A PROJECT REPORT ON

"A STUDY OF FINANCIAL PLANNING FOR INDIVIDUAL"

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Accounting and finance)

Under the Faculty of Commerce

By

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Under the Guidance of

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JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

FEBRUARY, 2024.

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CERTIFICATE

This is to certify that **MISS. APURVA DEEPAK RANJANE** has worked and duly completed his Project work for the degree os Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of **Management control** and his project is entitled, **"A STUDY OF FINANCIAL PLANNING FOR INDIVIDUAL "**. Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

DECLARATION

I the undersigned **MISS.APURVA DEEPAK RANJANE** here by, declare that the work embodied in this project work titled **“A STUDY OF FINANCIAL PLANNING FOR INDIVIDUAL”**, forms my own contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Name and Signature of the learner
MS. Apurva D. Ranjane.

Certified by:

ASST. PROF. DR. KISHOR CHAUHAN.

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EXECUTIVE SUMMARY

Financial planning is the prosess of financial of individual. taking an inventory of the money and other assets which the person have, determine life goals and then take necessuy steps to goals in the stipulated period. It is a method of quantilS'ing a person's requirement in lerms of money.

It was a great opportunity to work with ADA Group, India's leading business group, is lop companies, We will to know the sational structure and various business models of the company. The Business of Reliance Money be broadly classified as Trading, Distribution and OTC Service.

Financial services sewvices provided by he finance industry. The finance i encompasses a broad range of organizations that deal with the management of money. Among these organizations are banks, credit card companies, insurance companies. consumer finance companies, stock brokerages, inveslmem fundq and some government sponsored enterprises. Financial Planning is one such advisory service, which is yel to get recognition I-rom investors, financial planning is concept. il just needs be in "Today we avail service Mutual fund agents, Tax consultant, Equity Brokers, Chartered Accountants, etc. Different agents provide different services and product oriented. Financial Planner on other hand is a service provider which enables an indi vidual to select proper product mix ror achieving their goals,

The major things to be considered financial planning are time horizon to achieve life goals. identify risk tolerance of client, their liquidity need, the inflation which would eat up living and decrease standard oi living and the need for growth or income. Keeping all this in mind financial planning is done with six step process. This are sell of client, identify personal goals and financial goals and objective. identify problems and opportunities, determining recommendations and alternative solutions, implementation of appropriate strategy to goals and review and update plan periodically.

A good financial plan includes Contingency planning. Risk Planning (insurance), Tar Planning, Retirement Planning and Investment and Saving option,

Contingency planning is basic of' financial pinning and also the most ignored. Contingency planning is to be prepared for unforeseen event if it occurs. These events cn be illness, injury in family, loss of regular pay due to loss 01 job. Such evenls are nol certain bul may hame financial hardship if they occur. Thus a person should have money in liquid form to cover this risk.
Risk Coverage is done through insurance. Risk can be classified into life risk, health ri'sk and property risk. Today we have different insurance which covers different risk. Everyone is exposed to life risk but the degree of risk varies. Life insurance provides an economical support to the family and dependents. Apart from life risk we are also exposed to health risk, Health insurance covers health risk by funding rmdical expenses and hospital charges, Also we have property insurance to cover risk attached to house property like theft, fire, damage, etc. and various auto insurance.

Tax planning is what every income earner does without fail and this is what financial planning is all to them. A good plan is one which takes the maximum advantage of various incentives offered by the income tax laws of the country. However. do understand that the tax incentives are just that. only incentives. Financial planning o jectlve should be getting maximum advantage of various avenues. Il is 10 be

remembered that tax planning IS a pari and not financial planning itselL There are many investments which do not offer tax shelter that does not mean they are not gocxl investments. The prudent investment decision made and the returns that accrue will more than offset the tax outgo. In any case the primary ob]ectlve of a good financial plan is to maximize the wealth, not to beat the taxmen. However many investment provides great returns which can offset the on it. A detailed study of various investment which provides deduction and exemption is given in report.

Retirement Planning is also an important aspect or financial planning. To a greater extend most earning people do retirement planning. There are various schemes In market through which a person can do his retirement planning. To list a few are Annuity Insurance Plan, PPP and EPE

In market there are different instruments which can be adapted to fulfill the need of various planning objætive. These instruments are different from each other in terms of returns, risk. fund allocation. •charges. investmenf term, tax incentives. etc. A detail description of instruments like Life insurance. Equity. Mutual Funds, PPP, Investment in Gold, Investment in Real Estate. Deposits with Banks and Post Office, etc. are covered in this report, This will help the investor to make their investment decisions.

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Chapter 1: Introduction to Financial Planning

1.1: Introduction to Financial Planning

1.2: Study of various factors

1.3: Six step process of Financial Planning

1.4: Constitute of Financial Planning

1 4 1: Contingency planning

1.4.2: Risk Coverage

1.4.3: Tax Planning

1.4.4: Retirement Planning

1.5: Concept & Significance of the Study

1.6: Scope

1.7: Objective of the Study

1.1 Introduction to Financial Planning

Financial Planning is the process or meeting life goals through the proper management of finances. Financial planning is a process that a person goes through to find out uhere they are now (financially), determine Where they Want to be in the future, and What they are going to do io gei there. Financial Planning provides direction and mean ing to persons financial decisions. It allows understanding of how each financial decision a person makes affects other areas of their finances. For example. buying a particular investment product might help to pay off mortgage faster or it might delay the retirement Sign ificantly. By viewing each financial decision as part of the •whole, one can consider its short and longterm effects on their life goals. Person can also adapt more easily to life changes and feel more secure that their goals are on track.

In simple Financial Planning is what a person does with their money. Individuals have been practicing financial planning for centuries. Every individual who received money had to make a cleeislon the best way to use it. Typically. the decision was either spends it now or save it to spend later. Everyone have to make the same decision every time they receive money. Does it need should he spend now or to save it to spend it later?

Today in India linancial planning means only investing money in the tax saving instruments. Thanks to the plethora of tax exemptions and incentives available under vario•is sections and stibsections of the Income Tax Act. This has led 10 situation where people invest money without really understanding the logic or the rationale behind the investments made. Further the guiding force in investment seems to he the 'rebate" they receive from the individuål agents and advisors. The more the rebate an agent gives, the more smug person are in the belief that they have made an intelligent decision of choosing the rieht agent who has offered them rnore rebate. In the process what is not being realized is the fact t[2]hat the Flnancial future is getting compromised.

1.2. Study of various [actors

Things to consider while doing financial planning are:

Time Horizon and Goals: It is important to understand what individual's goals are. and over what time period they want to achieve their goals. Some goals are short term goals those that people want to achieve within the year. For such goals it is important to be conservative in one's approach and not take on too much risk. For long term goals, however, one can afford to take on more risk and use time to one' s advantage.

Risk Tolerance: Every individual should know what their capacity to take risk is. Some investments can he more risky than others. These will not he suitable for someone of a low risk profile, or for goals that require being conservative, Crucially, one's risk profile will change across life's stages. As a young person With no dependants or financial liabilities, [i]one might be able to take on lots of risk. Howevhas a child, person will dependants and higher fiscal responsibilities. So persons approach, be as single

Liquidity Needs: When does money is needed to meet the goal how quickly one can access this money Il' investment is in asset and expects to sell the asset 10 supply funds 10 meet a goal. then it needs 10 be understood how easily one Gin sell the asset. Usually, looney market stock market assets are easy liquidate. On Ille other hand, something like estate take a time to sell.

Inflation: is a [act of the economic life in India. The bottle of cold drink that is broughl today is almost double the price of would be paid for ten years ago, At slightly above per annum, of biscuits thal Rs 20 today •will cost in ten years time. Just imagine what of buying car or buying a, home in ten years time! The purchasine power of money is down every year. Therefore, the of achieving goals needs 10 be seen in what the inflated price will he in the future.

Need for or Incomer As is whether capital appreciation or income. Not investments satisfy both requirements. Many people are buying but are not i'enling them out alier they take possession. So, this asset is gueneraling no income lor and they are probably expecting only capital appreciation li•om this. A young person should usually consider investing for (heir age, might be more interested in generating income themselves.

1.3. Six step process or Financial Planning

L Self assessment:

Clarify (his is preliminary has prior to planning finance. Doing a self assessment enable a person to understand tileir present wealth status responsibilities. Self assessment should contain

- Prospective retirement age
- Main source of income
- Dependents in family
- Expenses and monthly savi ngs
- Current investment status

One should idenlil$ their wealth status prior to move with financial planning.

2. Identity financial. personal goals and Objectives

Each individual aspires to lead a better and a happier life. To lead such a life there are some needs and some wishes that need to be Money is a medium through such needs and wishes are fulfilled. Some of the common needs most ind

would have are: creating enough financial resources to lead a comfortable retired life. pro- viding for a child's education and marriNge, buying a dream home, providing for medical emergencies, etc.
Once the næds{ objectives Seen identified. they to be con•eerted into financial goals. Two components go into converting the needs into financial goals. First is to evaluate and find out when it is needed to make withdrawals from investments for each of the needs." 9 ohJectives. Then person should estimate the anwunt ol' money needed in current value to meet the objective} need today. Then by using a suitable inflation factor one can project What would be the amount of money needed to meet the obJective} need in fmurev Similarly one need to estimate the amount of money needed to meet all such objectives/ [3]needs. Once person have all the values they need to plot it against a timeline.

3. Identify financial problems or opportunities ;

Once goals and current situation are identified. the shori fall io achieve the goal can be assessed. This short fall need 10 be covered o•eer a period of time to full fill need at different life stages. Since future cannot be predict. all the contingencies should be considered will doing financial planning. a good financial plan should hedge from various risk. A flexible approach should be taken to cater to changing needs and should be ready to reorganize our financial plan from time to time.

4. Detei'iiiiiie recommendations and alternaIiVe solutions ±

Now review various investment options such as stocks. mutual funds, debt instruments such as PI'F, bonds, VIXed deposits, gill funds, etc, and identify which instrument(s) or a combination thereof best suits the need. The time frame for investment must correspond With the time period for goals.

S. Implement the appropriate strategies to achieve goals:

Until person put things into action everything is waste. Necessary steps needs to he taken to achieve financial goals this may include gathering necessary documents, open necessary bank. clemat. trading account. liaise With brokers and get started. In simple terms, start investing and stick to the plan.

6. Review and update plan periodically.

Financial planning is not a one-time activ ity. A successful plan needs serious commitment and periodical review (once in six months, or at a maJor event such as birth, death, inheritance). Person should be prepared to make minor or maJor revisions to their current financial situation. goals and investment time frame based on a review of the performance of investments.

1.4 Constitute or Financial Planning

A good financial plan should include the following things

tingencyplaiiiliiig

- Risk Planning (insurance)
- Retirement Plan ning
- Tax Planning
- Investment and Savings Option

1-4.1 Contingency planning

Contingency means any unforeseen event which may or may not occur in future. Contingency planning is the hasic and the very first step 10 Financ ial planning, It was found that a large number people have invested in financial planning instrument but have ignored their coniinæency planning. Why it is more important io have a. contingency plan?

May Will have planned For their filicire that's a great thing. this definitely help in long run. But there is always a million dollar question 10 be asked, What about today. is there a plan in place? Everyone would think that they have a secure present with regular SNIary, but what if suddenly something and it is not possible to draw that monthly income. There are possibil ities that due to ill ness, injury or to care of family member a huge amount of money is required. Moreover in this era of pink slip and job hopping its not assured that the next job will be available at the earliest. This are temporary situation and for a short phase hut cannot be ignored.

If person is not planned for conti ngencies he Will use his long term investment to fund such crises. It is possible that long term investment may not give enough returns if withdrawn early there is also a. possibility of capital erosion. In such situation all the financial plans made are or wastee With long term planning person also need to take care of present situation in order to tnlly achieve

financial goals. Il is a thumb rule that one should have three times money of monthly salary In liqu id form to support contingency.

