

Checklist for Financial Planning

What is Financial Planning?

Financial Planning is a process that Reviews your current financial position, sets goals for the future and creates a plan to achieve those goals

Reviewing your Finances

You should begin with a review of your current financial position. Start with a top down approach. Do the following to ascertain your position -

- $\text{Total assets} + \text{Total savings} - \text{Total debt} = \text{Your position}$
- Work it down further by doing a cash flow analysis
- $\text{Monthly income} - \text{Monthly expenses} = \text{Your cash flow}$
- Further analyse your expenditure in more detail
- Where are you spending money?
- Clothing, entertainment, eating out
- Identify opportunities to save money e.g.: eating out lesser could save you Rs.1000 per month

Setting Goals

- Identify your goals
- Buying a new car, buying a house, taking a vacation, educating your children etc.
- Understand the trade offs
- Lesser money in the short term for clothing, entertainment etc.
- Set clear targets and time frames to achieve your goals
- Saving Rs.2000 per month will help educate your children
- Saving Rs.1000 per month will help fund your vacation

Creating A Financial Plan

- Include a mix of short- and long-term goals
- Convert your goals into rupee amount and set a deadline to achieve them
- Diversify your investments according to your risk profile
- Look for ways to minimize tax
- Don't forget insurance
- Start retirement planning
- Get professional advice
- Don't wait, implement your plan today

Review your plan

Life is always changing, so it is important to review your plan if any of the following

- Your circumstances change
- Through marriage, new dependants etc.
- Your rules change
- Through taxation etc.
- Investment climate changes
- Through market boom and busts

Tips to Stay On Track

- Stay focused on your lifestyle goals
- Don't be distracted by fear or greed
- Diversify your investments according to your risk profile
- Keep a long-term view
- Review your plan regularly
- Get periodic advice from a professional investment advisor