Doing things that are boring in life will make life interesting !!

- Virat Kohli

Financial Planning

Speaker: Sourabh Jain

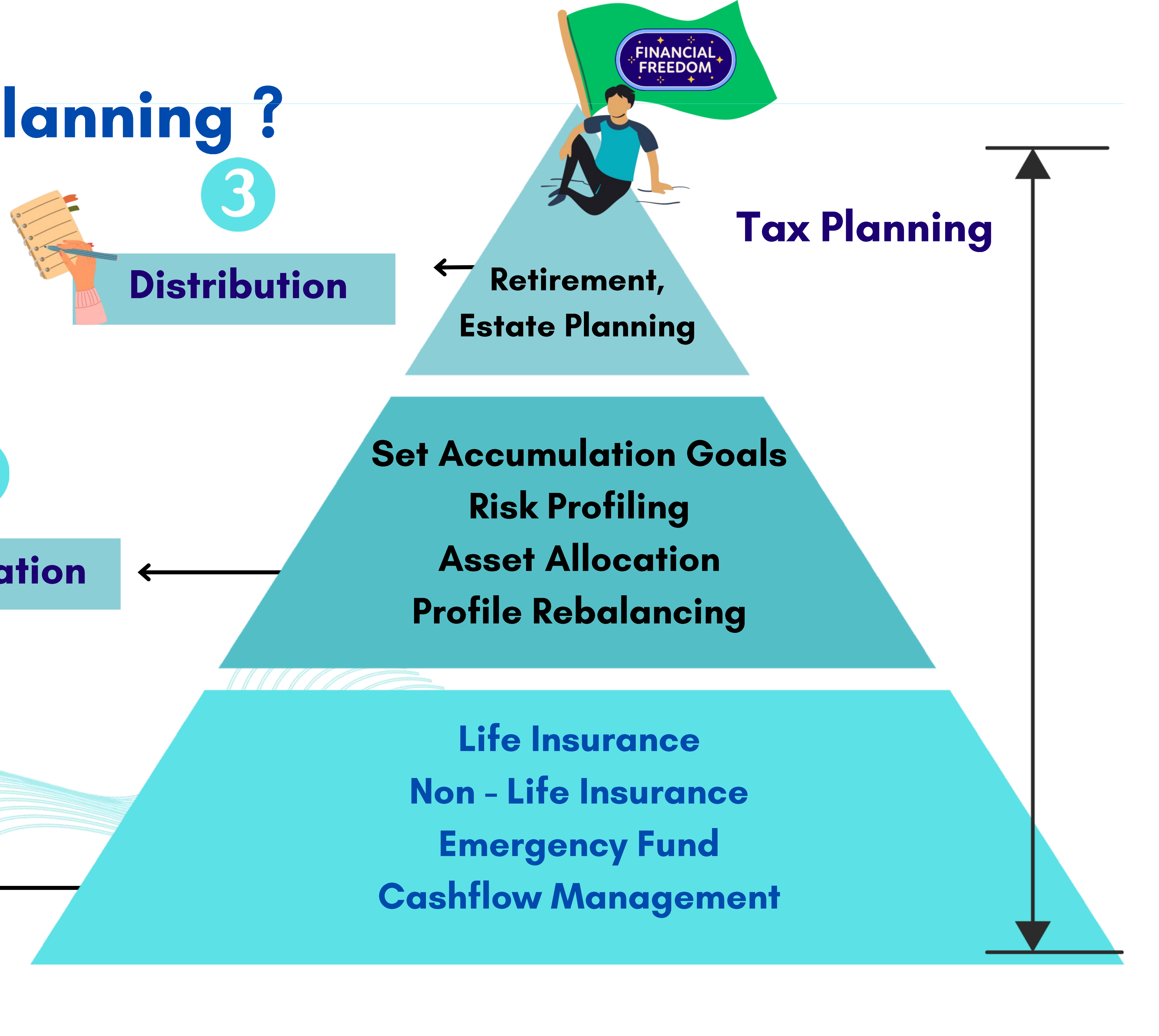
(Wealth Coach & Financial Advisor)

