



Three ways to put your WFH savings to good use

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Create or top up your emergency corpus, pay off your debts and use the extra savings to fund your goals

For Bobby Ashok Kansal, 24, who works with a marketing research firm in Noida, the covid-19 crisis proved to be a savings boon. He is able to save around 90% of his salary ever since he moved to his parents' house in Bhatinda after the lockdown was announced in March. In Noida, rent accounted for 20% of his salary and he spent about 50-70% of it on monthly expenses, including commuting. The only expense he has to incur in his home town is for internet connection and the electricity bill that he has volunteered to pay for his parents.

Jasdeep Singh Toor, 38, who works as a network architect in one of the telecom companies in Gurugram, is also looking forward to extra savings after he moves to his home town Ambala next month. His company has extended [work-from-home](#) (WFH) till 31 December. "My expenses have already gone down as my daughter's school is only charging tuition fees. I will also be saving on rent which currently accounts for around 50% of my monthly expenses. Then, there will be lower cost of living in a tier II city," said Toor.

With several companies allowing WFH, many professionals have moved or are in the process of moving out from big cities to their home towns to stay in their own houses. Since rent constitutes a major part of [monthly expenses](#) for most people, this is resulting

in huge savings. In any case, discretionary spending has also gone down substantially for many as people are avoiding public spaces. We tell you what to do with the extra savings.

Top up emergency fund

Toor has an emergency fund worth five to six months of expenses, but Kansal doesn't have it as of now.

Financial planners have been advising people to increase their emergency corpus as covid has spawned uncertainty. Even single individuals, like Kansal, who don't have dependants, need to have an emergency fund as they may not want to depend on their parents in case of a job loss or pay cut.

"We are advising single-income families and those with businesses to increase the emergency fund to up to 12 months. Double-income families should be okay with six months' corpus as both partners may not lose jobs at the same time," said Vishal Dhawan, founder, Plan Ahead Wealth Advisors. He is advising those employed in sectors such as hospitality or retail, which are directly impacted by covid-19, to have an emergency corpus for 24 months.

The emergency corpus can be parked in a combination of products. Advisers are asking people to use sweep-in FDs (which are linked to savings accounts and offer higher interest) to keep two to three months of expenses, and park the rest in debt funds. "It should be parked in a low-duration debt funds, including liquid and ultra short-term," said Arnav Pandya, a financial planner and founder of Moneyeduschool, an Ahmedabad-based financial literacy initiative.

Pay off your debts

Given the grim scenario, it's not a good time to be in debt. So, use any extra income, in the form of savings or otherwise, to [pay off debt](#).

"Being less leveraged will help you cope better with an unpleasant situation like a pay cut or job loss. Also, as money saved on interest cost is equivalent to money earned, it would make sense to pay off debt in part or full, to be in a financially sound position," said Dhawan.

Serve your goals

Toor doesn't have near-term goals, but wants to use the savings towards his long-term goal of starting own business, while Kansal wants to help fund his sister's education in Canada next year.

"If there is no need for funds in the near term, then they can be invested in accordance with long-term goals. This may need locking the amounts for a longer period," said Pandya. Choose the investment depending on how far the goals are.

In terms of serving your career goals, this may be a great time to spend your savings on re-skilling yourself, especially as work requirements may change post covid-19. "As companies are resorting to cost-cutting, they may not sponsor training or courses that they may have done before the covid-19 crisis," said Dhawan. In such cases, you can consider spending on yourself rather than relying on the company.

Things to keep in mind

Use the additional [savings judiciously](#). Once things are back to normal, WFH could end and some of the savings would stop. So, suppose you plan to start or increase your systematic investment

plan (SIP), be mindful of the fact that you may have to stop them once you restart living on rent and your expenses expand again. Also, take into account the reduced income flow if that's the case, said Pandya.

Consider the tax aspect too. Your tax liability for the year may go up as you won't be able to avail of certain deductions. "As actual rent payable becomes zero, the amount received as house rent allowance (HRA) will become taxable, leading to higher tax outgo," said Shilpa Bhatia, director, direct taxes, AKM Global, a consulting firm.

So plan well and put your savings to good used.