1-4.2. Risk Coverage

Every iiidih'idijal is exposed to certain type of risk •whether il is due to loss or damage of personal property. loss of pay due to illness or disability: or even due to death. Such risk cannot be determined but on occurrence there may be a Financial loss 10 the individual or their family, Proper personal Financial planning should definitely include insurance. One main area of the role or Personal financial planning is to "lake sure that one has the ability to carry on living in case of son-le unforeseen and unfortunate event. Basically, insurance pro-vides a [4]safety net to provide Ilie necessary funds When one meets Will-i events like accidents. disabilities or illnesses. One main contribution of insurance is that it helps provides peace o[5]r mind. knowing that enough funds are at hand in the event when things do nol go the way it should he, This peace of mind leaves one with the energy and confidence to forward.

1.4.2.1.Life Risk

Every individual is prone to risk or losing life it's a naked truth hut what is not certain is the lime of death. In this sense everyone is prone to life riski bul the degree of risk may vary, n terms of financial planning, covering risk means nsuring the life or the person through proper life insurance plan. Life insurance, simply put. is the cover for the risks that person run during their lives. Insurance enables us to live our lives to the fullest, without worrying about the financial impact of events that could hamper it. other words,

un economical support to the family and dependents. It is extremely important thal eve.y person, the breadwiurtgg•, covers risks to his so Illat his iy's quality of life does not undergo drastic change in case of an unfortunate eventuality. There are various plans insurance plan offered by insurance companies that can suite various needs of individual.

1,4.2.2. Health Risk

Lifespan of Indian is known to have increased nowadays, and senior citizens strive io slay healthy and active as they age. However. the older person gets the more extensive health care is needed. Though staying forever young remains a dream unattainable. living a long and safe quality life peace is quite an achievable goal. Health insurance is surance policy insures against any medical expenses. Insured medical expenses will be taken care of by the insurance company provided person pays their premium regularly. Cover extends to pre-hospitalisation and [host-hospitalisation for periods of 30 days and 60 days respectively Domiciliary hospitalisation is ,flso covered. There are various type of health insurance, Disability insurance can pmtecl against the loss of a person's ability Co illness some protectio expending reserved financial resources due an unforeseen illness.

1.4-2.3. Property Coverage

Property Coverage insures personal property from destroy or stolen. Dwelling coverage also known as Homeowners Insurance offers protection against direct physical damage caused to the dwelling, including rooms, fireplaces. carpeting. tile floors and elements of decor. Structures. which are attached the insured dwelling on the same foundation , such as a garages are also liable 10 coverage under this section of Homeowners

surance.Besides, 'his section of policy covers materials and supplies necessary 10 rebuild or repair home.

Person pro.1E1'ty Coverage can insure the contents of home, i.e. the items person regularly [6]use which are not a permanent parl of their house's or apartment's structures as furniture, television sets, bikes, clothing, appliances, utensils and tools. Personal Properly Coverage he used i" Co valuable nformation sowed in hard-copy corm or as electronic data. Auto insurance is compulsory in most states, and the insurance has diffet@iit ypes of benefits or covera

1-4.3. Tax Planning

A good plan is one which takes the maximum advantage of various incentives offered hy (lie income tax. laws of country However. do understand that 'Ire tax incentives are jus' that. only incentives. Financial plan ning objective should be gelting advantage Of aveiiiiéS. is 10 be 'emembered that tax pkiiiiiiiig is and iiOt planning itself. There are many investments which do not offer tax shelter that does not mean they are not good ilnestmenls. The prudent investment dec ision made and the returns that accrue will more than oflüs.et the lax outgo, In any case 'lve primary objectivv or a good financial plan is to maximi'.e the wealth, not 10 beat the taxmen. However many investment provides greatreliit•iiS Which Olfset 00 it.

But with the knowledge of the Income Tax (IT) ACI one can reduce income lax liability. It also helps to decide, where to invest and to claim deductions under various sections, The income earned is subject 'o income tax by the government. The rate of income Tax is different different income levels. and thus. the income tax payable depends on the total India income lax slilh.s for the financial year 2009-2010 as per budget 2009 are as below:

Income Slab fot Men (In RS.)	Tax
O to 1.60000	No tax
1,60.001 to 3.00000	
to 5,00000	20%
Above5,00,000	
Income tax slab for Women (In Rs.)	Tax
O to 1,90000	No tax
1,90.001 to 3.00000	
3,00.001 to	20%
Above 500,000	
Ineome tax slab for Senior Citizen (In Rs.)	Tax
O to 2,40.OOO	No tax

2,40.001 to 3,00.OOO	
3.00.001 to 5.00.000	
Above 500,000	

The surcharge on the tax for income above Rs 10 lakh is removed.

1.4.3.1. Section SOC

The goveruu•nent encourages certain types of savings — tnostly, long term savings for retirement — and therefore. offers taS: breaks on stich savinæs.

Sec SOC of the Income Tax Aet is the section that deals with these tax breaks. It states that qualifying investments. up to a maximum. of Rx. I IAkh. are deductible from income. This means that income gets reduced hy this investment amount (up to RSL I Lakll),

Qualified investment under Section are:

Provident Fund (PF): The payment that is made to PF is counted towards Sec 80C investments. For most persons who are s.•tlaried, this amount gets automatically deducted from their salary every month. Thus, it's not just compulsory savings for ruture. but also immediate tax savings.

Voluntary Provident Fund (VPF): If person increase PF contribution over and above the statutory limit (as deducted compulsorily hy employer), even this amount qualifies for deduction under section SOCK

Public Provident Fund (PPP': If person have a PPF account. and invest in it. ihai amount can be included in See SOC deduction. The minwn-•um and maximum allowed investments in PPF are Rs. 500 and Rs. 70.000 per year reslxctively.

Life Insurance Premiums: Any amount that person pay towards life insurance premium for self. spouse or children can also be included in Section SOC deduction. Please note that life insurance premium paid by person for their parents (father / mother / both) or in-laws is not eligible for deduction under section XOC. If premium are paid for more than one insurance policy. all the premiums can be included. [t is not necessuy to have the insurance policy from Life Insurance Corporation (LICI — even insurance bought from private players can be considered here.

Equity Linked Savings Scheme (ELSS): There are some mutual fund (ME) schemes specially created for offering tax savings. and these are called Equity Linked Savings Scheme, or ELSS. The investments that are made in El—SS are eligible for deduction under Sec SOC.

Home Loan Principal Repayment: The Equated Monthly Installment (EMI) that is paid every month to repay home loan consists of two components — Principal and Interest. The[7] principal component o[8]f the EMI qualifies for deduction under Sec HOC. Even the interest component can save significant income — but that •would be under Section 24 of the Income Tax Act.

Stamp Duty and Registration Charges for a home: The amount paid as stamp duty while buying house and the amount poid for the registration of the documents of the house can be cluimed as deduction under section SOC in the year of purchase of the house.

Naiional Savings Certificaie 'NSC): The amount that is invested in National Savings Certificate (NSC) can be inc in Sec SOC deductions.

Infrastructure Bonds: These are also popularly called Infra Bonds. are issued by infrastructure companies. and not the government. The amount invested in these bonds can also be included in Sec HOC deductions.

Pension Funds — Section NtCCC: This section — Sec SOCCC — stipulates that an investment in pension funds is eligible for deduction from income. Section HOCCC investment limit is clubbed With the Of Section SOC - it maeans that the total deduction available for and is Rs. I Lakli. This also means that investment in pension RK. I Lukli Can as dédt.iCIiOii 80CCC.Howev iiiéiitiOiiéKl earliest. the total ii,'s BOCCC c'kIiiiiOI Re. I L[ikh.

Rank Fixed Deposits: This is a newly introduced investment class under Section SOC. Bank fixed deposits (also called tern deposits) having a maturity of 5 years or more can be included in Sec MIC investment.

Others; Apart form tire major avenues fisted above. there are some other things. like children's education expense (for which receipts are need), that can be claimed as deductions under Sec SOC.

1.4.3.2. Mediclaim (Sec 801))

Individual and Hindu Unified Fami lies are eligible for deduction under Section 80Dfot mediclaim Pi'éiiiiiiiii paid. be c'laiiiiéd on premium paid for assessee spouse. dependent children and dependent parents. The criteria of dependency isn't applicable in case of a spouse (i.e. she}he exen he independent. but the assessee can still pay the premium on his/her life to get tax benefits for the same).

Deduction

For non-senior citizens: The amount of mediclaim insurance premium paid or RSV 15000, whichever is less

For senior citizens: The amount Of mediclaim insurance premium paid or IQs. 20000, whichever is less.

1.4.3.3. Interest and Dividend Received SOL)

Deduction upto a maximum of Rs. 15.000 (out of which Rs. 3.000 is specially dedicated 10 goverllment securities) is ullowed from the taxable income in respect of aggregate earni ngs from some specified sources.

.

Approved financial corporations or public companies io provide long-term finance for industrial or agricultural development or for construction of purchwse of residential houses; it may be noted thal the 'Home Loan Account Scheme' of National Housing Bank is not covered by Sec, 801- but it enjoys the benefit octan rebate u/s 88,

- Housing Boards
- Small Sa vines Schemes
- National Savings Certificates
- Post Office Time and Recurring Deposits
- National Savings Scheme. 1992
- Post Office Monthly Income Scheme
- Notified debentures of co-operative societies or institutions or public sector companies
- Government Securities

Tax planning with section 80C • An age wise strategy

Typically. nnost people invest a large part or the money in Public Provident Fund fPPF) and the rest is taken care of by life insurance premiums and so on. However. investing this amount blindly is not the best way to go about it. Here's some help on how to go about allocating this SOC limit depending upon age.

Age 21-30: In [he initial phase of six-seven years of this age bracket, most people are single and little or no dependents. If there are no dependents, it's not necessary 'o have a large life insurance. Instead focus on returns. Considering the state of the equity markets today, a substantial portion — around 70 per cent to SO per cent ol' the SOC contribution can be made in ELSS. which invests primarily in stocks. This wili ensure that the process of investing for the long terre has been started. Also, since there is a lock-in of three years for these schemes, it will lead to a forced savings. When choosing an ELSS investment. look at consistency rather than a one-off performance. Go for fund houses that have a good track record over a long time period. The balance van go into GPF or EFF

Age 31 By this time. person is expected to be married with small children. Also. there could be additional liabilities like buying a house or car. The first step that must be taken is to gel adequate life insurance, for dependents and liabilities. Make sure to cover all the liabilities so that dependents are not under any financial pressure. in case of an unfortunate mishap. Use a term plan to get the highest possible cover at a low cost.
Children college fees can be included as a part of the benefits. The home loan principal payout can form the second leg of the contribution for this age group. So. besides EPF contribution, life Insurance prem iums and home loan principal should be sufficient 10 take care of the entire Rs I lakh requirement. If there is still any shortfall, look at ELSS investments and Provident Fund.
Age person is probably ai the peak Of the career moving towards it. This is most likely the phase of ing regular There is a good chance that loans have been paid.olT by now and children are in the stage ol' becoming independent. The last few years of this phase is when 101 of families plan and should their loans, It is an age where life insurance is ol' extreme importance, need for lite cover at this point of time. li life cover is needed more, increase it substantially. Ilealth insurance need to be included due io various diseases and illness loll With growing aye. Hence, risk management is of extreme importance here.

Senior citizens: In this age group. capital protection and need for regular income are two most important needs. One must first opt Ivor a Senior Citizens' Sav ings Scheme that will give tax benefit, Since SCSS is generally in a sum, al fixed deposits only if they are giving high interest rates. li• interest rules are low, then person should opt for

PPF. if person is in the highest bracket liquidity is still best should have completed 15 years a long lime ago) and can withdraw lax -free amounts comfortably, A minor portion. around 10-15 per cent, ol' investments can go into ELSS, as it has the ability inflation and give grout" in funds, However, do (his only income needs [lee secured.