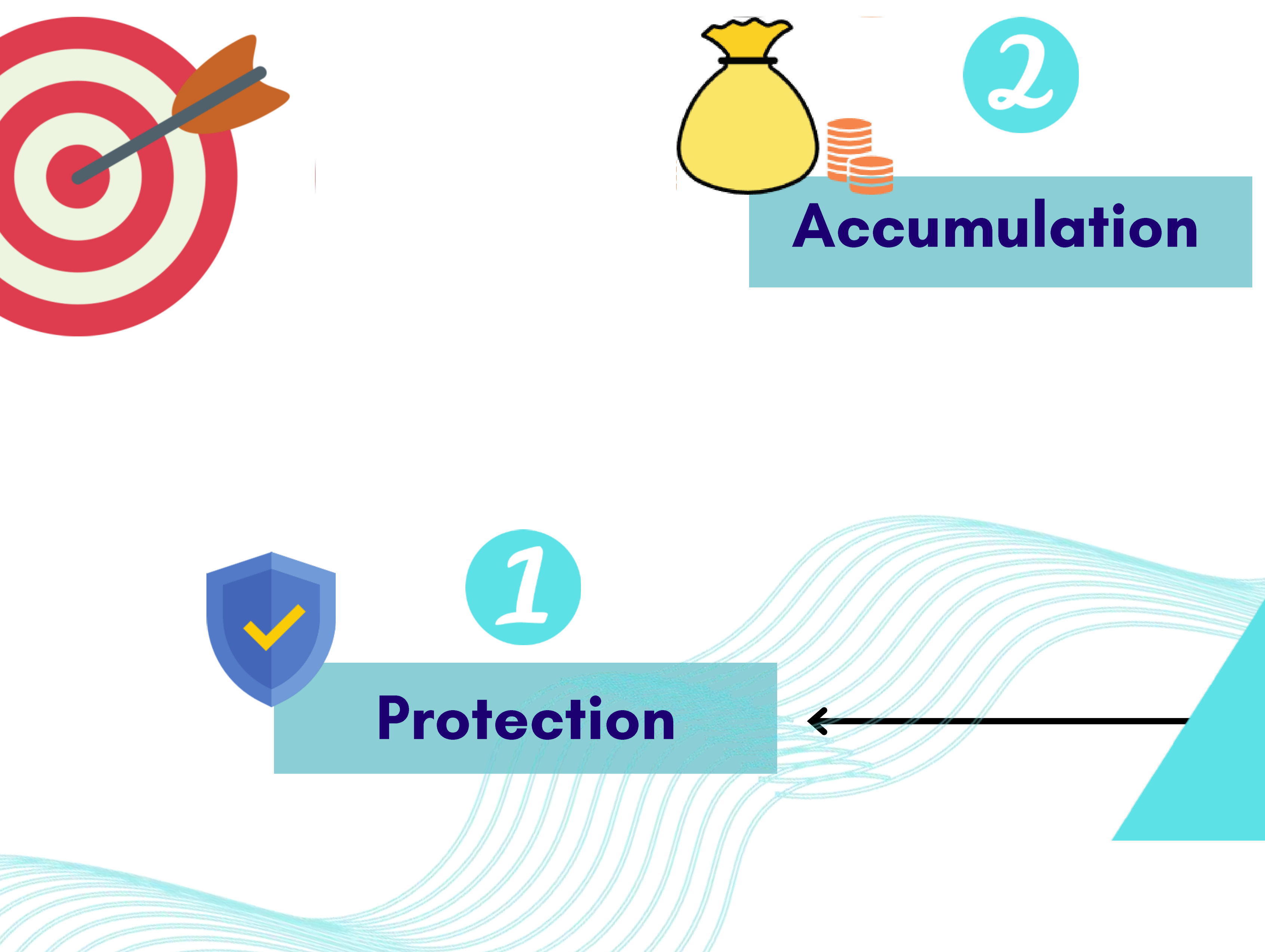
What?

What is Financial Planning ?

What is Financial Planning ?

✓ Process of developing a financial plan that will help us to achieve our financial goals.





Why?

Why Financial Planning ?

