

Think twice before you decide to spend

WITH THE festive season upon us and optimism at a new high about India, it is easy to get carried away by high decibel advertising that seems to be hitting us from everywhere.

Be it consumer durables, real estate or automobiles, every advertising vehicle seems to be shouting best deal from the rooftop. While it is easy to get carried away, we think that it is prudent to prioritise your goals before you go ahead and splurge. Please also remember the principals of good debt and bad debt, before you decide to buy using your future income rather than current savings.

Good debt is used to purchase longer-term assets while bad debt is used to fund consumption assets that lose substantial value on purchase. For example, a loan taken for the purchase of a residential home is normally good debt, but a topup loan to splurge on renovation of the home is bad debt.

So what are the top five precautions that you should take this festive season?

▶ Buy what you definitely need, not the item with a deal. While every brand

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seems to be offering zero interest loans and interest free EMIs, ask yourself if you truly need that new LCD television or new smart phone or the Ipad. Of course, there is always new technology but the question is, is it essential to own every new piece of technology that comes? Do you realise that the ₹50,000 spent on an LCD television can be better used in supporting your child's education and could grow to more four times if invested properly.

▶ With gold prices moving up continuously over the last few weeks, there has been a spurt in demand for gold investment. While the demand for gold looks strong, the one way price movement is discomfoting. A staggered approach is recommended, along with using a mix of gold and silver for your investments rather than gold only.

▶ With salaries and bonuses

starting to look up and real estate developers launching new projects, no one wants to be left out from the next realty upsurge. However, you need to remember that there are no free lunches and hence the prices for apartments under this scheme may be more expensive. Please read the fine print carefully before signing the dotted line. Also keep in mind that home loan interest rates could be headed upwards and overstretching yourself may not be a great idea.

▶ While nothing is as refreshing as a nice holiday spent with dear ones, the destination for the holiday should be chosen keeping your finances in mind. Avoid taking a loan for your holidays. It is definitely bad debt even if your heart tells you otherwise.

▶ While you want to hear this from your doctor and not your financial planner, health is wealth. Have a great festive season ahead.

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- ▶ Every brand seems to be offering zero interest loans and interest free EMIs. But buy only those items which are absolutely essential.
- ▶ With gold prices moving up, you should adopt a staggered approach by buying the metal in small quantities over a longer period.
- ▶ You might not want miss the growing real estate market. But please read the fine print carefully before signing the dotted line.

