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Keeping a conscience without worrying about financial goals

You don't need to burn a hole in your pocket every time you donate for a cause. A bit of planning helps in allowing you to donate regularly without leaving the wealth creation path

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Volunteers and district officers organise relief material to be sent to flood affected areas, in Kochi. File photo: PTI

For the last three to four years, KM, who is now in his early 30s and did not want to give his first name, sets aside 10% of his post-tax income for purposes of charity. For KM, who works for a construction company in Mumbai, the purpose of charity has partly been a spiritual cause, but the practice of saving a sum for donation every month helps when he wants to contribute for calamities such as the **Kerala floods**.

KM was not the only one who came forward to help the victims of the Kerala floods this year. The chief minister's distress relief fund (CMDRF) in Kerala has so far received ₹1,490.57 crore, as per the CMDRF website. The available information gives some more insight. Between 14 August and 24 September, almost 500,000 individual contributions, totalling ₹172.76 crore, came through electronic transfers alone. Help came pouring in even in other flood affected states, including Karnataka and Assam.

More and more Indians seem to be comfortable with the **idea of charity** nowadays, even if as an emotional response to a calamity. In fact, India has improved its rank by 10 places from the previous year to reach the 81st position in the World Giving Index 2017 released by the Charities Aid Foundation. "What we are seeing is that more people are showing inclination towards charity and philanthropy. There is marked increase in the intention of doing something for a good cause," said Suresh Sadagopan, founder, Ladder7 Financial Advisories.

But many of these individuals are able to think about significant contributions to a cause only because their own finances are in order.

Being financially fit

A concern that most people have is that spending on something unplanned, including a spur-of-the-moment decision to donate some money, might make it difficult for them to meet their own financial requirements. Hence, it becomes important to first establish how much is sufficient for their own immediate financial needs and future financial goals.

"The best way to achieve your **financial goals and savings target** is to ensure that when the income comes in, a certain amount gets swept into investments and charity. So you end up spending only what is left," said Vishal Dhawan, founder and chief executive officer, Plan Ahead Wealth Advisors.

When a person or a family unit is aware about their income and expenditure, and has a roadmap to achieve other financial goals, it gives them more space to think and also spend on causes that are close to their hearts. "Having their own finances

in order then helps, as they can plan for charity as a goal as well as not worry about compromising their families' own financial future," Dhawan said.

Financial planning provides clarity and control over one's finances, thereby easing the anxiety about money

This can be done at any stage, though a greater need for self-actualisation might be felt as a person progresses in life, he said.

Financial planning provides clarity and control over one's finances, thereby easing the anxiety about money, said Deepali Sen, founder of Srujan Financial Advisers LLP. This, in turn, leads to the willingness to donate as per one's capacity.

There is also a flip side though. At times, after getting their finances analysed, some people realise they need to reduce their **contributions to charitable causes**. "It also happens that some people who are magnanimous in donating have to reduce their contribution once they are sensitised about not having adequate savings to achieve their financial goals," said Prakash Praharaj, founder, Maxsecure Financial Planners.

While charity to causes like relief for a flood-affected area is likely to be an impulsive decision, it is also possible to make a planned effort for larger and planned contributions.

Charity as financial goal

Depending upon their own finances, people who believe in a particular cause, make their donations part of their financial goals. If philanthropy or charity is a larger goal that someone has and they would like to donate a certain amount per year, then it becomes one of the goals for which some money is set aside from time to time, just like any other financial goal.

"We have clients who have defined the amount they would like to donate as well as when they will do that. In such cases we provide for the amounts at the times they need them for charitable purposes," Sadagopan said. Those who are actively and regularly involved with charity set aside 5-10% of their income for donations.

The best way to make charity a part of your financial goals is to treat the charity target like your savings target. "Just like an SIP, sweep that money in to a charity

bucket when the income comes in. If the approach is to do charity after all the spending has been done, then it gets difficult to achieve,” Dhawan said.

The best way to save for such donations is through investing in ultra-short term bond funds or liquid funds, either through SIPs or a lump sum. “For such a purpose, like any other short-term goal, it is important that the principal amount is protected, which can be done through liquid or ultra-short term bond funds,” Praharaj said.

Repaying to the society

Increasingly, more people want to contribute for the improvement of the society, either in the form of money or time or both. “Once people have achieved their financial goals, they seek advice on where they can devote their time and money for some meaningful and constructive cause. For example, a retired principal of a leading school is now spending time and her resources in teaching underprivileged children,” Praharaj said.

The retired school principal has worked for about 20 years heading a school and junior college with close to 8,000 students. Since her retirement a couple of years ago, she has been teaching English and mathematics to children of class IX and X, who cannot afford to pay a fee for private coaching. “After I retired about a couple of years ago, I wanted to utilise my experience to do something good. I decided on teaching these children, who need just a little bit of guidance at this age to do very well later in life,” she said, asking not to be named. Clearly, charity doesn’t just involve giving money; you could also donate your time.

There are many reasons that make people donate money, including a desire to repay the society in cash and kind. “If someone has faced a family member succumbing to severe medical condition, then they donate for medical causes, some others donate for religious causes while some donate for availing tax benefits. Also, there are people who are very committed to donation. They donate because they are driven by a value to give back to society financially,” said Amit Kukreja, founder, WealthBeing Advisors.

KM says he is able to contribute to the causes only because he tries to be disciplined in his spending and savings habit. “Many others at my age are dissatisfied with their finances. I have satisfaction through the charity I do and also feel confident about my financial goals of the future because I have been disciplined with my finances for the past three-four years,” said KM, who has been able to regularise his donations, thanks to his financial plan.