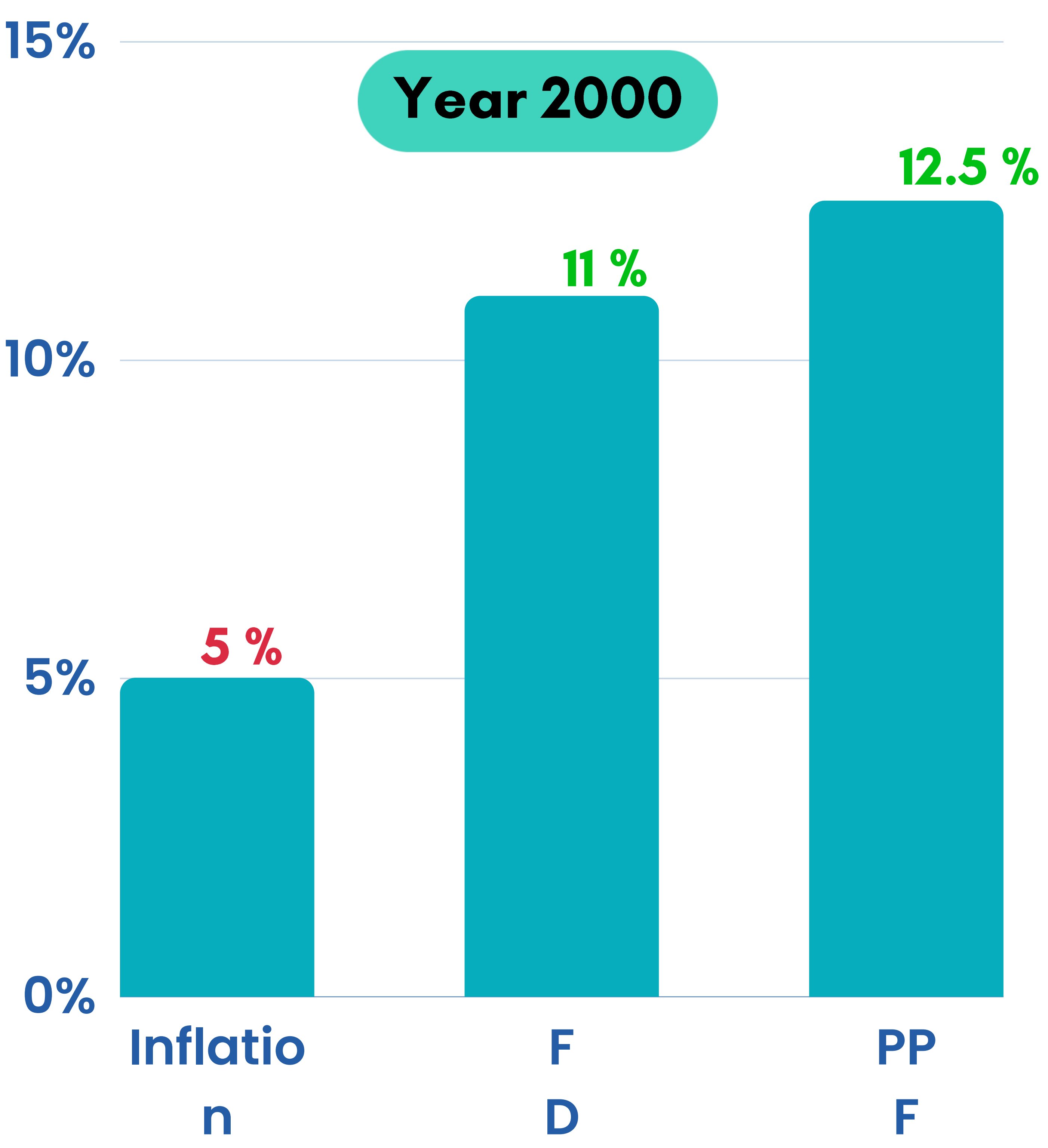
Why Financial Planning ?

Yesterday's Luxuries are today's Necessities

- Inflation
- Consumerism

Current Cost: 1,00,000
Inflation: 6%
Number of years: 10 years
Future Cost: 1,79,085

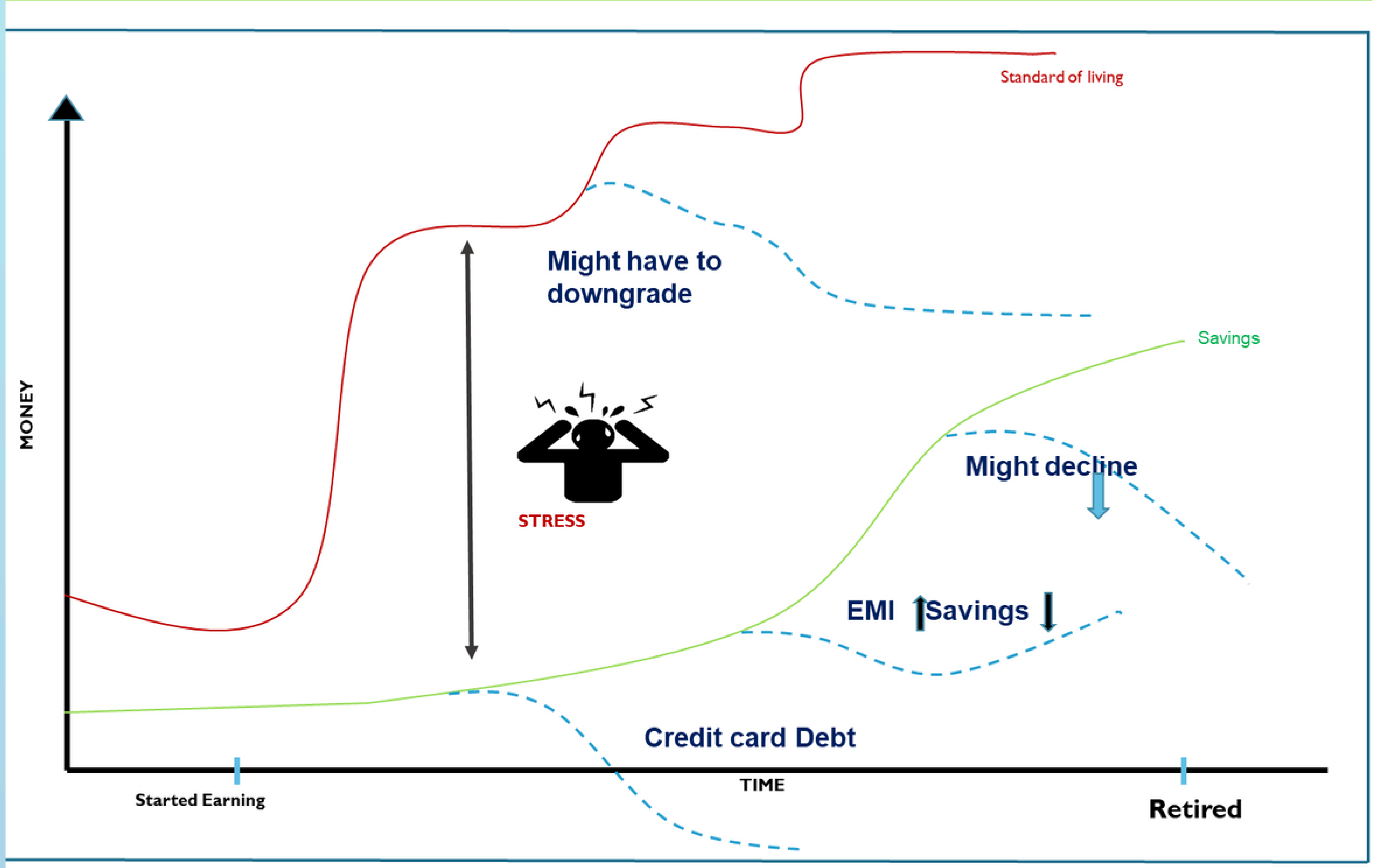
Need For Financial Planning;

