# REACH YOUR DESTINATION THROUGH A JOURNEY CALLED FINANCIAL PLANNING

(By GURLEEN KAUR)

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# JOURNEY AND DESTINATION:

Focus on your Destination, where you want to reach, and the Journey would be taken care of. Putting too many brakes when not required will lead to no-where.

Disembarking the ship in the middle of sea will land you in trouble. What's the use of a journey with a pre-defined destination if you do not reach where you were headed. To be more precise, what exactly is gained when the dream you pursued via that journey, remains a dream.

Here, Destination is a goal and journey is a tool to achieve that goal. Journey will be enjoyable only when the purpose of it is fulfilled. The journey will be full of ups and downs; all you have to do is move ahead with it and not against the tide.

Set your goals, make your plans and preparations, and be ready to adapt when circumstances demand it. Remember that the goal is to reach the destination you've chosen, not necessarily to follow the exact plan you've laid out.  Be clear in whatever you want to achieve and stay committed to your goals. If you give the required time to fulfil your goals, your goals will follow you.

# FINANCIAL PLANNING:

Financial Planning is not rocket science...It is as simple as possible.
Financial process is basically a system wherein one can identify goals, and how much amount needs to be saved every month to fulfill them.

It is not the one who earns more, but the one who can manage even a meager salary well, who is rich. He is the one who creates Wealth.

Financial Planning is equally important for Men and Women.

# FINANCIAL PLANNING CONCERNS:

## 1. Financial planning is not for me , I carry big bucks home :

To reiterate the fact : It is not the one who earns more, but the one who can manage even a meager salary well, who is rich.

What is the point of earning when you are not even able to keep aside an amount for your goals and as a contingency fund for the rainy days?

At the end of the day, if there is no job, there is no money. So, it is not necessary to save big lump sum amounts, but it is required to save periodically towards your goals.

A very wise quote on this:

"Becoming wealthy is not a matter of how much you earn, who your parents are, or what you do. It is a matter of managing your money properly."

## 2. I am already saving more than I can :

But if you cross check, this amount would either be lying idle in savings accounts in banks or invested in wrong instruments. No Financial Instrument is wrong, just that one size doesn't fit All.

In 1988, Mr. X started investing Rs.1000 per month in Post Office Recurring Deposit (RD) for education of his son, when he was born.

In the Year 2008, when his son qualified for MBA in the entrance exam, he was shocked to see the total fee of the course was Rs.10 lacs. His saving fetched him just Rs.5.20 Lacs in 20 years through his investments in RD. He did half his job right, started early, but 8% RD was not sufficient to meet his goal.

## 3. I know my goals verbally and I am doing my bit for it:

It is more likely that you achieve your goals in a smooth way if they are written. Written goals are clearer and one will think twice before editing or changing their commitments. This is an interesting study to prove what I am saying:

A Harvard MBA Graduating class was asked if they had clear written goals…

– 3% said yes

– 13% said yes but not written down

– 84% said no

Ten years later

– 13% earning twice as much as the 84%

– 3% earning 10 times as much as other 97%

## 4. I am investing regularly so I hope to build a big Corpus:

It is important to invest regularly, however it is equally important to do goal based investing. It is very important to check the Earmarking that you do for your goals. These Flagged Funds are set aside to pay for a specific event/ goal.

For example: A particular SIP in balanced Mutual funds is being done for Retirement. This shows one is clear that the corpus generated with this SIP will only be used for retirement and is long term. There are very few chances that one will cease/stop this SIP in middle of the term due to earmarking.

## 5. I don't require advise, I can prepare my own roadmap and hence select the path:

Do you conduct your own treatment when you fall ill or do you do you go to a doctor for specialised healthcare? Similarly, you cannot master your own Financial Planning until and unless you hire the services of a financial doctor who eats, drinks and lives on Finance, like an expert as you are at your business because that's what you have been doing. The extra burden will not only hamper your roadmap but goals may also remain under achieved.

To get financial success, one needs to outsource. Even if you have everything in place, try to make it better.

## 6. I will do it in the next Financial Year as I am already done with my investments for this year:

Financial Planning need not be linked to financial years. This decision might prove costly to you. There is a "Cost of delaying" about which we will read in the coming part. In case of Delay, the amount to be saved will go up as per your needs. You may have to compromise with some of the goals and may not be able to achieve some of them or under achieve them.

