



Having the right goal-based plan can set you financially free

It will also help you and your spouse to decide when to retire

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“Cricket is a game of glorious uncertainties, and the game is not really over till the last ball is bowled,” a famous commentator would remark frequently. The same holds true for life as well. Life takes its own twists and turns – some planned and some unplanned – and so does the trajectory of our finances, as they rise and fall periodically.

The tradeoff between living in the now and leaving the future to destiny versus planning for a rainy day and saving for the future, can create a dilemma that can cause conflict between couples as well. A well thought through financial plan could give you the freedom from this dilemma between the now and the future.

List your goals

An excellent starting point in our experience of dealing with personal finances of families over nearly two decades now, has been to list out financial goals as a couple. These financial goals need to be as detailed as possible, and should be your own rather than those of your friends or colleagues'. For example, at what age you want to retire, will both spouses retire at the same time, the life expectancy that you should plan for considering the family history of your spouse and yourself, the city/town of residence that you wish to retire in, the possible uses of your time in retirement as managing your time in retirement could either create income for you, or increase expenses as you could have expensive hobbies, or be neutral from an expense perspective.

All of these choices, including where you wish to holiday during your retirement and at what frequency, could help you arrive at an appropriate retirement corpus, keeping in mind expense and inflation estimates.

You could find as you detail out your financial goals that different financial goals may be at conflict with each other. For example, you may not be able to send your children to study overseas and retire early at the same time. This will enable you to understand this trade-off in a structured manner. It will also allow you and your spouse the freedom to make a choice of either extending your age of retirement(s), or letting the children know that they may need to fund an international education on their own through scholarships or loans.

Making a plan

A well thought through financial plan can help understand these trade-offs better. From how buying a larger house can impact your ability to support your child's overseas education, to whether you can buy that dream car in your retirement. Also, there should be no worry about running out of funds in your lifetime. You should have enough for critical life goals if you were to lose your job, resulting in an early retirement.

Ultimately, a good financial plan makes you think hard about what you really want your ideal life to be like, and at what points you require money to live that life, and of course, how much is enough. Always have a Plan B as well, as things may not always work like you want them to, so ensure you have adequate emergency/contingency funds, and adequate health and life insurance, independent of your employer's policies.

Very often, we have found that investors focus only on one variable of their financial life, that is, investment portfolios and the returns generated on those investment portfolios. They don't tend to take a holistic view of their income sources and how those can be optimized; the loans that they have and the ability to refinance them at a lower cost, or the decisions that they may have with certain insurance-cum-investment choices in the past, which may need to be looked at afresh, rather than simply maintaining status quo.

You may need to free yourself from the bondage of focusing on only the portfolio return variable to a multi-dimensional approach to your financial planning. This will ensure that you are free to decide which variable from amongst income, expenses, investment assets and loans you wish to focus on, and to what extent.

As the same cricket commentators often said, getting on the front foot early can work on some wickets, and watching the ball till the last minute, can work very well on certain other pitches. Make the choice carefully, and don't lose concentration.

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

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