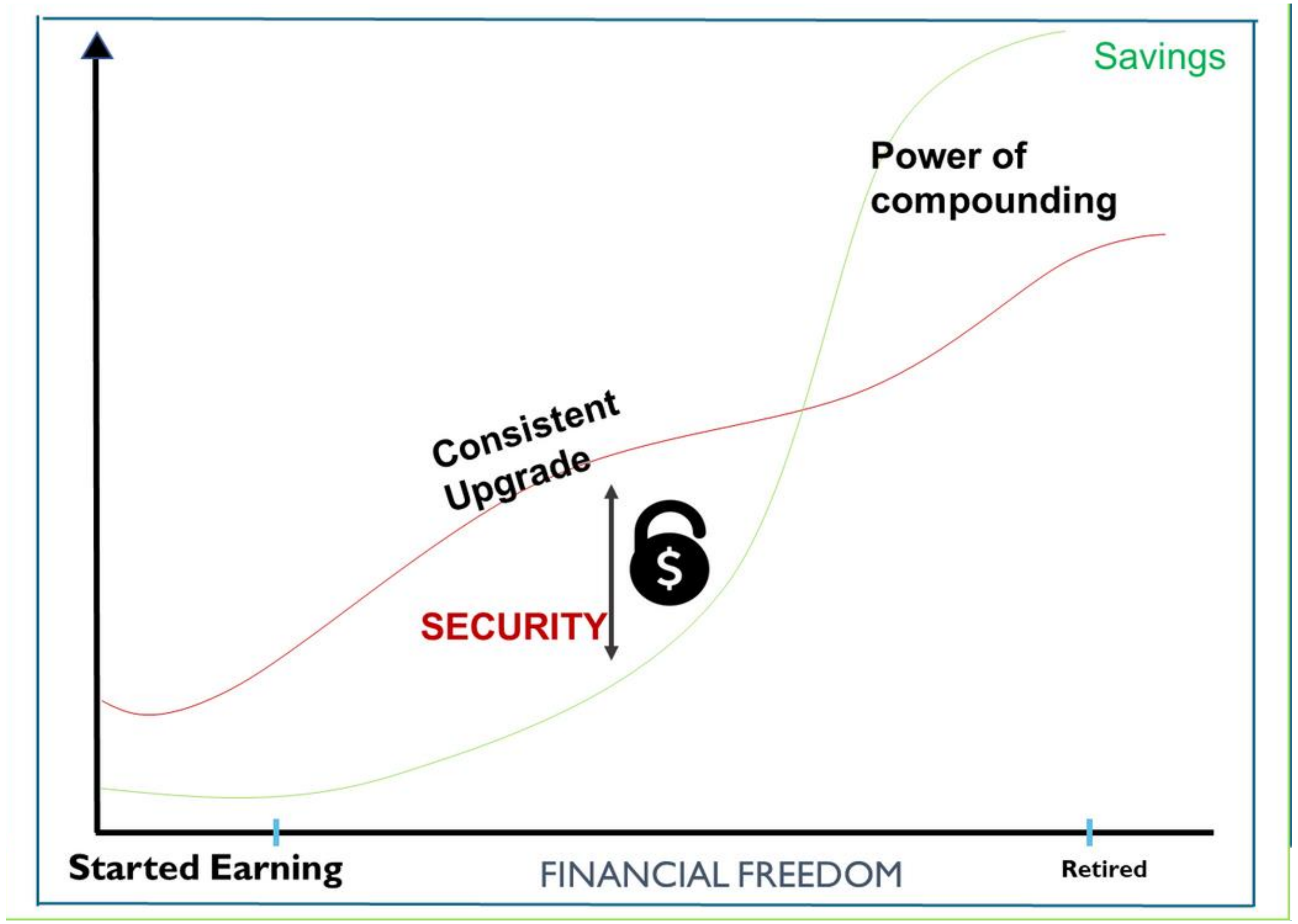


We could easily earn 10% -12% Return

But in present scenario to earn that 11% to 12% return we need to diversify & should adopt volatility

Beat Inflation by investing or Lose Purchasing Power





Financial Freedom : Active Income = Passive Income

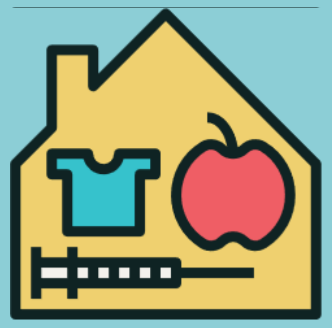