1.4.4. Retirement Planning

A retirement plan is an assurance thal person will continue to earn a 'üilisfying income and enjoy a, comfortable even they are no longer working. Due to the improved living conditions and access to better medical facilities, the lilé expectancy of people is increasing. This Itas led 10 a situation where people will be spending approximately the same number of yens in retirement they have in their active working life. Thus il has become imperative that the golden years ol' the life are spent worrying about l'inanciai hardships. A pmper retirement planning, 10 a very large extent, ensure

Planning ahead will let enjoy the retirement that is deserve. The retirement strategies [9]decide upon now makes a IUndamenlal diflérence to the degree of financial freedom one will experience when their pension,

pension strategy 10 safeguard financial security can be minefield. In the last few years, Illele have been many changes: the volatility of the stock lmrket, reduction ol' final-salary pension schemes, the rise ol' buy.tcv.lel properly portfolios and changes in taxation and pension legislation, •mese changes underline the importance oi[1] both sening retiremen/ pion in place and ol' Keeping il up-co-date,

Reasons for doing Retirement planning can be understood with the following:

Life ex pectaney

With advancement in technology life expectancy is likely to increase. Whlcn means a person would be spending a large amount ot time In post retirement period. Thus one needs to nave q regugr Income to livlng wh•ch only possible if prepared for it when earning. Medical emergencies

With aye come health problems_ Wilh health problems, come medical expenditure which may make a huge dent in post retirement income, Failulv here could lead to liquidate (sell)

Nuclear families

Independence is the new way of life, gone are Ille days when people use to have an entire cricket team making a family. Today's youth prefer nol more than two children. Willi

and slay away from their family. Hence people have to develop a corpus to last them through their retirement without help from family.

No government sponsored pension plan

Unlike US and UK where they have IRA and pension respectively as social does provide such ben

So, persons are responsible for themselves now.

*Job hopping
With youngsters hopping jobs regularly they do not get benefit of plans like super annuity
and gratuity. Both these require certain number of working years spent in the service of a particular emp
10yer.10

Inflation
One needs to lake into account inflation while calculating relirementl corpus as well as returns. With rising inflation il would only (he raise the living it would also eal return on the investment. The CAGR (compounded annual growth rate) of inflation over the past 10 years is 5.5 per cent. Assuming an individual at the age of NO, requires Rs 25,000 a month to lead a comfortable life, the same sludard living after 80 yeus, he may require Rs I .25 lakh a month, given the inllation [actor.

In India persons empioyed in the organised sector have some form of social security such as Employees provident Fund •(EPF). Employees pension Scheme (EPS) and gratuity. Those who are employed in government and its related also enjoy the benefit of pension along with GPI; and gratuity. But these two sections account for only seven per cent of the working population. The remaining 93 per cent of the people have no form of mechanism to take care of their retirement. Over 80 per cent of Indian employees have done no retirement planning independent of any mandatory government plans.
Those who plan for retirement have the option of investing in Public Provident Fund (PPB), pension plans and retirement plans offered by the insurance companiesv Currently, the iiistitanc'e sector aecoiiiits for L I pet Céiit of the CDP and oiit of this peiisioii aCCOiiIitS for 1.6 per cent. These numbers reconfirm that Indians are not well prepared to meet their life post-retirement. Hence. one needs 10 plan for retirement in the early part of one's working life along with other goals. Retirement planning consists of two parts: one is accumulation of savings and the other is earning annuity from the sNvings. During the accumulation phase. one has to plan for a required amount at the stari of retirement and based on iiidi risk appetites one Cali to achieve this through Various asset classes. But post-retirement one has to urn interest on the savings without taking too much of risk. At Ille same lime have to try 10 outpace the inflation rate to ensure that person can sustain with the savings [or rest of the life.

During the acetiiiiiilatiOii ph[LSe oiié has to 100k Oiit for the effrciélil Way of For example. PPP. pension plans offered by the insurance companieg and the retirement plans offered by the mutual [nnds are very tax elflcient. The maturity proceeds of all these plans are tax free, In selecting pension plan, one has to keep watch on the recurring expenses. As the investment is for the long term, recurring expenses can have the ei[wt of reducing returns over the long term.

1.5 Concept & Significance or the Study

Financial Planning is an integral part of any individual life. especially in Illis modern world where value of everything is expressed in terms of money. The active working span of human life is short as compared to the life span, This means people will he spending approximately the same number of years in after retirement •what they have spent in their active working life. Thus it becomes important to save and invest while working So that person will continue tooarn a satisfying ineorne and enjoy a cornfortable lifestyle.

Financial Planning enables a person to identify their goals, assess the current position and takes necessary steps to achieve the goals. it helps us understand how financial decisions made effect our lifer Financial Planning is noi about investment planning but it is about life time planning. ThiiS through financial plaiiiiiiig a person can have a easy and secured financial life.

L" Scope

The scope of study is getting familiar With various investment avenues available in market. To study the life stages of an indi vidual and to identify their risk tolerance, income flow, life goals and current investment. Study should cover all areas of the individuals financial needs and should result in the achievement of each of the individuals goals,

1.7 Objective of Study

- To identify investment habit of people.
- To understand financial planning done in India.
- To analyse the characteristics of different asset class.
- To study chanæes in financial planning with change in age.
- To identify various avenues for investment.
- To spread awareness of financial planning.
- To examine factors influencing [he investment decision.

1.8 Literature Review

Rook : Investment Analysis and Portfolio Management
A uthor ; Prasanna Chandra
Publication TATA MeGRAW HILL

This book gives insight of various investment alternatives and attribute related to it. It also explains various strategies to Be followed By investment practitioners. It has provided me valuable inputs and better understanding while undertaking this preject. Some major points

- Different Investment avenues and their characterisfics
- Relation between risk and return • Importance of asset allocation
-

Chapter 2: Introduction to the Industry

2.1. Introduction to Financial Planning Industry

Financial services refer to services provided by the finance industry. The finance industry encompasses a broad range of organizations that deal with the management of money. Among these organiualions are banks, credit eard companies. insurance companies. consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises.

The lildiar. financial services industry has undergone significant changes over the years, particularly in the last decade, and continues to evolve today. Financial Planning - a distinct element within the spectrum of financial services industry - is still relatively a young discipline But personal finance products & services are increasingly becoming an important parl of this industry as the Indian consumers seek to maximize and optimize the potential earnings and fruiis of their hard-earned money.

Currently, there are distinct divisions within the financial services industry. A person goes to a bank to save his money or to get a loan. He buys stocks and bonds from a broker. He purchases insurance from an insurance agent and mutual funds from a mutual fund distributor. The regulation of 'he industry reflects the division of these transaction-based sen.'lces.

Cat egory	Products for sales and advice
Insurance agent	In surar.c
M utual rund dlstnbutor	Mutual Funds
share broker'sub-Ewaker	share trad•r.gr IPOs
Income tax consultant	Tax Plannlng, Employee Benefits
Olstr1bu«tor/Hdvlsor of multlple flnan•al prod ucts».	Mrs. Ir.surarxe, Past Office schemes, share trading, tax etc

Indians have been making investment through such agents which was restricted to a particular product. Apart from the above agent friends and professionals like Chartered Accountant played an important role in investment dxisions,, This is how for few decades investors have been doing their Financial Planning.

HOwever, financial services, especially on the retail side, have undergone a major transformation and financial consumers are demanding a holistic & comprehensive approach to their personal finance. Various factors have catalyzed this change like privatisation of insurance and mutual fund s&tors has increased product options for the investor. Second, fluctuating interest rates and the end of guaranteed return' products have prompted investors to look for alternative modes of investment. And also with a number of mis-sælling instances taking place in the financial markets, investors' confidence in 'advisors' has been shaken and the investors are asking for a 'trusted financial advisor'.

Chapter 3: Introduction to the Company

3.1 Profile of Reliance Money

RELIANCE MONEY is a part of the Reliance Anil Dhirubai Ambani Group and is promoted by Reliance Capital. the fastest growing private sector financial services company in India, ranked amongst the bop 3 private sector financial companies in terms of net worth. The official launch of Reliance Money was announced on 3rd May 2007.

Reliance money is a comprehensive financial service and solution provider that enables people io carry out trading and investment activities in a secure, cost;effective and convenient manner. It is one-stop-shop, providing end-to-end financial solutions (including mobile and web-tilsed services). It has the largest non-banking distribution channel Wilh over 10.000 outlets and 20.000 touch points spread across 5 € 1 65 cities,' towns; catering to the diverse needs of over 3 million custonu#s. Through reliance money. one can invest In a wide range of asset classes from Equity, Equity and Commodity Derivatives, Offshore Investments, Portfolio Management Services, Wealth Management Services, Investment Banking. Mutual Funds, IPOs. Life and General Insurance products and Gold Coins. Customers can also avail Loans, Credit Card, Money Transfer and Money Changing services.

Reliance Money offers the convenience of on-line and offline transactions through a variety of means. including its Portal, Call & Transact, Transaction Kiosks and at its network or affiliates. Its endeavor is to change the way India transacts in financial market and avails financial services.

3.2 Reliance Money Associates

Reliance Money amongst others has affi liates:

Reliance Securities Limited provides equity broking services to retail. institutional and corporate clients. It is a member of hoth National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). It is also a SEBI registered Portfolio Manager.

Reliance Capital Limited provides depository participant services. It is a Depository Partieipamt with CDSL and NSD(L.

Reliance Commodities Limited provides commodity broking services to both retail and corporate clients. Currently it is a member both N!CX and NCDX.

Reliance Money Express provides Money Changing (FFMCi and Money Transfec Services (MTS).

Reliance Financial Limited provides financial services. It is a NBFC registered with the Resenre Bank of India.

3.3 Business of Reliance Money

Reliance Money business can be broadly classified into three categories; Trading: Equity, Commodities, Derivatives & Offshore Investment.

Distribution: Mutual Funds, Life Insurance, General Insurance, Private Banking &
Corporate Business, IPO, Fixed Deposit, PMS & Wealth ManagementOTC Services: Money Transfer, Money Changing, Plecious Metal Retailing[11]

3.3.1. Trading Portal

Reliance Money is first in the country to introduce a flat fee prepaid structure with unique security token for trading. It provides a single platform to operate in Markets like Equity, Commodity, Derivatives and Offshore Investment. Reliance Demat account also provides for in-vestment in IPO's and NEO's and existing mutual funds which are Issued in market from time to time. This huge ranges of services are offered at the lowest price in Indian Market. Company has set up a four tire system for convenience or the clients to do transaction which includes Online portal. Call •center, Franchises and Kiosks.

The company was first to setup Web based kiosk for online trar,saction at over I 0,000location across India. More over it provide wide range of trading platform to suit the need and skills of the clients. Easy Trade. Instant Trade, Fast Trade, Power Trade, Commodities Mega Trade and Mobile Trading are some of its platform. Thus providing a user friendly en vironment to carry financial transaction.

3.3.2 Distribution

Reliance Money has association with all the major companies in India which provides different Flnancial instruments. It is a single stop solution for all financial needs

Reliance Money distributes all IPOs (Book Building as well as Fixed Priced) pan India through its distribution channel (Online + Offline) and helps get IPO Investment benefits by providing end to end assistance. Through online distribution investor need not worry about filling up IPO application forms, dra•winæ cheques and sianding in long queues to submit the forms. They can apply for [POs online at the el ick of a button within a minute through reliancemoney.com. If the investor does not have access to internet, Reliance Money would help apply for IPOs offline through a netvork of branches and business partners.

Reliance Money is emerging as one of lildia's top mutual fund distribution houses and is also a preferred distributor amongst all AMC-s. Reliance Money's research team provides consistent, superior, independent and unbiased advice to its investors to invest in Mutual Fund schemes suited to their risk profile and financial goals. Mutual Funds of almost all the AMC's can Be availed through Reliance Money. As of 1st June 2009 it had 29 AMC partner, providing over 1500 funds.
Company provides Life insurance and General Insurance with an exhaustive range of insurance policies that covers most risks. it has exclusive and inclusive association withmajor private life insurance •companies. Thus enabling to choose from various plans available in the market right from ehild plan to retirement plans.

Banking service such as fixed deposit facility al competitive rates with hanks is also available. It offers personalized financial solution t"rough its Portfolio Management Service (PMS) We•alth Management Services. Company endeavours to deliver besi tetUi'ihS IlitOiigli diligent fund management frame WOi'k. by rigOi'OiiS analysisand a proven investment methodology in different market conditions.

