

Monitor your budget to keep tabs on inflows

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A few months ago, I was talking to the passing out batch of a business school. I thought to myself: These students had everything going for them except one essential thing, that is their level of financial education and awareness about personal finance. Incidentally, the topic of that session was financial planning, and whether it makes your life any better when you have a plan.

Here are some of the benefits of having a financial plan for you and/or having a financial planner on your side:

A master view of all your finances: A financial plan helps investors understand all the moving parts of their financial lives and make more sense of how all the pieces fit together to achieve what they want with their money.

Priorities and trade-offs: A financial plan can help you prioritize the goals that your investments would go towards. For example, would you be jeopardizing your child's education by upgrading your home/car, and such trade-offs. The implications of such trade-offs would also be clearly understood through a financial plan.

What gets measured, gets monitored: As part of a financial plan, you are required to monitor budgets and surpluses. Thus, you would be more aware of your cash flows. A common com-



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plaint of investors having a financial plan is that, "We don't know where my money goes." The planning process would help in this regard. Similarly, an adviser would also track your investment performance to understand where you are with respect to your life's goals.

Investments are in line with what you need: Many a times, we have invested in products that may be risky or may be locked-in, thereby not having access to our own money when we need it. This happened because a friend or relative suggested some investment and you just went ahead with it without paying heed to whether that was relevant to you or not. For example, a PPF account may be a good investment, but not if you plan to become an entrepreneur in two years and need contingency provisions.

Preparedness for surprises: We all know that life is full of surprises. A financial plan helps you gear up for such eventualities by suggesting an appropriate risk-management plan for your life, health and other assets.

Everything's in one place: Several investor families we deal with as an adviser have given this feedback. The ease of knowing that all your financial details, documents, investments, details of assets and liabilities, etc — basically all things related to the family's finances — are documented with your adviser and can be accessed quickly is a big comfort for most.

Helps pass on wealth to your next generation: The answer to the question "Does your family know about your finances?" is usually a "No" in the Indian context as, mostly, the lady in the house does not want to be involved in financial matters. Increasingly, this is changing among the younger population since a financial plan/planner could help aid the process to smoothly pass on all your hard-earned wealth to your spouse and to your next generation in the most efficient manner.

If you take care of all of these points in right earnest, then you must have planned well financially. Else, it's time to get that financial plan in place.

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