## 7. I earn less salary so I cannot afford Financial planning:

"I cannot afford Financial Planning fees as I am barely left with anything at the end of the month"…"It is hard from my income to take care of my family needs, how should I take out money for FP".

If this is the scenario, then I am sorry to say, FP is meant exactly for you as you are vulnerable to emergency if anything goes wrong. You have to force yourself to do it through proper planning.

## 8. I believe in spending everything I have and not saving, as future is uncertain:

This is the main reason that one should save for the future. You are spending all that you have as if there is no tomorrow. There is an equal chance that you get to see tomorrow or you don't. But what if you died and your family is still there without any means to survive? We can help you cut the unnecessary spending and allocate a part of salary towards savings as well.

## 9. I am apprehensive to share my personal information:

The information is extremely important for drafting a plan. On the basis of existing holdings, one could advise future allocation of funds. At the time of entering into a contract MOU is signed between both the planner and investor and this information has to be kept confidential. The principle of Garbage in - Garbage out applies here. Whatever information is shared, outcome/plan will be made accordingly.

## 10. My goals and priorities will not remain same throughout life:

Review is a highly significant part of the Financial Planning process. We accept that there may be major happenings like Daughter's marriage taking place, Inheritance, disability etc.

Lastly, Financial Planning is not equal to Investing. Investing is only one component of Financial Planning.

To simplify further, following are the steps involved in Financial Planning process:

## 6 simple steps in Financial Planning:


Now, that we understand how simple Financial Planning process is, are we ready to take up Financial Planning for ourselves? If still thinking, you need to go through this.

# PROCRASTINATION IS EXPENSIVE:

## Procrastination has its side effects:

Procrastination is undue delay in taking action. It unnecessarily puts undue stress and occupies a space in one's mind. Someone has rightly said:

“The minute we need a thing we begin paying for it whether we buy it or not."

For example: If there is a need to visit the Dentist and you delay it thinking that the problem will solve on its own, you might have to pay more for the treatment in the time to come.

“TIME HAS NO SUBSTITUTE.”

Procrastination comes with a lot of extra baggage. Every delay has a Cost attached to it. The cost could be physical as well as financial cost. Assuming that, for retirement corpus, one needs to do SIP of Rs. 5000 pm for next 30 years and even if there is delay of 3 years in doing so, one will lose Rs. 97 Lacs (assuming 15% returns).

Another Perspective of the same Situation: If you delay your investment, then you would lose Rs. 17 Lakhs in today's worth of money.

## Effects of Procrastination:

1. You don't accomplish your dreams. One might have to reduce the goals or might end up underachieving them.
2. Procrastination slowly, but steadily, kills your ambition.
3. You believe that you can always get back on the wagon tomorrow. But then tomorrow becomes today. The process repeats itself.
4. Procrastination develops inefficiencies.
5. Even a small pebble would seem heavy for you to lift.

# STORY OF VITAMINS AND LIFE SAVING DRUGS:

## Procrastination has its side effects:

What would you prefer- Vitamins or Life Saving Drug?

Scenario 1: Our nails have white spots and we know it is a deficiency of Minerals & Vitamins. Hence we delay our visit to doctor as it is neither Life threatening, nor painful.

Scenario 2: In the middle of night, a pain is felt in one of our teeth which start growing. We immediately grab a painkiller and have it. And in absence of which, we drive down to the nearest 24*7 chemist, buy the medicine, have it there, sleep and visit a Dentist the next day.

Notice how we ignore Vitamins but rush for pain killers. If Vitamins are taken regularly, then we may never need to take pain killers.

It is Similar Scenario in Financial Planning.

If you invest Regularly (Vitamin), then it creates a Good Corpus (Healthy Body) for you. And if the same is not done with the help of a Qualified Financial Planner, you would face situations wherein you would have to take Hurried Decisions (Pain Killers) and then too there is no guarantee that the Pain would subside (Read Losses Recovered)

What do you want - to take Vitamins to keep yourself in pink of your health or Life saving drugs to save your life? Choice has to be made Now or Never!!

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