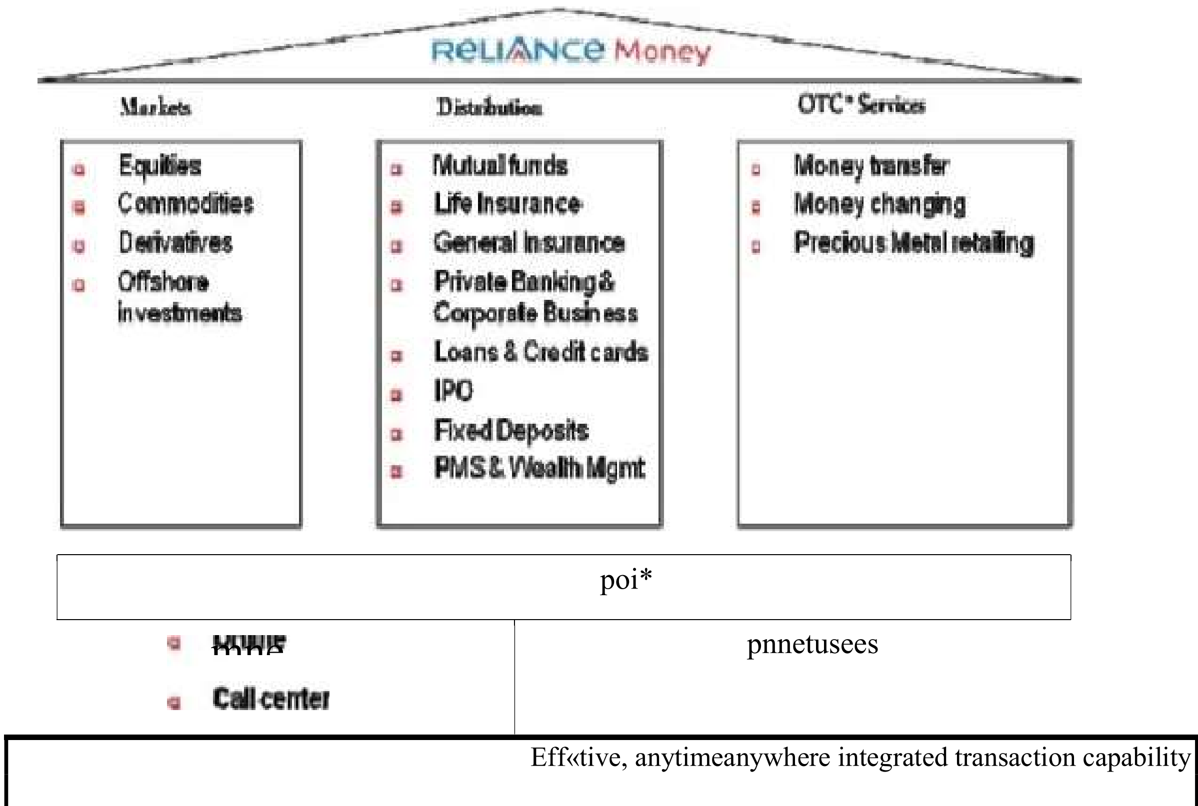
13.3 OTC Service Reliance iiiOiiéY offers iiihiiY Thé COijiitee (OTC) [12] services such as Money Transfers.Money Changing Precious Metal Retailing.

Reliance Money has strategic tie.up willi institutions. offering the Western Union Money TranslV•r service through their national branch network like Bank of Rajasthan, Syndicate Bank. Jammu Kashmir Bank. Tamilnad Mercantile Rank Ltd., AP Mahesh CO-OP Urban Bank, etc for offering money transfer services.

Reliance Money Express is a Full-Fledged Money Changer (FFMC) authorired by the Reserve Bank of India for foreign exchange transactions, An individual intending 10 travel abroad may avail this service and change local currency into foreign currency Of the destination country and vice versa on return. Reliance Money lÉxpress offers Wide range of foreign exchange produetg for retail and corporate eli"l'ts. Thig include Sale & Purchase of Foreign Currency Notes. American Express Travelers Cheques 8: Prepaid Foreign Currency Carol. Bulk & Wholesale Purchase/Si"le of currency Notes and Export of Foreign Currency, The Reliance Money Express FFMC service is available throngh a network of •Il approved Reliance Money Express outlets situated in various cities. across the

Reliance Money offers 99.99% pure. 24 carat. Swiss Gold coins in 0.5gms. 1.5gms and 8gnns denominations in tamper proof packaging with certificate or purity from Swiss Assayer. Reliance Money offers 999.9 (Highest purity that can be achieved in Gold) Gold COIOS.

3.4. Reliance Money Business Model



Chapter 4: Investment Avenues

4.1: Life Insurance

4.2; Equity

4.3: Mutual Fund

4.4: Certificate of Deposits

4.5: PPF

4.6: Real Estate

4.7: Gold

4.8: Investment in Banks

4.9: Investment through Post Office

4.1. Life Insurance

Life Insurance is a policy provided by an insurance cornpany_ according 10 which in exchange for premium payments. the insurer is obliged to pay a certain sum •a 'ump sum o' portions of sums) to he beneficiary in the :vent of insured death. Life Ins is literally a matter of life and death. since purchasing Life Insuramce is basically planning lor after death. When healthy and well. people from all walks of life preier nol 10 think that one day they would pass away_ However planning for after the death may as imponant as planning other significant 'L•tions in life. By paying a very small sum of money a person can safeguard his fvorn unfortunate event. Life insuramce provides economic to the deFndent in family and in some cases can even create an estate for heirs.

Factor to be considered before buying an Life Insurance policy

Before buying a Life Insurance policy it is always important to find out why do I want to buy Insurance and for what purpose. How much Life Insurance Cover do I need, comes second. Few factors which need Co be considered are;

- Age and number of dependents_
- Annual Income and Annual ExFnses.
- Outstanding Liabilities like Home Loan. Car Loan etc. I n vestments and Savings.
- Life Style Expenses. Money require in Future_

As a rule of thumb when buying first Life Insurance policy it is suggested that person should have Insurance Cover of al least 5 10 times of their annual income,

Therears many different scientific methods available to access the total Life Insuram•c Cover_ The need for Insurance changes and increases with age depending on the combination of factors stated above. It is advised that one should review his Insurance needs *very 3 years. Every individual is lifferent and his needs and set or rules for Insurance camnol be applied 10 all. Life Insurance is a very and integral part of Financial PI anning for the Future.

A wide range of insurance products are available in the market. Each insurance pnmluct is different from the others having some unique attributes are devised to meet spec ins needs of different individuals. However. with such a wide range of products available, it becomes very difficult for an individual to choose an insuramce plan thal is best suited 10 :meet his requirements- Based on the financial plans and needs and one's affordability to pay premium. an individual can choose any of the plans available in market. Some of those plans listed the table below:

when person retire; hy buying an annuity policy with the sum received, it generates a monthly pension for the rest of the life,

4-1.3. Whole Life Insurance

Whole Life Policies have no fixed end date for the policy; only the death benefit exists and is paid to the named beneficiary. In whole life insurance plan the risk is covered for the entire life of the policyholder. irrespective of when it happens that is the reason they are called whole life policies. The policy holder is not entitled to any money during his or her own lifetime, i.e.. there is no survival benefit. This plan is ideal in the ease of leaving behind an estate. Primary advantages of Whole Life Insurance are guaranteed death benefits, guaranteed cash values, and fixed and known annual premiums.

This policy, however, fails to address the additional needs of the insured during his postretirement years. It doesn't take into account a person's increasing needs either. While the insured buys the policy at a young age, his requirements ineruse over time. By the time he dies. the value of the sum assured is too low to meet his family's needs. As a result of these drawbacks, insurance tirms now offer either a modified Whole Life Policy or combine in with another typ•e of policy.

4.1.4. Money-Back Plan

Money back policies are quite similar to endowment insurance plans where the survival benefits are payable only at the end of the term period. plus the added benefit of money back policies is that they provide for periodic payments of partial survival benefits during the term of the policy so long as the policy holder is alive. An additional and important feature of money hack policies is that in the event of death at any time during the term of the policy, the death claim comprises full sum assured without deducting any of the survival benefit amounts. The insurance premium of Money Back Policies is higher than 'Term Insurance Policy because in Term Insurance there is no survival benefit after the expiry of the insurance period. Money Back Policies are good for people who wani io insure their life and also want to some return from their investment's al a latex date.

These policies are structured to provide sums required as anticipated expenses (marriage, education, etc) over a stipulated period of time. With inflation becoming a big issue, companies have realized that sometimes the money value of the policy is eroded. That is why with-profit policies are also being introduced io offset some of the losses incurred on account of inflatione

Money-Back plans are ideal for those who are looking for a product that provides both insurance cover and savings. It creates a long-term savings opportunity with a reasonable rate of return, especially since the payout is considered exempt from tak except under specified situations.

4.1.S.ULIP

Uilit linked insurance plan (ULIP) is lire insurance solution that provides for the benefits of risk protection and flexibility in investment. The investment is denoted as units and is represented by the value that it has attained called as Net Asset Value (NAVj. The policy value al any lime varies according to the value nt- the underlying assets at the time.

[13]In a ULIP. the invested amount of the premiums after deducting for all Ille charges and premium for risk cover under all policies in a particular rund as chosen by the policy holders are

pooled together to form a Unit fund. A Unit is the component of the Fund in a [Jilit Linked Insurance policy

The returns in a UI-IP depend upon the IRI-formance of the fund in the capital market. UI-IP investors have the option of investing across various schemes, i.e. diversified equity funds, balanced funds. debt funds etc. It is important to remember tint in a ULIP. the investment risk is generally borne by the investor.

In a ULIP, investors have the choice of investing in a lump sum (single premium) or making premium payments on an annual. half-yearly. quarterly or monthly basis. Investors also have the flexibility to alter the premium amounts during the policy's tenure. For example. if an individual has surplus funds, he can enhance the contribution in UI-I P. Conversely an individual faced with a liquidity crunch bas the option of paying a lower amount (the difference being adjusted in the accumulated value of his ULIP). UI-IP investors can shift their investments across various plans/asset classes (diversified equity funds, balanced funds, debt funds) either at a nominal or no cost,

Expenses Charged in a CLIP

Premium Allocation Charge: A percentage of the premium is appropriated towards charges ini tial and expenses apart commission expenses before allocating the units under the policy.

Mortality Charges: These are charges (or the cost of insurance coverage and dep•end on number of factors such as age, amount of coverage, state of health etc.

Fund Management Fees: Fees levied for management of the fund and is deducted before arriving at the N AV.

Administration Charges: This is the charge fcm• administration of Ehe plan and is levied by cancellation or units.

Surrender Charges: Deducted for premature partial or rull encashment of units.

Fund Switching Charge: Usually a limited number of fund switches are allowed each year without charge. with subsequent switches, subject to a charge.

Service Tax Deductions: Service tax is deducted from the risk portion of the premium

4,1.6. Annuities and Pension

Insurance companies offer two kinds of pension plans - endowment alul unit linked. Endowment plans invest in fixed income products. so the rates of return are very low. A pension plan or an annuity is an investment that is made either in a single lump sum payment or through instalments paid over a certain number of years, in return for a specific sum that is received every year. every half-year or eVery month. either for life or for a fixed number of years. Annuities differ from all the other forms of life insurance in that an annuity does provide any life insurance cover but. instead. offers a guaranteed income either for life or a certain period. Typically annuities are bought to generate income during one's retired life, which is why they are also called pension plans. By buying an annu ity or a pension plan the annuitant receives guaranteed income throughout his life. He also receives lump sum benefits for the annüitant's estate in addition to the payments during the annuitant's lifetime. Pension plans are perfect

investment instrument for a person who after retiring from service has received a large sum as superannuation benefit. He can invest the proceeds in a pension plan as it is safest way of secured imcome for the rest of his life. One can pay for a pension plan either through an annui!y or through instalments that are annual in most cases.

