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Importance of Financial Planning

New-age women need to take charge of investment decisions

Indian women have historically saved in gold jewellery and considered the investment as security to overcome financial stress. Times have changed, our aspirations from life has changed, hence, women, should start looking at investments not just as an avenue to be used in case of stress, but also as a mean to meet our life goals and aspirations. Hence, financial planning should be a well thought out process of building a balanced portfolio of investments.

Despite understanding the value of money and benefits of savings, women today, miss out on the power of compounding. Women can build a sizeable corpus at little inconvenience. The need of the hour is to focus on managing and reducing expenditure (we women are good at it), and investing regularly with discipline (which we anyway have been doing for centuries) can go long way in being financially independent over time.

Every woman needs to understand the importance of being financially independent. Depending on father or husband or brother or anyone else may be easy way out, but it is very important and satisfying to do it yourself. We should all be aware of what is the state of our financial health and work with our family towards improving it. Every woman should understand that she, as the individual, is as important as the family. Her personal aspirations should also be part of her family's aspirations.

One cannot be financially independent by only earning. One should remember, your investments earn you more than what you earn and gives you cash flow in times of need. Hence, saving and investing right is very important to achieve our life goals and aspirations.

Financial planning is all about managing and planning expenditure, debt and savings and taking stock of one's assets and liabilities. Savings is as important as managing the expenditure. Only if you save, you can meet your aspirations of a buying a house, car, holidays, children's need and most importantly, a happy retired

life. In most households, women are consulted regarding purchasing decisions, but never are a part of discussions regarding savings and investment plans. Though woman in the house are part of the decisions to spend, it has been seen in most of the times they aren't involved in the process of saving nor in investment decisions. Women need to be involved in the business and financial planning decisions, thus, helping their family to tide over difficult times together.

Financial planning for single women with or without dependents is very critical for improving the quality of life as she is the sole earner. For this, she can build a balanced portfolio by investing across assets (right from buying house to fixed income, equity, commodities) over time - to achieve both financial and social security. Further, once her life goals are achieved, even if she plans to retire, her investments will continue to give her returns for the rest of her life.

Insurance: Manages risk, not for investment

Adequate insurance - medical and life - are very important to manage risks in life. Insurance should not be mixed with investment; it is a necessary expenditure to manage risks and avoid or reduce financial stress in case of medical emergency and accidental deaths in family.

Debt is not a bad word if it is managed well and taken for right reasons. It is never advisable to take debt for consumption expenses like going for a holiday or for buying a car. Even if it is taken, it needs to be repaid at the earliest as the cost of these loans is generally high. Loans taken to buy a house should also be within limits of one's ability to service the EMI.

Investment is all about right asset allocation in various assets classes - debt, equity, real estate, commodity (gold). Various instruments are available in all types of asset class with various degrees of risk and liquidity. One can take the advice of a financial advisor and educate self about each instrument type and build a balanced portfolio to meet long-term and short-term goals. But most important, she needs to be aware about various investment options and take an informed call. ■

One cannot be financially independent by earning alone

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