

6 tips for NRIs to get financial plans for 2019 in order

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From years of dealing with non-resident Indian (NRI) clients, I have learnt that an India visit tends to become an integral part of the lives for most NRIs. They come down to meet friends and family in the last quarter, or the first quarter of the year. Whilst a year-end visit is a great time to unwind and pick up on old conversations from where the last one left off, it is also a good idea to use it to review finances.

We invariably find that personal financial matters tend to fall into the important-but-not-urgent category of things to do for most people, including for many NRIs visiting India for a short period. Make 2019 different by doing the following:

Consolidate financial accounts

We come across multiple cases where families are holding bank accounts/demat accounts/mutual fund investments as a resident, even years after they have given up their residency status. This is not permitted, as the law requires NRIs to have all accounts converted to non-resident status.

It is also a good idea to consolidate all accounts so that it is far easier to manage. A non-resident external (NRE) savings account, a non-resident ordinary (NRO) savings account and a demat account in case you still hold shares from when you were a resident are typically enough for most NRIs. If you wish to continue investing in India, open a portfolio investment scheme (PIS) account as well.

Put taxes in order

The fact that the Indian tax year (April to March) is different from the tax year in many other parts of the globe (typically the calendar year) is a challenge that NRIs need to deal with.

While India-generated income is taxable in India, in certain cases, where there is a Double Tax Avoidance Agreement (DTAA), it is possible to set off taxes paid in one geography against taxes due in another.

As governments world over focus on tax collections more closely, it is critical that taxes are in order in both the country that you reside in, as well as in India. It may be a good idea to consider using the services of a tax advisor with cross border expertise, who understands taxes in both geographies, so that tax planning is well taken care of.

Get a health cover

A large number of NRIs wish to come back to India post retirement. They also have global health covers in place already, provided by their employers. Unfortunately, these covers will not be in place when they retire and it is therefore critical to ensure that a comprehensive independent health cover is put into place for the family rightaway.

Whilst it is tempting to postpone an insurance expense in the presence of a global coverage, you need to remember that you may not be insurable due to pre-existing illnesses when you actually want this cover. You may therefore need to buy this health cover in advance to protect you against that risk.

Have a 'global' financial plan...

A high-quality financial plan that integrates the financial goals that you have for you and your family, as well as your global assets, investments, loans, income and expenses, will enable you to better align your current and future savings to the needs of your family's dreams.

This tends to be more complex for NRIs who are not sure whether they will return back to India or will continue to live overseas. If you are not sure about your final destination for retirement, it is best to create two versions of your financial plan, and then ensure that your investment strategy retains flexibility to deal with either of these two scenarios.

...An integrated investment strategy...

Over the last few years, the correlations between financial markets have increased significantly, and thus investment portfolios that are not integrated globally could have significant volatility as investments in India and globally move in tandem.

It is therefore critical for investment strategies to be designed in a manner wherein there is a global asset allocation strategy in place that aligns with your global financial plan.

In case there is a need to rebalance due to a significantly overweight position in one asset class -- for example, equities held in India and globally, as both have done very well over the last few years -- please do so.

...And a global succession plan

Since assets could be held across multiple geographies, it is critical that wills and other succession planning tools are used well, so that in the unfortunate situation of something happening to you, your family can get access to your wealth easily.

In case you are not visiting India, most of these things can be put into place remotely as well. Act decisively in 2019 to get your financial life in place.

(The writer is a certified financial planner and founder of Plan Ahead Wealth Advisors, a SEBI registered investment advisory firm).