Types or Annuities Pension Plans

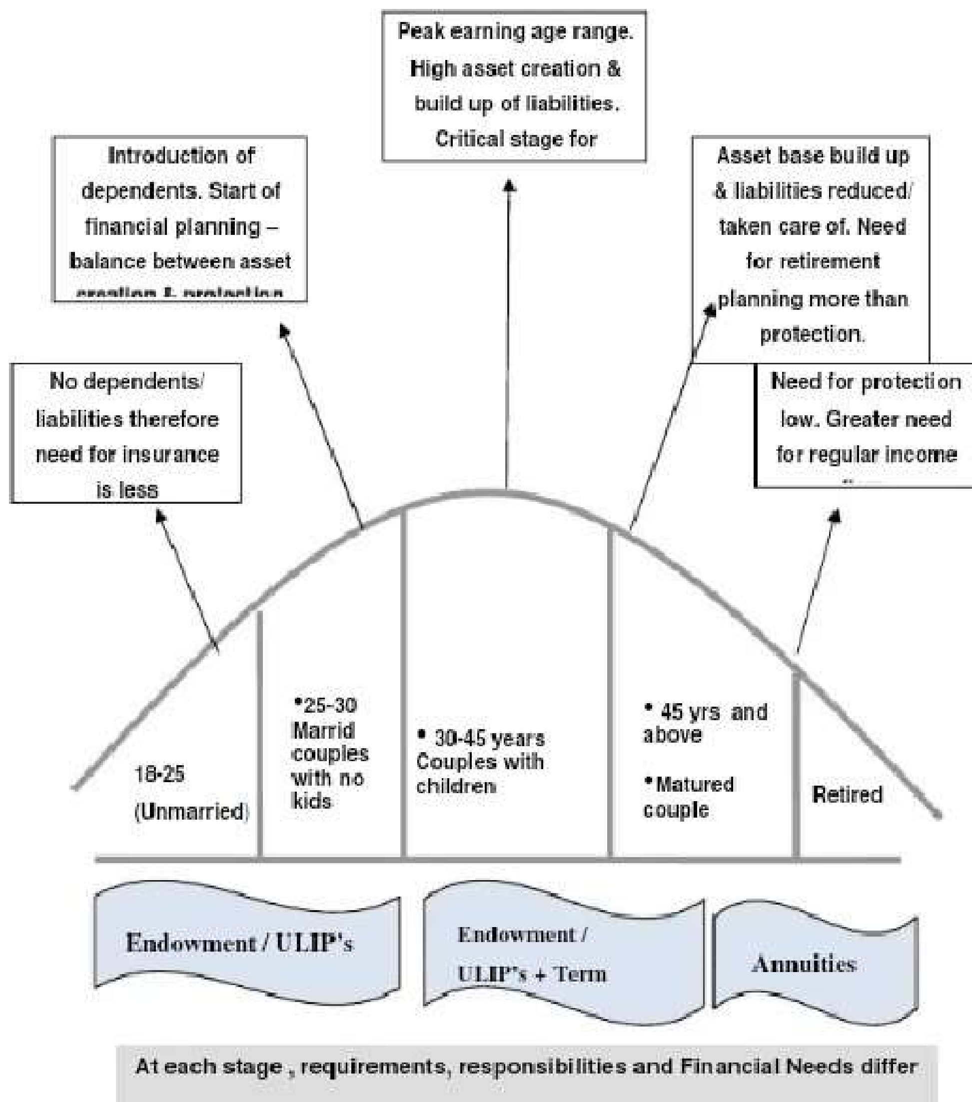
Life Annuity: Guarantees a specified amount of income for lifetinle. After death. the amount invested is refunded to nonu nee.

Guaranteed Period Annuity: Provides specified income for lifetime and guarantees that nominee will receive payments for a certain minimum number of years. even if person should die earlier. In case person lives longer than the specified minimum number of years, they are entitled to receive annuity payrnenis for lifetime.

Annuity Certain: Under this plan. the stipulated annuity is paid for a fixed number of years. The annuity payments stop at the end of that period, irrespective of how much longer person may live.

Deferred Annuities: The premiums paid into such plans may deducted from (Vie's taxable income at the time of payment. In addition. the interest earned on the annuities is Mt taxed immediately. But the proceeds of the annuity will be taxable when they are paid to

4.1.7 Life Stage in Life Insurance



4.2. Equities

Equities are a type of security that represents the ownership in a company. Equities are traded (bought and sold) in stock markets. Alternatively, they can be purchased via the Initial Public Offering (IPO) route, i.e. directly from the company. Investing in equities is a good long-term investment option as the returns on equities over a long lime horizon are generally higher than most other investment avenues. However, along with the possibility of greater returuls comes greater risk

Share Price Determination

At any given moment, equity's price is strictly a result of supply and demand. The supply is the number of shares offered for sale at any one moment, The demand is the number of shares investor; wish to buy at exactly that same time. The price of the stock moves in order to achieve and maintain equilibrium.

When prospective buyers outnumber sellers, the price rises. Eventually, sellers attracted to the high sel ling price enter the market and/or buyers leave, achieving equilibrium between buyers and sellers. When sellers outnumber buyers, the price falls. Eventually buyers enter and/or sellers leave, again achieving equilibrium.

Thus, the value of a share of a company at any given moment is determined hy all investors voting with their money. If more investors want a stock and are willing to pay more. the price will go up. If more investors are selling a stock and there aren't enough buyers, the price will go down.

Of course, that does not eAplain how people decide the maximum price at which they are willing to buy or the minimum at which they are willing to sell. In professional investment circles the efficient market hypothesis (EMH) continues to be popular, althouæh this theory is widely discredited in academie and professional circles. grieny. EMH says that investing is overall (weighted hy Sldev> rational', that the price of a stock at any given moment represents a rational evaluation of the known information that might bear on the future value of the company; and that share prices of equities are priced efficiently, which is to say that they represent accurately the expected value of the stock, as best it can be known at a given moment. In other words. prices are the result or discounting expected future cash flows.

Another theory of share price determination comes from the field of Behavioural Finance. According to Behavioural Finance, humans often make irrational decisions—particularly. related to the buying and selling of securities—based upon fears and misperceptions of outcomes. The irrational trading or securities can often create securities prices which vary from rational. fundamental price valuations.

Stock market in vestments: Economies + MathematicsJStatisties + Psychology

Economics Deals with fundamentals of company. Statistics deals with study of companies' financial statement and it past performance in stock market. Psychology deals with market sentiments (Herd mentality) which are most crucial as it can lead in wrong direction.

Invest in Blue Chip Stocks

Stock of a well-established and financially sound company that has demonstrated its ability to pay dividends in both good and had times and is a leading player in its. These stocks are usually less risky than other stocks.

Features or Blue Chip Stocks

There are no specific criteria for blue chip stocks. The most common characteristics of such stocks include:[14]

I. Revenues: Companies with revenues higher than that venerated by industry peers.

2. Earnings; Companies that have been generating earnings on a consistent basis.

3. Dividends: Companies that pay regular dividends to common stockholders, even if their performance has been unsatisfactory in a particular period. Moreover, the dividend payout is raised at regular intervals.

4. Balance Sheet: The balance sheets are robust and their debt liabilities are not extensive.

S. Credit Rating: Their credit ratings in the bond and unsecured debt markets are high.

6. Size: The market capitalization of these companies is higher than that of other companies in the same industry.

7. Product Portfolio: They have extensive and diversified product lines. They also have a wide global presence.

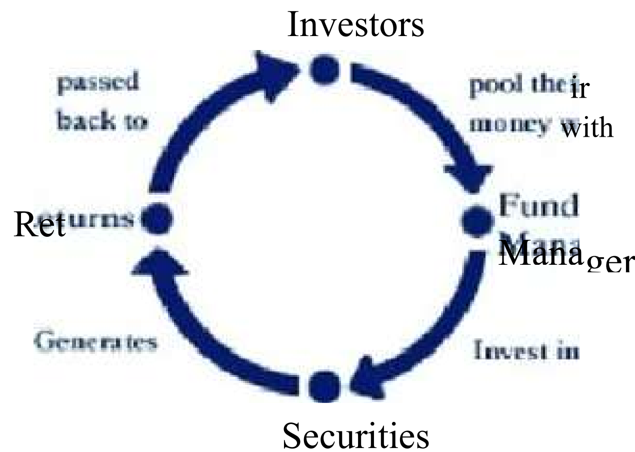
S. Competition•: They are cost efficient. with high distribution control and excellent franchise value, all of which contribute towards their competitive advantage.

4.3. Miltual Funds

A Mutual Fund allows a group of people to pool their money together and have it professionally managed, in keeping with a predetermined investment objective. This investment avenue is popular because of its cost-efficiency. risk-diversification, professional management and sound regulation. Person can invest as little u.s Rs. 1,000 per month in a Mutual Fund. There are various general and thematic Mutual Funds to choose from and the risk and return possibilities vary accordingly.

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then inve Sted in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realised are shared by its unit

holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The How chart below describes broadly the working of a mutual fund:



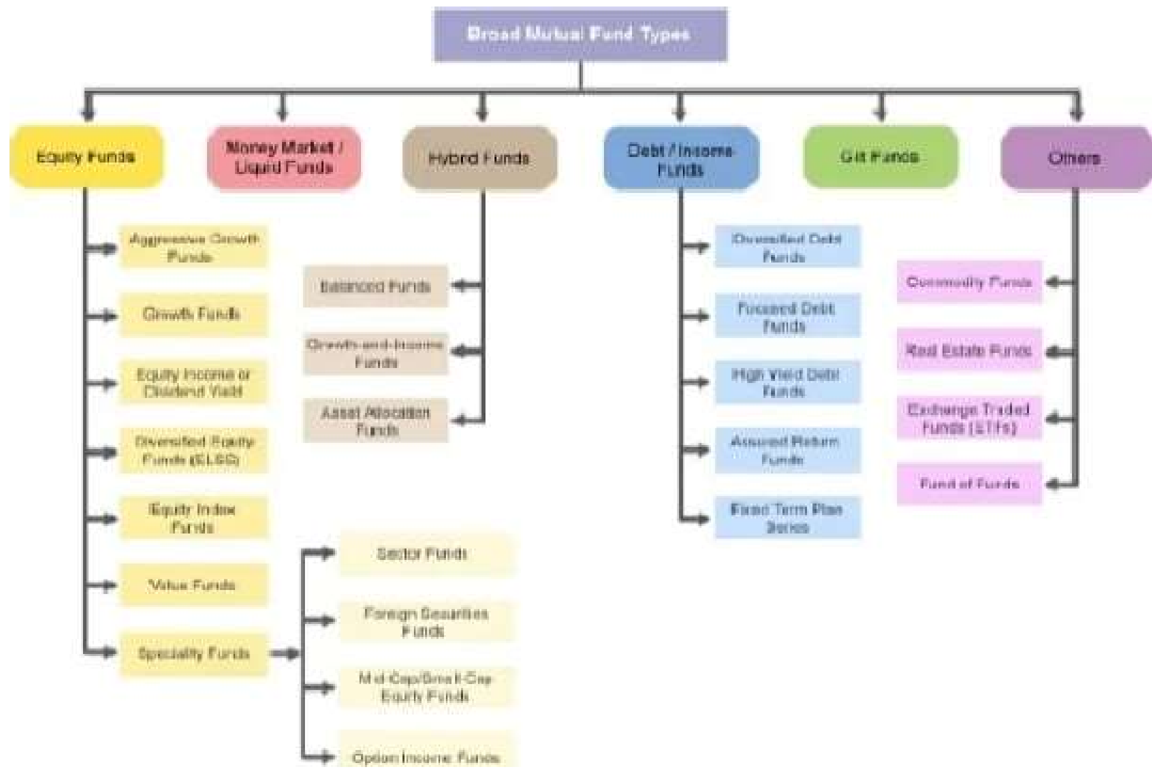
Types of Mutual Funds Scheme in India

Wide variety of Mutual Fund Schemes exist to cater to the needs such as financial position, risk tolerance and return expectations etc. The table below gives overview into the e xisting types of schemes in the Industry.

- By Structure a Open - Ended Schemes o Close - En ded Schemes • By Investment Objective
- Growth Schemes
- Income Schemes
- Balanced Schemes
- Money Market Schemes
- Other Schemes

Most mutual funds are open-end. The reason Why these funds are called "open-end" is because there is no limit to the number of new shares that they Can issue. New and existing shareholders may add as much money to the fund as they want and the fund will simply issue new shares 10 them. Open-end funds also redeem, or buy back. shares from shareholders, In order to determine the value of a share in an open-encl fund at any time, a number called the Net Asset Value is used. Investor can purchase shares in open-end mutual funds from the mutual fund itself or one Of its agents; they are not traded oii exchanges.

