

# Fin Resolutions That Can Change Your Life

*A few simple steps will go a long way in ensuring long-term prosperity*

Partha Sinha | TNN

Every New Year, we make some resolutions about things we wish to complete over the next one year. To these, you must add a few resolutions about financial planning. Here is a compilation of financial resolutions that some of the best financial advisers and planners shared with TOI which you could adopt in 2015. It is better, most financial advisers say, if these resolutions are eventually turned into habits, which will assure you a peaceful financial life.

## Think before you spend

In this era of consumerism, we mostly land up buying things which are either of no use or of minimal use to us. This urge, if controlled, can save a lot of money which can be used to spend on our current and future needs. But often we get into conflict of distinguishing between a need and a want. The solution to this is a simple exercise of 'Think before you buy' — give it a thought if you actually need it or not. If this does not work well for you, do a TEST 21. All you have to do here is postpone the purchase for 21 days and if after that you do not feel the same urge to buy, you don't need it anymore.

—Asish Modani,

SLA Financial Solutions

## Plan a budget

If you haven't made a budget then it is the time you should start making one. Budgeting helps you to plan your bigger expenses and also helps you avoid impulsive buying.

—Raj Talati, ABM Investment

## Automate your savings

By setting up automatic debit at the beginning of the month, you can only spend what is left after investing. In addition, procrastination and a busy schedule could be avoided, thereby putting your investments into an autopilot. Ensure you align this autopilot strategy to your goals.

—Vishal Dhawan, founder, Plan Ahead Wealth Advisors

## Save small, save regular

As they say to manage your finances, you don't have to be smartest from the rest but you have to be disciplined from the rest. Once your goals are set, you may start small but save regularly. The road to your long-term goals may have many jerks but don't stop until you arrive at the destination. —AM

## Prioritise your debts

Understand not all debts are same. Make a list of all your debt and try to get rid of the ones against which you are paying the highest rate of interest. It doesn't make sense to invest your money in an FD or mutual fund when you are paying 30% interest on your credit card dues. —RT

## Stay simple, stay foolish

People usually feel that a lot needs to be done to manage finances effectively, whether it is monitoring fund performance or buying new products. In pursuit of high returns, we end up complicating our finances by doing too many things. To manage finances effectively, all you ought to do is to stay simple and stay foolish — unperturbed by the innovations that people come up with which are just a makeover of science of investment. Remember, complex things are easy to do but simplicity is the real challenge. —AM

## Overcome 'neomania bias'

Some people believe that new is always better than old ones in FMCG goods, mobile phones, cars, bikes, etc. People often opt for new series of phones within days of the launch on the belief that new series always have new features, in-built apps, better picture clarity etc. Similarly, in investments many investors are afflicted with Neomania: Anything new instils a sense of optimism and limitless potential of growth in stock price or NAVs of mutual funds by the investors. So, NFOs get a preference over the tried and tested schemes. However, it is better to stick to investments which are time tested wealth creators. And never exit from existing investments which



Illustration: Mahesh Benkar

are giving good returns just for the sake of entering new ones.

—Tarun Birani, founder & CEO, TBNG Capital Advisors

## Review your life insurance

Make sure you evaluate the right amount of life insurance coverage required for yourself and your family. If the cost of protection is continuing to fall, replace old policies by increasing the amount of protection, without increasing the premiums. —VD

## Review your portfolio

Periodically reviewing your plan and rebalancing your investment portfolio is a tested way of achieving financial freedom. Review your risk levels over time as you approach your target date for goals like retirement or child's education. —VD

## Learn to move on

Do not cling to any old bad financial decision taken in the past. A rotten vegetable will never become fresh by keeping in refrigerator. The best thing is to leave it be-

hind: Learn the lessons so that you don't repeat it and move on. Make it a habit to do your own due diligence before entering into any financial contract. —GK

## File all financial papers

This task has been on your mind for ages. Just consider the time and pain it takes to locate documents. Do it once and for all so that all documents are clearly punched in files with names written on them. An excel sheet with all the investment details is a good idea. It should also be maintained in physical form. Things will be better for our loved ones if we are not there and they have to claim our investments, insurance, etc. —Gurleen Kaur, Harepatti

## Write a Will

Once a 45-year-old client of mine was surprised that I have a Will. My philosophy is its never too early to write a will. Your future is uncertain and dying intestate will mean distribution of your assets without your wish. There is also a possibility of disputes among your children over assets. It is better to write a will today to avoid such situations. A lot of people think it is mandatory to get a Will registered. An unregistered, handwritten Will is also valid, provided it has two witnesses. —GK

## Avoid tips or high-return offers

Remember every extra % of return offered over and above market return comes with that extra % of risk. So shy away from schemes that offer to double your money in a very short span of time. Also check investments products you are investing in are regulated. —RT

## Consult a financial adviser

It is always beneficial in the long run to seek professional help. In the short run, it might look like a cost; but over a period of time, it would help you to avoid unnecessary investments. He will guide and a hand-hold you during your financial journey and helps you reach your goals comfortably. —RT

## Do some charity

Do not forget to do some charity, help the people who are less fortunate. Remember, we are lucky that we have access to the things which at least 50% of the population does not have. —RT

## Overcome 'procrastination bias'

Some people have the habit of giving less urgent tasks the preference over more urgent ones, and thus putting off impending tasks for future, sometimes to the last minute before the deadline. For example, every year you can file your income tax returns between April 1 and July 31. How-

## SWATANTRA INITIATIVE ON ETNOW

UTI MF Swatantra initiative will soon be launched on ETNow as well. In the next few weeks, the following topics will be covered over several episodes: senior students joining workspace, young working professionals, single working professionals (female) and married professionals without children. If you belong to any of these groups and have queries related to financial planning, you could post them on [www.indiainvestkaro.com](http://www.indiainvestkaro.com) and some of the most relevant ones would be answered by experts and professionals from the field.

ever, most taxpayers file tax returns during the last week of July. Similarly, for most people every year tax planning starts in January, instead of planning and executing it round the year. Procrastination even costs one if investments for a particular goal is delayed. For example, two people

## NEXT WEEK

We will take up the the basics of power of compounding and how one should take advantage of it by starting early.

start investing Rs 2,000 every month for retirement, the first at 30 years of age and the second at 40. At 8% annual rate of return, the first person has about Rs 15.6 lakh more than the second person at 60. —TB

According to Modani of SLA Financial Solutions, effective financial management is no rocket science but 99% common sense. "Adopt these simple and common moves to bring your financial house in order and you will sleep a lot better," Modani said.