Cashflow Management

Budgeting Rule - 50/30/20

Savings(20%)

- FDs
- Mutual Funds
- Stocks, Bonds
- PPF,NPS,etc.

Needs(50%)



- Groceries
- Housing
- Utilities
- Health Insurance
- Car Payments

Wants(30%)

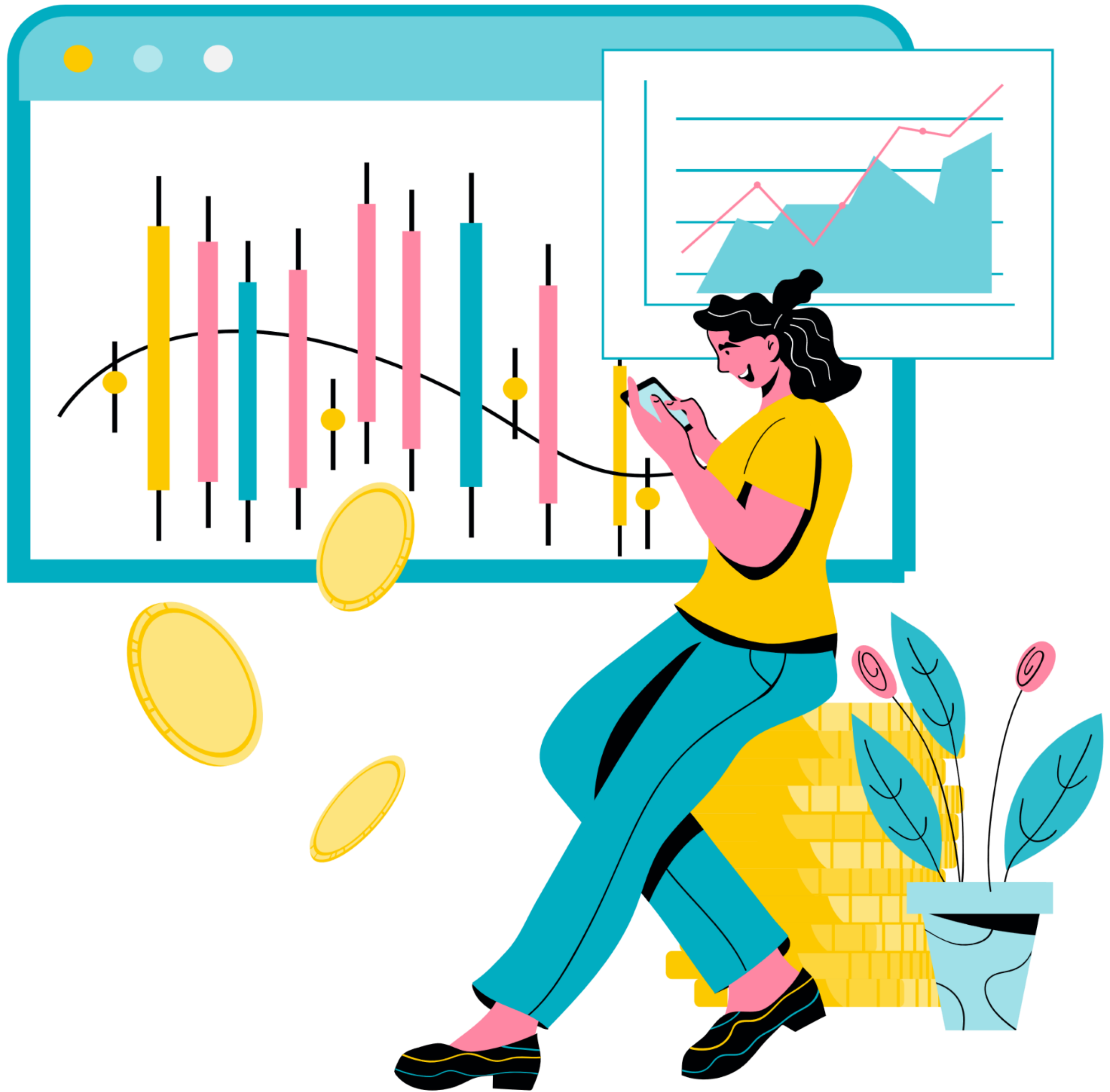
- Shopping
- Dining Out
- Hobbies
- Travel