Closed-end funds behave more like stock than open-end funds: Illat is to say. closed-end funds issue a Fixed number of shares to the public in an initial public offering. after which time shares in the fund are bought and sold on a stock exchange, Unlike open-end Funds, closed-end funds an not obligated to issue new shares or redeem outstanding shares. The price of a share in a closed-end fund is determined entirely by market demand. So shares can either trade below their net asset value ("at a discount") or above it ("at a premium"). Since one must take into consideration not only the fund's net asset value but also the discount or premium at which the fund is trading, closed-end funds are considered to be more suitable for experienced investors. investor Can purchase shares in a closed-end fund through a. broker usi as one would purchase a share of stock.


Broad Mutual Fund Types
Equity Funds
Money Market / Liquid Funds
Hybrid Funds
Debt / Income Funds
Gilt Funds
Others
Aggressive Growth Funds
Growth Funds
Equity Income or Dividend Yield
Diversified Equity Funds (ELSS)
Equity Index Funds
Value Funds
Speciality Funds
Balanced Funds
Growth-and-Income Funds
Asset Allocation Funds
Sector Funds
Foreign Securities Funds
Mid-Cap/Small-Cap Equity Funds
Option Income Funds
Diversified Debt Funds
Focused Debt Funds
High Yield Debt Funds
Assured Return Funds
Fixed Term Plan Series
Commodity Funds
Real Estate Funds
Exchange Traded Funds (ETFs)
Fund of Funds

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4.3.1. Equity Funds

Equity funds are consider"] to be the more risky funds as compared to other fund types. but they also provide higher returns than other funds. It is advisable that an investor looking to invest in an equity fund should invest for long term i.e. for A years or more. There are different types of equity funds each Falling into different risk bracket. In the order of decreasing risk level. there are following types of equity funds:

Aggressive Growth Funds - In Aggressive Growth Funds. fund managers aspire for maximum capital appreciation and invest in less researched shares of specu lative nature. Because of these speculative investments Aggressive Growth Funds become more volatile and thus, are prone to higher risk than other equity funds.

Growth Funds - Growth Funds also invest for capital appreciation (with time horizon of 3to 5 years) but they are different from Aggressive Growth Funds in the sense that they invest in companies that are expected to outperform the market in the future. Without entirely adopting speculative strategies, Growth Funds invest in those companies that are expected io post above average eamings in the future.

Speciality Funds - Speciality Funds have stated criteria for investments and their portfolio comprises of only those companies that meet their criteria. Criteria for some speciality• funds could be to invest'not to inve[15]st in particular regions/companies. Speciality[16]concentrated and thus, are comparatively riskier than diversified funds.. There are following types of speciality funds:

Sector Funds; Equity funds that invest in a particular sector/industry of the market are known as Sector Funds. The exposure of these funds is limited to a particular sector (say Information Technology, Auto, Banking, Pharmaceuticals or Fast Moving Consumer Goods) which is why they are more risky than equity funds that invest in multiple sectors.

Foreign Securities Funds: Foreign Securities Equity Funds have the option to invest in one or more foreign companies. Foreign securities funds achieve international diversification and hence they are less risky than sector funds. However. foreign securities funds are exposed toforelgn exchange rate risk and country risk.

Mid-Cap or Small-Cap Funds: Funds that invest in companies having lower market capitalization than large capitalization companies are called Mid-Cap or Small-Cap Funds. Market capitalization of Mid-Cap companies is less than that or big, blue chip companies (less

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than Rs. 2500 crores hut more than Rs. 500 croresi and Small-Cap companies have market capitalization of less than Rs. 500 crores. Market Capitalintion of a company can be calculated by multiplying the market price of the company's share by the total number of its outstanding shares in the market. The •hares of Mid-Cap or Small-Cap Companines are not as liquid as of Luge-Cap Companies which gives rise to volatility in share prices of these companies and consequently, investment gets risky.

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Option Income Eunds•: While not yel available in India, Option Income Funds write options on a large fraction of their portfolio. proper use of options can help 10 reduce volatility. which is otherwise considered as a risky instrument. These invest in big, high dividend which generate stable income investors.

Diversified Equity Funds Except for a small portion of investment in liquid money market_ diversified equity funds invest mainly in equities without any concentration on a These diversified company-specific risk. like all other funds diversified equity funds too are exposed to equity market risk. One prominent type of diversi"ed fund in India is Equity Linked Savings Schemes (ELSS). As per mandate, a minimum of or investments hy ELSS should he in equities at all limes. ELSS investors are eligible to claim deduccion [rom axable income (up Co Rs al lime of filing income tax return. ELSS usually has a lock-in period and in case of any redemption by the investor before the expiry of the lock-in period makes him liable to pay income tax on such income(s) 101' which he may have received any tax exemption(s) in the past.

Equity Index Funds - Equity Index Funds have the objective to match the performance of a specific stock index. 'The portfolio of these funds comprises of the same companies form the index and is constituted in the same proportion as the index. Equity index funds that follow broad indices (like CNN Nifty. Sensexj are less risky than equity index thal follow narrow secloral indices (like BSEBANKEX or CNN Bank Index etc). Narrow indices are less diversified and therefore, are more risky.

Value Funds - Value Funds invest in those companies that have sound fundamentals and whose share prices are currently under-valued. The portfolio of these funds comprises of shares that are trading al a low price 10 Earning Ratio (Market price per Share .1 Earning per Share) and a low Market 10 Book Value (Fundamental Value) Ruio. Value Funds may select companies from diversified and esposed to lower risk level as compared to growth Value (such as cement, steel, etc.) which make them volatile in the short-term. Therefore. it is advisable to invest in Value funds with a long-term time horizon as risk in the long term, to a large extents is reduced.

Equity Income or Dividend Yield - Dividend Yield Equity Funds is 10 generate recurring income and steady capital appreciation for investors by investing in those companies which issue high dividends (such as Power or Utility companies whose share prices fluctuate comparatively lesser than other companies' share prices). Equity Income or Dividend Yield Equity Funds are generally exposed to the lowest risk level as :ompared to other equity funds.[17]

4-3.2. Debt / Income Funds

Funds that invest in medium to long-term debt instruments issued by private companies, hanks, financial institutions, governments and other entities belonging to various sectors (like infrastructure companies etc.) are known as Debt / Income Funds. Debt funds are low risk profile funds that seek to generate fixed current income (and not capital appr&iationj to investors. In order to ensure regular income to investors. debt (or income) funds distribute large fraction of their surplus io investors. Although debi securities are generally less risky than equities, they are subleet to credit risk (risk of default) by the issuer at the time of interest or principal payment. To minimize the risk of default. debt funds usually invest in securities from issuers are rated hy credit rating agencies and are considered to be of ' 'Investment Grade". Debt funds that target high returns are more risky. Based on different investment objectives, there can be following types of debt funds:

Diversified Debt Funds Debt funds that invest in all securities issued by entities belonging to all sectors of the market are known as diversified debt funds. The best feature of diversified debt funds is that investments are properly diversified into all sectors which results in risk reduction . Any loss incurred. on account of default by a debt issuer, is shared by all investors which further reduces risk for all individual investor.

Focused Debt Funds* - Unlike diversified debt funds, focused debt funds are narrow focus funds that are confined to investments in sel&iÅe debt securities, issued by companies of a specifie sector or industry or origin. Some examples of focused debt funds are sector. specialized and offshore debt funds. funds that invest only in Tax Free Infrastructure or Municipal Bonds. Because of their narrow orientation, focused dehl funds are more risky as compared to diversified debt funds. Although not yet available in India, these funds are conceivable and may be offered to investors very soon.

High Yield Debt funds - As we now understand that risk or default is present in all debt funds, and therefore, debt funds generally try to minimize the risk of default by investing in securities issued by only those borrowers who are considered to be of "investment grade". But. High Yield Debt Funds adopt a different strategy and prefer securities issued hy those issuers who are considered to be of "below investment grade". The motive behind adopting this sort of risky strategy is to earn higher interest returns from these issuers. These funds are more volatile and bear higher default risk, although they may earn at times higher returns for investors.

Assured Return Funds Although it is not necessary that a fund will meet its objectives or provide assured returns to investors, but there can be funds that come with a lock-in period and offer assurance of annual returns to investors during the lock-in period. Any shortfall in returns is suffered by the sponsors or the Asset Management Companies (AMC's). These funds are generally debt funds and provide investors with a low-risk investment opportunity. However, the security of investments depends upon the net worth of the guarantor (whose name is specified in advance on the offer document).[18] To safeguard the interests of investors, SEBI permits only those funds to offer assured return schemes
whose sponsors have adequate net-worth to guarantee returns in the future. In the past, UTI had offered assured return schemes (i.e. Monthly licom.e Plans of [19]UT[) that assured [20]specified

returns to investors in the future. UTI was not able to fulfill its promises and faced large shortfalls in returns. Eventually, government had to intervene and took over UTI's payment obligations on itself. Currently, no AMC in India offers assured return schemes to investors, though possible.

Fixed Term Plan Series - Fixed Term Plan Series usually are closed-end schemes having short term maturity period (of less than one year) thal offer a series of plans and issue units to investors at regular intervals. Unlike closed-end funds. fixed term plans are not listed on the exchanges. Fixed term plan series usually invest in debt I income schemes and targe tshort-term investors. The objective of fixed term plan schemes is to gratify investors by generating some expe.ted returns in a slwrt period.

4.3. 3, Gilt Funds

Also known as Government Securities in India. Gilt Funds invest in government papers (named dated securities) having medium to long term maturity period. Issued By the Government of India, these investments ha-ve little credit risk (risk of default> and provide safety of principal to the investors. However, like all debt funds. gilt funds too are exposed to interest rate risk. Interest rates and prices of debt securities are inversely related and any change in the interest rates results in a change in the NAV of debt}gilt funds in an opposite direction.

4.3.4. Money Market Liquid Funds

Money market I liquid funds invest in short-term (maturing within one year) interest hearing debt instruments. These securities are highly liquid and provide safety of investment. thus making money market liquid funds the safest investment option when compared •with other mutual fund types. However. even money market / liquid funds are exposed to the interest rate risk. The typical investment options for liquid funds include Treasury Bills (issued by governments), Commercial papers (issued by companies) and Certificates of Deposit (issued by banks).

4.3-5. Hybrid Funds

As the name suggests, hybrid funds are those funds Whose portfolio includes a blend of equities, debts and money market securities. Hybrid funds have an equal proportion of deht and equity in their portfolio. There are following types of hybrid funds in India:

Balanced Funds - The portfolio of balanced funds include assets like debt securities, convertible securities, and equity and preference shares held in a relatively equal proportion. The objectives or runds are to reward investors with a regular income, moderate capital appreciation and at the same time minimizing the risk of capital erosion.

Balanced funds are appropriate for conservative investors having a long term investment [21]horizon.

Growtheand•lncome Funds • Funds that combine features of growth funds and income funds are known as Growth-and-income Funds. These funds invest in companies having potential for capital appreciation and those known for issuing high dividends. The level of risks involved in these funds is lower than growth funds and higher than income funds.

Asset Allocation Funds • Mutual funds may invest in financial assets like equity, debt. nwney market or non-financiNl (physical) assets like real estate. con-anodities etc.. Asset allocation funds adopt a variable asset allocation strategy that allows fund managers to switch over from one asset class to another at any time epending upon their outlook for specific markets. In other words. fund managers may switch over to equity if they expeet equity market to provide good returns and switch over to dehi if they expect debt market to pro-vide better returns. It should be noted that switching over from one asset class to another is a decision taken by the fund manager on the basis of his own judgment and understanding of spec:ific markets. and therefore. the success of these funds depends upon the skill of a fund manager in anticipating market trends.

4.3.6. Commodity Funds

Those funds that focus on investing in different commodities (like metals, food grains, crude oil etc.) or commodity companies or commodity futures contracts are termed as Commodity Funds. A commodity fund that invests in a single commodity or a group of commodities is a specialized commodity fund and a commodity fund that in-vests in all available commodities is a diversified commodity fund and bears less risk than a specialized commodity fund. "Precious Metals Fund" and Gold Funds (that invest in gold, gold futures or shares of gold mines) are common examples of commodity funds.

