Preparation and planning can manage your wealth in transition

— By Shalini Dhawan | Jun 04, 2016 12:58 pm

The preparation and planning that you do, can make managing your wealth in transition very easy, writes Shalini Dhawan.
Transition by definition means a change. There could be various life events and transitions which could bring along a lot of change. Most transitions bring about changes to your financial life as well, as they may involve meaningful cash inflows or outflows. Let's look at some such transitions and what you could do prepare for such transitions.

Marriage – Marriage is a big transition both on the personal and financial front. It brings along with it a lot of responsibilities. In financial terms it could mean additional dependents as well as added life goals. The income, savings and investments now need to be planned jointly by both spouses together.

In case you are a lady and getting married, then you would need to ensure your new name reflects in all important documents like PAN card, Adhar card, Passport. In addition all your existing investments and bank accounts should also reflect your new name to ensure smooth access to all your wealth that you had accumulated in your maiden name.

In case of a gentleman getting married, he would need to ensure the wife has access to a list of all wealth and assets. The wife could be made a nominee on all of the husband's investments and bank accounts for smooth access to her, in case of eventualities.

Children moving overseas for education – Funding your child's overseas education is an important life event that a lot of urban parents are dealing with. This transition demands a fair amount of cash outflow and planning. Basis the time horizon, you would need to design an investment plan. Starting with a higher allocation towards equity assets, you could move portfolio allocation towards debt as the milestone approaches. One could also consciously plan to fund only part of the education and finance the rest of the need by an education loan.

In addition, another preparation that can be done by parents is the purchase of a separate health cover, available for students travelling abroad for education. This could be purchased for the child in the year of the goal. Also, continuing any health insurance that the child has in the domestic country is prudent, as there could be a case where parents may want to get the child's treatment done in the domestic country. At this point the ongoing domestic health cover will prove useful.

Parents' demise – The passing away of parents is an emotional loss which cannot be made good. But many a times this loss could also be financial, if the assets do not get distributed appropriately. Financially speaking, the first thing that is needed in such cases would be a will. If your parents died intestate i.e. without a will, then the succession laws of your particular religion will apply for example: Hindu Succession Act, etc. In addition, region specific laws for real estate wealth may also be applicable. This means that you will not have any control on the way the asset distribution takes place. For smooth wealth distribution amongst the surviving family members a will which enlists the wishes of parents' and a complete list of all wealth owned would be a must have.

The exact opposite scenario is also a possibility – the chance of a windfall inheritance. In such a case, it would be prudent to pause and arrive at a plan on where to invest the huge sums received, rather than be in a hurry and get caught in the pitfalls of frivolous spending.

Retirement – Retirement is an important life transition. It comes with significant changes both mentally and financially. As the salary income and cash inflows stop, it becomes imperative to prepare a plan for retirement income from the wealth that has been nurtured so far by you. Sudden funds that would accrue to you as retirement benefits for the many years of hard work, should be dealt with in a planned manner so as to ensure smooth and tax efficient income in retirement years.

In addition, planning for unforeseen medical expenses, which could otherwise drag your net worth, has to be done. In this phase, one may evaluate opting for an alternative profession for augmenting income in case needed. As one nears this transition, investments could be glided out of aggressive style into a balanced or conservative style depending on inflow needs.

As we all know, change is inevitable. The preparation and planning that you do, can make managing your wealth in transition very easy.

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