2X Savings rule – Ask your Bank to activate "Auto-Sweep" in your savings account.

"A budget is telling your money where to go instead of wondering where it went."— Dave Ramsey

How?

How to do financial planning?



Goal Based Investing

Need Based Tools

Short-Term Goal (1-3 years)

- Saving account
- Recurring Deposits
- Fixed Deposit
- Liquid Funds
- Short-term Funds
- FMPs
- Arbitrage Funds

Medium-Term Goal (3-7 years)

- Debt Funds
- Mutual Funds (SIP in Hybrid funds)
- Gold

Wealth Creation Tools

Long -Term Goal (>7 years)

- Stocks
- Bonds
- Mutual Funds (SIP in equity oriented funds)
- PPF
- Real Estate

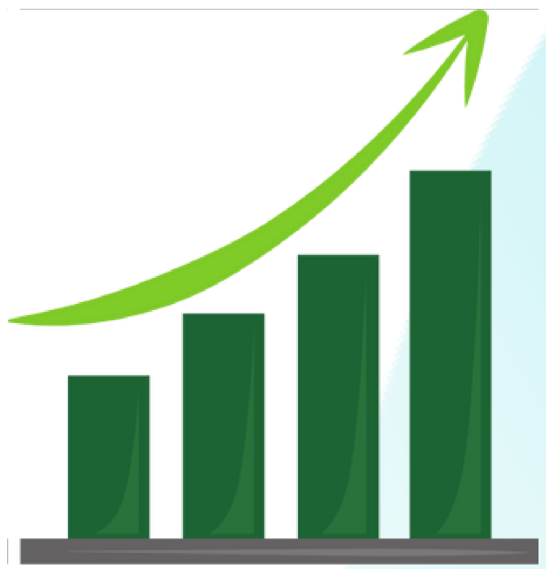
1st Week Rule -

Remember you had to save and invest atleast 20% of your income?

Do it in the first week of the month, i.e. as soon as you receive your payout. Don't wait for all expenses to be over. **This brings discipline in investing.**

Wealth Creation : A Known Recipe

How?



