of Mirae Asset Global Asset Management Co. Ltd. Overall, you can make use of multiple financial instruments such as mutual funds, public provident fund and fixed deposits. Through your financial plan, you can indirectly fulfil your tax investment. "A lot of time taxpayers end up investing in tax-saving instruments for convenience instead of those instruments which suit their needs," said Pawan Agrawal, founder of Invest Guru. So, this FY, focus on financial planning and not on just saving tax.

ILLUSTRATION: SUDHIR SHETTY



'AVOID HASTY DECISIONS'

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- **Advice:** While 35% of his investment corpus is in debt funds and insurance plans, 65% is in equities.

'CONTINGENCY FUND IS A MUST'

- **Who:** Bhagyashree Shinde, 28, a Mumbai-based customer services representative at Ashland India Private Ltd
- **Advice:** Her first goal for FY20 is to have a contingency fund.