4.3.7. Real Estate Funds

Funds that invest directly in real estate or lend to real estate developers or invest in shares/securiiized assets of housing finance companies, are known as Specialized Real Estate Funds. The oblective of these funds may be to generate regular income for investors or capital appreciation.

4.3.8. Exchange Traded Funds (ETF)

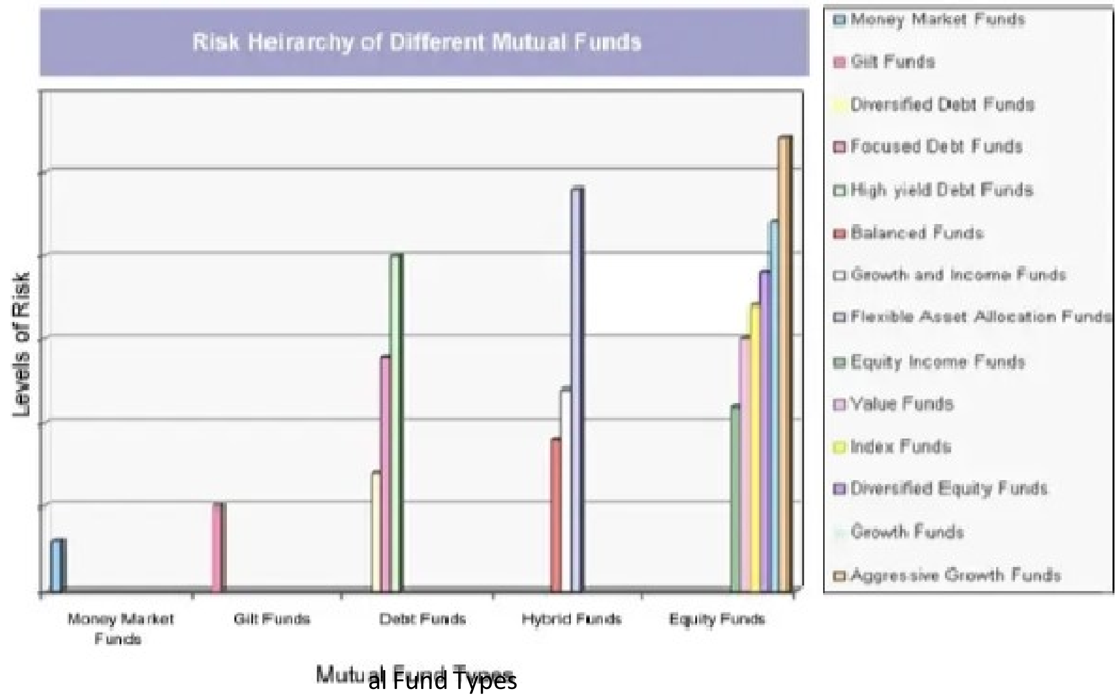
Exchange Traded Funds provide investors with combined benefits of a closed-end and an open-end mutual fund. Exchange Traded Funds follow stock market indices and are traded on stock exchanges like a single stock at index. linked prices. The biggest ad-vantage offered by these funds is that they offer diversification flexibility of holding single share (tradable at index linked prices) at the same time. Recently introduced in India, these funds are quite popular abroad.

4.3.9. Fund of Funds

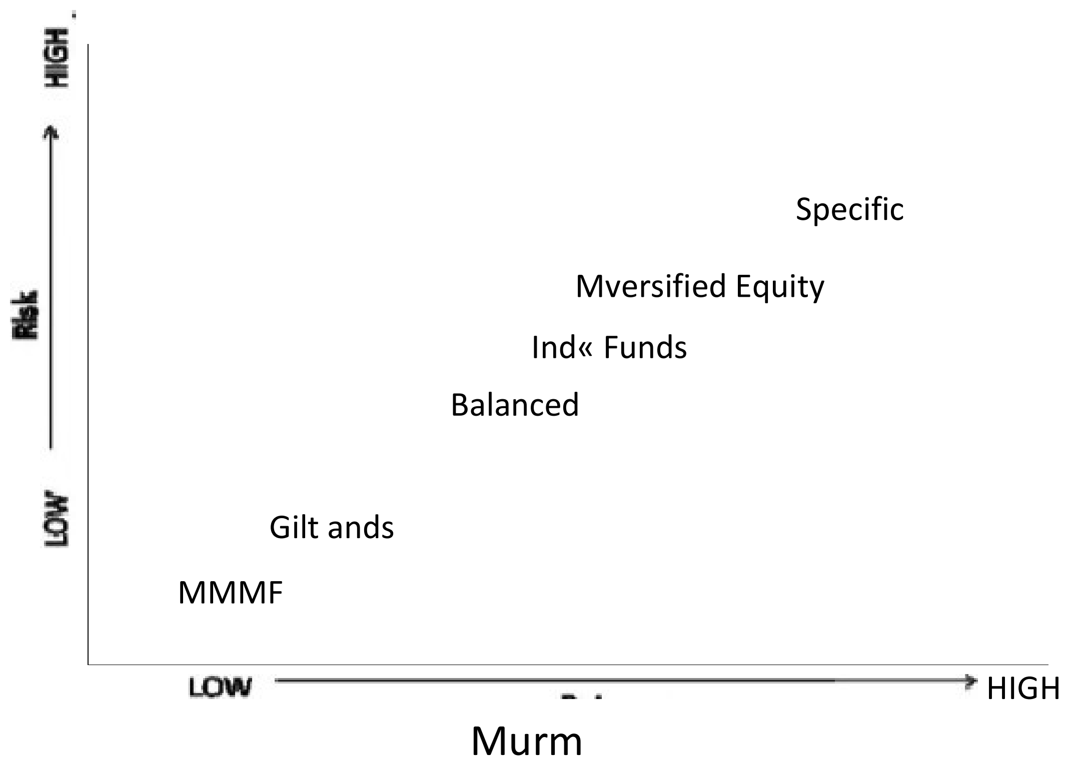
Mutual funds that do not invest in financial or physical assets. but do invest in other mutual fund schemes offered by different AMC's, are known as Fund of Funds. Fund of Funds maintain a portfolio comprising or units of other mutual fund schemes, Just like conventional mutual funds maintain portfolio comprising ol' equityJdehtfmoney market instruments or non financial assets. Fund oi Funds provide investors with an added advantage of diversifying into different mutual fund schemes with even a small amount of [22]investment. which further helps in diversification

of asks. However. the expenses of Fund of Fquite high on account of compounding expenses of investments into different nultual fund scheme

representation hereunder provides a clearer picture of the relationship between mutual funds and levels of risk associated with these funds:



Different mutual fund schemes are exposed to different levels of risk and inves10ß should



Advantages or Mutual Funds

The advantages of investing in a Mutual Fund are;

• Diversification: The best mutual funds design their portfolios so individual investments will react differently to the same economic conditions. For example, economic conditions like a rise in interest Kites may cause certain securities in a diversified portfolio to decrease in value. Other securities in porll'olio will respond 10 the economic conditions by increasing in value. When a portfolio is balanced in this way, the value of the overall portfolio should gradually increase over time, even if some securities lose value.

• professional Management: Most mutual funds pay topflight professionals to manage their investments. These managers decide whal securities the fund will buy and sell.

• Regulatory oversight: Mutual funds are subject to many government regulations that protect investors from fraud.

• Liquidity: ICs easy to get money out of a mutual fund. Write a check, make a call, and get the cash.

• Convenience: person can usually buy mutual fund shares by mail, phone. or over the Internet.

• LOW' cost: Mutual fund expenses are often no than 1.5 percent of [23]investmentExpenses for Index Funds are less than that. because index funds are not actively managed. Instead, they automatically buy stock in companies thal are listed on a specific in

• Flexibility

- Choice or schemes

•Tax benefits

, Well regulated

Drawbacks of Mutual Funds Mutual funds huve their dr"wback.s and may be for everyone;

•No Guarantees: No investment is riek free. the entire stockmarket declines in values the value of mutual fund shares will go down as well, no matter how balanced the portfolio. Investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their However, anyone invests through a mutual fund runs the risk ol'

- Fees and commissions; All funds charge administrative fees to cover their day.to.day• expenses. Some funds also charge sales commissions or 'loads" to compensate brokers, financial consultants, or financial planners. Even if' people don't use a broker or other financial adviser, person will pay a sales eornmission if they buy shares in Load Fund.

- Management risk: When persons invest in a fund, they depend on the fund's manager to right decisions regarding the the manager does. not perlOrm as well as person had hoped, one might nol make as much money on investment as was expected. Of course, if money invested in Index Funds, person foregoes[24]

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4.4. Certificate of Deposits

Certificate of deposit was introduced in India in It is a scheme of raising funds by

negotiabie nature, they aiso called Negotiable Certificate of' Deposit may be registered form or bearer form. The later is mote it be more readily in secondary markets. Unlike Treasury bills, Illis earries an explicit rate of interest. Subscribers to the Certificate of Deposits are Individuals. Corporations, Companiesv Trusts, Funds and Associations etc.
The conventional deposits though have a fixed maturity, the depositors can withdraw them prematurely, where as in case ol' Certificate of Deposits the investors have to •wait till they mature. Though interest on certificate of deposits is il is still popular of short-term in vestments companies due to following reasons:

- These certificates are fairly liquid.
- They are generally risk free.
- They offer a higher yield as compared to conventional deposits.

4.5. Public Provident Fund (PPF)

PPF is considered sale investment avenue, The current rate on PPI: is per annum. Again like the ol' interest is not fixed. government modifies the same from time io time. The best part of is that the interest thereon is exempt from tux under section 10(1 1) of the Income Tax Act. Tax

deduction eon be el aimed contribution made by an indi vidual inlo his own pm; account or into the PPI; account of his spouse or children,

PPF account can be opened in a nationalized or a post office. It is a If-year account. The entire ine lading interest be withdrawn after years.

year, investment amount is Rs per financial year and the is Rs 70,000 per financial year. The amount investment one can make may vary every year giving person a lot of flexibility in planning their in vestments.

Many may like o invest in PPF due to its very long tenure (15 years). However, one may open an account and contribute only small sums initially; after all minimum annual contribution is just Rs 500. In later years, contributions can be increased.

4.6. Real Estate Investment

Real Estate is now treated as a major of capital budgeting by using stateof-the-art investment analysis which incorporates the future stream of income it may generate the associated risk adjustments. has been the of the investment literature since the 1970's when investment theorists extended techniques such as probabi lityv time value or money and utility into its anal ysis.

Real estate is basically defined as immovable property such as land and everything permanently attached to it like buildings. Real property as opposed io personal or movable properly is characteria.d by the right to transfer the title to the land whereas title to personal properly can he retai ned. The investment in real essenli[llly depends on the

of income will accrue to the investor and the alternative investment opportunities. Real estate investment can be atlraelive if vicuved as a business opportunity: it can generate rental income, using il as collateral to secure loan Ior a business venture, to oflÅet otherwise income through savings on inleresl rate losses, or simply from the profits garnered from its resale. Notable, in this context is the gai ns reaped by real estate speculators who trade in real estate futures (by buying and selling purchase options).

Common examples of real estate investment are individuals owning multiple pieces of real estate's one of which is his primary residence and others are occupied by tenants from where the rental income accrues. Real estate investment is also associated witli appreciation in the value oi property thereby having the polenlial for capital gains. Tax implications dilfer for real estate investment and residential real estates. Real estate
investment is long term in nature and investment professionals routinely maintain that one's investment portfolio should have at least 5%-20% invested in real estate

4.7. Gold

The love for gold in India is legendary. There has always been a good demand for gold in India making it the largest consumer of gold in the world. The consumption of gold is mostly in form of Jewellery. But as investment an investors generally buy gold as a hedge or safe haven against any economic. political. social or currency-based crises. These crises include investment market declines, inflation. war and social unrest.