Savings & Asset Allocation

Small savings add up to Big Money

Time

Invest for longer

Compounding

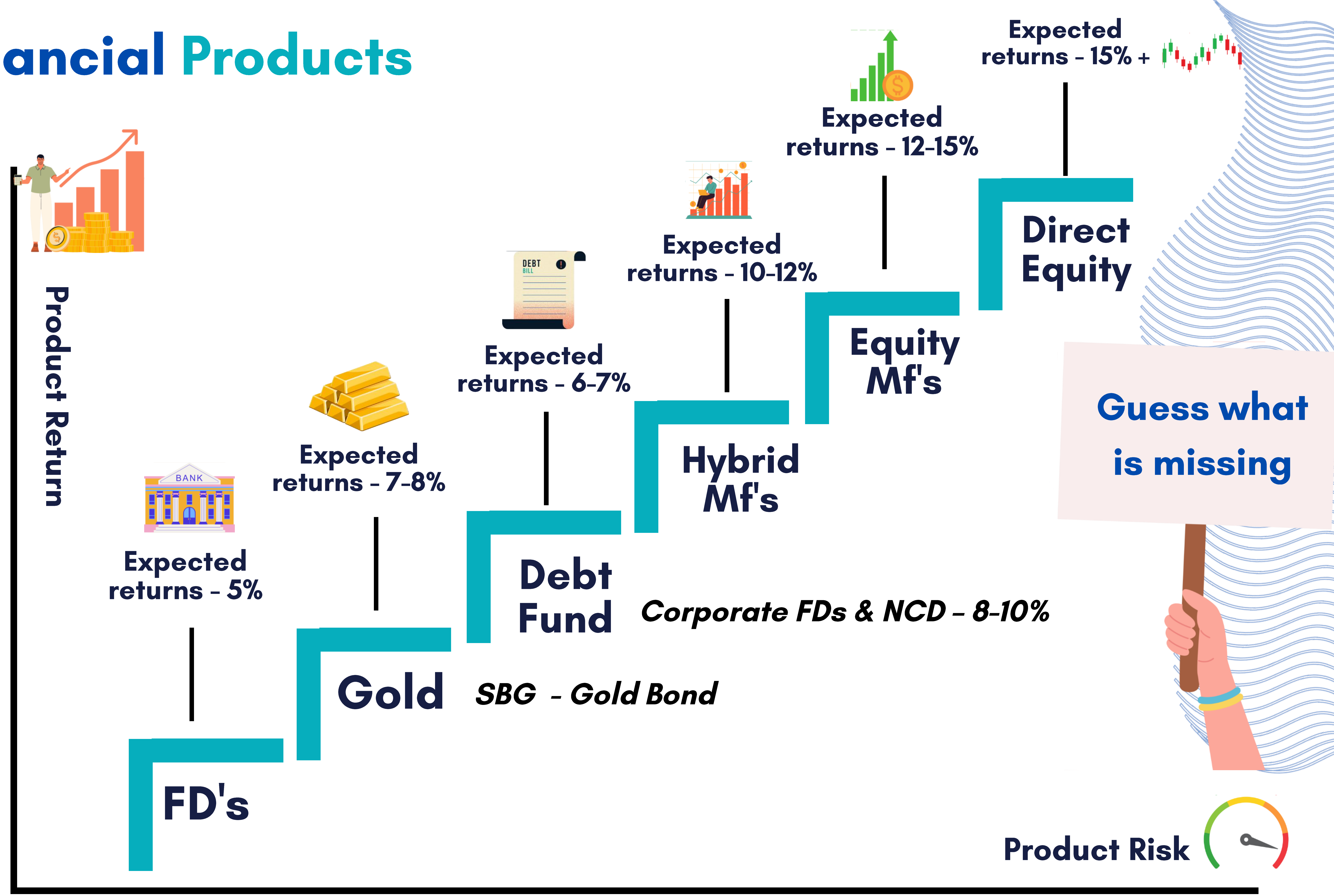
Your Money Works for you

Wealth Creation

What we lack is DISCIPLINE

Financial Products

Goal Based Investing



Asset Allocation is Must – it has 92% impact on portfolio returns

Financial year-wise performance

Winners among asset classes keep rotating. Suitable asset allocation is important in meeting the financial goals.

FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	10-year CAGR
S&P 500 31.7	Nifty Smallcap 250 62.8	Gold 10.5	Nifty Smallcap 250 40.6	Nifty Smallcap 250 12.9	Nifty 50 16.4	Gold 37.2	Nifty Smallcap 250 118.7	Nifty Smallcap 250 37.0	Gold 13.6	Nifty Midcap 100 16.3
Nifty Smallcap 250 22.9	Nifty Midcap 100 52.5	G-Sec 8.0	Nifty Midcap 100 36.5	S&P 500 12.3	S&P 500 13.9	G-Sec 14.7	Nifty Midcap 100 103.9	Nifty Midcap 100 26.7	T-Bill 5.5	Nifty Smallcap 250 15.9
Nifty 50 19.5	Nifty 50 28.2	T-Bill 7.8	Nifty 50 20.2	Nifty 50 11.8	T-Bill 7.1	T-Bill 6.2	Nifty 50 72.5	Nifty 50 20.3	G-Sec 3.4	S&P 500 14.8
Nifty Midcap 100 18.3	S&P 500 15.3	S&P 500 5.6	S&P 500 12.3	Nifty Midcap 100 10.3	G-Sec 6.8	S&P 500 -0.4	S&P 500 48.8	S&P 500 18.2	Nifty Midcap 100 2.0	Nifty 50 13.2
T-Bill 8.6	G-Sec 14.6	Nifty Midcap 100 -0.6	G-Sec 11.9	T-Bill 6.4	Gold 1.4	Nifty 50 -25.0	T-Bill 3.8	Gold 16.7	Nifty 50 0.6	T-Bill 6.4
G-Sec -1.0	T-Bill 8.8	Nifty Smallcap 250 -5.9	T-Bill 6.7	Gold 5.6	Nifty Midcap 100 -1.9	Nifty Midcap 100 -35.1	G-Sec 3.6	T-Bill 3.7	S&P 500 -1.6	G-Sec 6.1
Gold -7.9	Gold -6.4	Nifty 50 -7.8	Gold -2.3	G-Sec -0.4	Nifty Smallcap 250 -12.4	Nifty Smallcap 250 -40.2	Gold -0.2	G-Sec 1.1	Nifty Smallcap 250 -6.0	Gold 6.1

