

SET TARGETS TO KEEP TAXING TIMES AT BAY

Investments must not be solely guided by their tax benefits. They must be in line with financial goals.



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For a large number of us who are salaried or run our own business, the end of the financial year happens to be an extremely busy period. It marks the advent of a new financial year, new projects, revised budgets and new business plans. It is also an opportune time for us to embark on financial planning for the year ahead.

DEFINE OR REDEFINE YOUR FINANCIAL GOALS As lifestyles and aspirations change, financial goals change. For example, a family may want to send their children abroad for studies. This aspect may not have figured in their financial planning for the previous year. It is therefore critical to look at each of your financial goals and reevaluate them, vis-a-vis the time frame to achieve a goal.

ENSURE THAT YOUR EMERGENCY FUNDS ARE IN PLACE As the last quarter of the financial year tends to be heavy on taxes for a large number of people, you may have to draw from your emergency fund. It is critical to rebuild the fund. Having a contingency fund that lasts for at least three months and can be accessed easily is crucial.

CHECK IF YOUR INSURANCE COVERAGE IS ADEQUATE It is imperative to ensure that your risk coverage is adequate and covers most situations that can affect your personal finances. Thus, it is important to evaluate whether the life cover that you have is adequate, your family is adequately covered by health insurance, your vehicle insurance is in place and assets such as property are protected. As life insurance premium costs have fallen over a period of time, it would be a good

idea to evaluate if you still have the most efficient life insurance coverage. With enhanced tax deductions on health insurance premium, it will be prudent to have a tax-friendly policy.

ALIGN YOUR INVESTMENT STRATEGY WITH YOUR FINANCIAL GOALS A clearly defined set of financial goals for a family is as important as a clearly articulated business strategy for your profession. It ensures that your resources, i.e. your personal finances, are clearly aligned to deliver on your objectives. Your choice of asset class and asset

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mix can be determined accordingly. For example, if your goals are long-term, i.e. more than seven years away, you can have more growth assets in your portfolio such as equities and real estate. However, if your goals are short-term, having more defensive assets such as bonds, deposits and fixed income-oriented instruments will make more sense.

ENSURE THAT YOU ARE KEEPING YOUR LOANS FOR THE RIGHT REASONS Many a time, the loan repayment amount can be more than the returns assured on the investment portfolio. It is critical to evaluate that the interest you will pay on your loan in the long-term is less than the earnings on your investment portfolio. If that is not the case, consider prepaying your loans.

KEEP TAXES IN MIND WHILE BUILDING YOUR

GETTY IMAGES



INVESTMENT PORTFOLIO It is crucial to keep in mind that there are certain tax advantages available on certain types of investments. For instance, the National Pension Scheme (NPS) has a separate tax deduction available from financial year 2015-16. However, investments must not be solely guided by their tax benefits or efficiency; they must be in line with your financial goals. Saving systematically from the beginning of the financial year brings in discipline in spending and saving.

INVEST IN YOURSELF Remember that your profession and your job are the drivers of wealth creation. Above everything else, make sure that you are investing in yourself—financially, physically, intellectually and spiritually. ■