Returns as of March 31, 2023. T-Bill: treasury bills; G-sec: government securities; For large-cap, we have used Nifty 50 TRI data; for mid-cap, Nifty Midcap 100 - TRI data; for small-cap, Nifty Smallcap 250 TRI data; for T-Bill, Crisil 91 Day T-Bill Index data; for G-sec, Crisil 10 Year Gilt Index data, for international, S&P 500 index data (converted to rupee returns). Nippon India ETF Gold BeES is used as a proxy for gold asset class

S&P 500 returns are converted to INR for all the years – based on exchange rates at the beginning and end of the financial year

Also for S&P 500, price returns are taken instead of total returns.

mint

Souce: ACE MF

Key to wealth creation

"Whether it's family , relationships or portfolio everything has to be balanced"

Suppose Raj started SIP of Rs. 10000 per month on 1st April 2005 in NIFTY MIDCAP 150 Index

FY	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
	1st Year	2nd Year	3rd Year	4th Year	5th Year
Investment Amount	₹1,20,000	₹2,40,000	₹3,60,000	₹4,80,000	₹6,00,000
Value of Investment	₹1,70,252	₹2,92,731	₹4,63,828	₹3,35,831	₹9,50,234
XIRR return	85.3%	20.3%	17.2%	-21.2%	18.4%

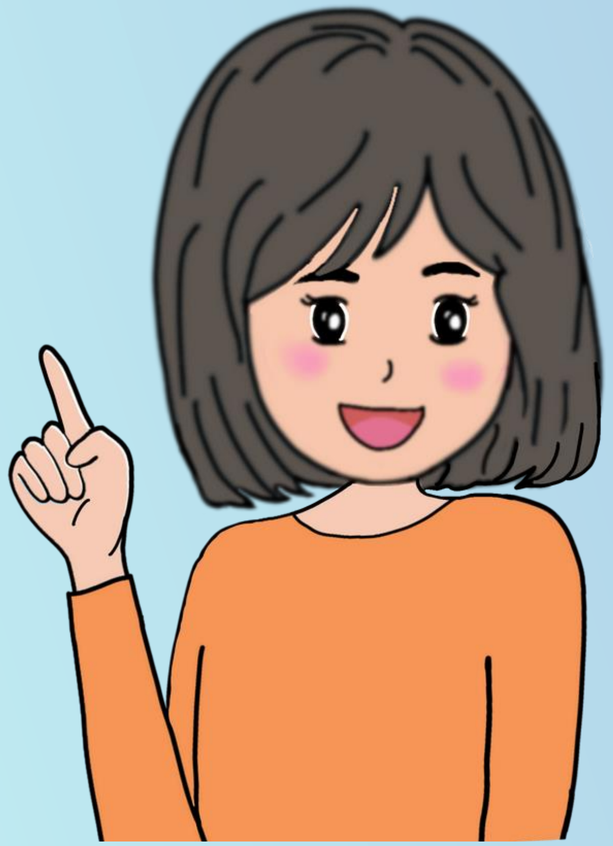
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	6th Year	7th Year	8th Year	9th Year	10th Year
Investment Amount	₹7,20,000	₹8,40,000	₹9,60,000	₹10,80,000	₹12,00,000
Value of Investment	₹11,14,690	₹11,71,994	₹13,59,666	₹17,25,218	₹29,40,169
XIRR return	14.4%	9.4%	8.5%	10.1%	17.1%

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	11th Year	12th Year	13th Year	14th Year	15th Year	16th Year	17th Year	18th year
Investment Amount	₹13,20,000	₹14,40,000	₹15,60,000	₹16,80,000	₹18,00,000	₹19,20,000	₹20,40,000	₹21,60,000
Value of Investment	₹29,89,618	₹42,23,935	₹50,52,414	₹51,56,261	₹36,15,393	₹77,14,344	₹97,47,885	₹99,95,886
XIRR return	14.1%	16.8%	16.7%	14.8%	8.7%	15.7%	16.4%	15.2%

SIP - Powerful Investment Tool

- **Initial 5 years - Don't worry phase**
- **6 - 10 years - Stay patient phase**
- **Beyond 10 years - wealth creation phase**

Points To Remember !



- **Invest early.**
- **Avoid Behavior Biases - Herd mentality, Recency biases, Overconfidence biases, etc.**
- **Keep a track of your expenses.**
- **Diversify your assets.**
- **Avoid excessive loans.**
- **Longer the time horizon, greater will be risk taking capability.**

REMEMBER

Making money is an ***ACTION.***
Keeping money is a ***BEHAVIOR.***
Growing money is ***WISDOM.***