Gold can be bought in various forms, one can either buy it in the form of physical gold ..bars. biscuits and or coins or even in a dematerialised form. Gold jewellery is not a good investment as it is not as liquid as bars or gold fund. The disadvantage is that a huge amount is to be paid as making charges or design charges which is discounted while sel ling it. The most jewellers do form.

Gold Exchange-Traded Fund or Gold ETF is the new investment option of recent origin. This open-ended mutual fund collects money from the investors to invest in standard gold hulliom Instead of Physical holding the gold, the investors will be assigned units of the gold EIF. Gold ETF are listed in the stock exchanges of their respective countries. Gold E¯TFs give the same advantages of holding gold in the physical form without the hassles associated with keeping gold in physical form. With gold ETFs. person need not worry about the safe storage. liquidity and purity of physical gold. The fund house that issues the gold ETF takes over the responsibility of storage and insurance of this gold.

Since gold ETFs are registered with stock exchanges, they confirm witli the norms and regulations of the regulating authorities. The transparency of operation of these funds ensures that the quality of gold that the fund is investing in confirms to global standards OF purity. There is complete transparency in the Net Asset Value or NAV of the funds and the market prices at which they are traded. The ease of investing in small denominations in Gold ETFs makes it easy for retail investors tn participate in the schemes, By investing in gold ETFs, one can accumulate a sizeable amount of gold over a long period of time. Retail investors could invest even in one unit of Che fund. which is equivalent to one or ½gram of gold. every month.[26]

Gold ETFs are also tax efficient unlike physical gold. While physical gold is considered a long-term Investment, only if it is hold ror three years, gold ETFs acquire this status after one year. In short, selli ng gold within three years of purchase will attract capital gains tax. Moreover holding large quantities of physical gold can atiraci wealth tax, while gold in demal form does no[. This apart. the spread between the buy and sell prices pertaining to gold ETFS is less than that of physical gold.

	GOLD ETF	GOLD BARS	JWELLERY
Purchase	1.5% - 2.5% entry load. Less If brought unit from secondary market	10%-20% mark up charged by banks on spot price	Making charges of 15-20%
Annual recurring cost of maintenance	1%-2.5%	Cost of insurance + locker charges (Rs.400 – Rs.4000)	Cost of insurance + locker charges (Rs.400 – Rs.4000)
Selling / Redemption Cost	Brokerage of 1% or less	No repurchase by banks. Therefore, premium paid at the time of purchase is a write off	Wastage of 10%-20% depending on purity
Tax	LTCG of 20% after 1 year. No wealth tax.	LTCG of 20% only after 3 years. Wealth tax of 1% of Incremental amount over specified exemption limit	LTCG of 20% only after 3 years. Wealth tax of 1% of Incremental amount over specified exemption limit

Gold Price is determined by demand and sumly equilibrium. It has an effect of global demand on its pricing. The demand for gold has been steadily rising, while the supply has remained relatively inelastic. leading to a rise in the prices. Gold prices are also inversely related to dollar price. Though

Gold is a safe asset. Especially during recessionary economic situations, when equity prices plummet, price of gold remains stable even in an unstable economic environment.
Gold is always a good hedge against inflation and is therefore a safe investment option.
Including gold in investment portfolio provides the proper diversi of assets. A good portfolio one where prices of all assets do not move up and down at the same time and at the same rate. Although, the long-term return from gold might not he as huge as return from the equity market, hut nonetheless, they are the safest custodian of hard-earned money.

4.8. Investment in Bank

Bank investment can be said as the most common or primary investment avenues, Not many people recogni*e this sector as an investment avenue. Banks are the most common and many a times people first irmestmeni experience. Few investments in bank can be in following form:

4.8.1. Fixed Deposit

A fixed deposit is meant for those investors who want to deposit a lump sum of money for a fixed period; say for a minimum period of 15 days to five years and above, thereby earning a higher rate of interest in return. Investor gets a lump sum (principal + interest) at the maturity of the deposit.

Bank fixed deposits are one of the common savings scheme open to an average inves(or, Fixed deposits also give a. higher rate of interest than a savings bankaccount.
The facilities vary from bank to bank. Some Of the facilities offered by banks are overdraft (10',iii) facility on the amount cleoosited, premature withdrawal beforematurit
(which involves a loss of interest) etc. Bank deposits are fairly salQr because banks are subject 10 control of the Reserve Bank of India.

The banks [ite to Offer interests fixed Of differentmaturiti
Interest is compounded once a quarter. lenling to a somewhat higher effective rate.

•rite minimum deposit amount varies With each bank. It can range from as as 100 to an unlimited amount some banks. Deposits can be made in muliiples ofRs.100/-.

The thing to consider before investing in FD is the rate of interest and the inflation rate.
A high inflation rate con simply chip away returns, The of interest Bank Fixed Deposits varies between 4 and I I per cent. depending on the maturity period (duration) Ol'

FD bÅiiik. A B 'ii'ik FD does not provide regular interest income, but a It'lnp.sum amount on its maturity. Some hanks have facility 10 pay interest every quarter or every 111011th. but the interest paid may be at a di rate in case of monthiyinterest.

With effect from A.Y. 1998-99, investment on hank deposits. along Wilh other specified incomes, is exempt front income tax up to limit of R.N. 12.000}. under 80L. Also. from A.Yi 'CY93•94. bank deposits are totally exempt from wealth The 1995Finance Proposals introduced tax deduction at source (TDS) on fixed deposits on interest incomes Of and above per annum.

4.8.2. Recurring Deposit urring deposit in B.iii'ik is iiieüiit Someone who wants to invest a specific sumOf money on a monthly basis a lived rate of return. At the end, person will gel the principal as well the interest earned during (hat period. The scheme, a systematic way nor long term savings. is one of Ille hest investment opli,on for t_hc low income groups,

The minimum investment of Recurring Deposit varies from bank 10 bank but usually it begins lion Rs There is no upper limit in investing. The rate of interest varies between 7 and Il velvent depending on Ille malurity period and amount invested, The iMerest is calculated quarterly or us specified by the bank, The period ol' maturity ranging from 6months to 10 years.[27]

The deposit shall be paid as monthly installments and each subsequent Ino:nthly installment shall bc made end or the calendar month and shall be equal to the firs! deposit,

Since a recurring deposit offers a fixed rule of return, it cannot guard against innation if it is more than the rate of return offered by the bank. Worse, lower the yap between the

interest rule on a recurring deposit and inflation, lower real rate of return Premature withdrawal is also possible but it demands a loss of inlezesl.

The rate of interest varies between 7 and I I percent depending on the maturity period and amount invested. The interest is calculated quarterly or as specified by the bank. Some Nationalised banks are giving more facilities to their customer, Stale Bank or India give They can transfer their account 10 any branch of free. Tax benefit on the interest earned on Recurring Deposit up to Rs Tax Deductible at source if the interest paid on deposit exceeds Rs 5000/-per customer. per year. per branch.

4.8.3. Savings Bank Account

A Saving Bank account (SB account) is meant 10 promote the habit of saving the people. It also facilitates safekeeping of money. In this scheme fund is allowed 10 be withdrawn whenever required, without any cotidilion. Hence a savings is a safe, convenient and affordable way save money. Bank deposits are fairly because banks are subject to control of the Reserve Bank of India with regard to several policy and operational parameters. Bank also pays a interest for keeping money with them.

The interest rate of savings bank account in India varies between 2.5% and In Savings

from time time according to the rules Reserve Bank of India.

It's much 10 keep money at a bank than to keep large amount of cash in home. Bank are fairly because banks are subject 10 control Reserve Bank of India regard policy deposited money. Saving Bank account does not have any fixed period for deposit. The depositor can take money from his account by wrilinga cheque to somebody else or bmitting a cheque directly. Now most of the hanks oflC•r various facilities such as ATM. credit card etc, Through debil/ATM one can money any of ATM centres of the particular bank which •will be open 24 hours a day. Through card one can avail shopping from any shop which accept the credit card. And many of the banks also give internet banking facility through with one do the transactions like withdrawals, deposits, statement of account etc.

4.9. In vestment through Post Office

Share of post office investment has also a major part in Indian Household investment, which is mostly due to its all India presence of service network. Various avenues for post office investment are as follows:

4.9,1, Post office Recurring Deposit Account (RDA)

A Post-Oflice Recurring Deposit Account (RDA) is a banking service offered by Department of post, Government 01 India at all post office counters in the country. The scheme is meant lor investors who want to deposit a fixed amount every month. in order to gel a lump sum after five years, The a systematic way for long term ings. is one oi the best investment option the income groups.

The minimum investment in a post.ofliee RDA is Rs 10 and then in multiples of Rs. 5/- for a period of 5 years. is no prescribed upper limit on investment.

The deposit shall paid monthly installments subsequent monthly installmenl deposit, One withdrawal is allowed after one year ol' opening a post-office RDA on meeting certain

conditions. person can withdraw up to [he balance lying to their credit interest charged at 15%. The withdrawal or loan may be repaid in one lump or in equal monthly installments,

premature closure is allowed on completion three years from the date ol' ng and in such case. interest is payable as per the rate applicable for the post Office Savings Bank Aeeount.

After maturity account, it can be continued for a further period of 5 years with or

time.

The post-office recurring deposit offers fixed Kite of interest, currently at 7.5 per cent pee annum compounded quarterly. The post office offers fixed rate of interest unlike hanks which constantly change their recurring deposit interest rates depending on their demand supply position, As the post olfice is a department of government India, il is a safeinvestment. The principal amount in the Recurring Deposit Account is assured. Moreover Interest earned on this account is exempted from tax as per Section of Income Tax

4.9.2.Time Deposit

A Post-Olfiee Time Deposit Account is a banking service similar to a Bank Fixed Deposit offered by Department of post, Government of India al all post offlee counters in the country, The scheme is meant for those investors who want to deposit a lump of money for a fixed period; say for minimum period one year years. Ihree years ximum period a, maturity ol' the deposit. Time Deposits scheme return lower, but safer. growth it. investment.[28]

Time Deposits can be made for the periods of year, 2 years, years and 5 years. The in a is Rs 200 and then its multiples andthere is no prescribed upper I imit on investment.

The account be closed after 6 months bui before one year Of opening the account. On such •Closiite the aiiioiiiil invested is returned WilliOijI nterest. 2 year. thi'éé year five year accounts can be closed after one year at a discount. They involve a loss in the interest accrued the time the account has been in operation.

Interest is payable annually but is calculated on a quarterly basis at the prescribed rates. Post interest Will be paid for a maximum period Of 24 jnonihs ai the rate applicable to individual savings account. One can take a loan against a time deposit with the balance in account pledged as security for the loan.

This investment option pays annual interest rates between and 7.5 per cent, compounded quarterly. Time deposit for I year offers a coupon rate Of 6.25%. 2-year deposit offers an interest of 6.5%. g yours is 7.25% while a 5-year Time Deposit offers 7.5% return.

Inthis scheme investment grows at a pre- determined rate no risk involved. a Government Of India-backing, princ ipal as well as the interest accrued is assured under the
Sc.'home.

The rate of interest is relatively high compared to the 4.5%. annual interest rates provided by bunks. Although the amovnt invested in this scheme is not exempted as per section 88 Of Income Tax, the amount of interest earned is tax free under Section 80-1. Of income Tax Act.[29]

4.9.3.National Savings Certificates

National Savings Certificates (NSC) are certificates issued by Department Of post.
Government Of India and are available all post office counters in the country. It is long term safe savings option the investor. The scheme combines growth in money with reductions in tax liability ax per the provisions of the Income Tax Act. 1961. The duration of a NSC scheme is 6 years,

NSC's are issued in denominations Of Rs Rs 500. Rs 1.000. Rs 5.000 and Its. 10for ltlalurity period of 6 years. There is no preserihod upper limit on investment.

One call take loan against the NSC by pledging it to the RBI or a scheduled bank or a cooperative society, a. corporation or a government company. a housing finance company approved by the National Housing Bank etc With the permission Of the concerned post master.

Though premature encashment is not possible under normal course. under sub-rule (l) of rule 1 6 il is possible after the expiry of three years from the dale of purchase of certificate.
It is having high interest rule compounded yearly. Tax benelils are available on amounts invested in NSC under section and exemption can be aimed under section 80L for interest accrued the NSC. Interest accrued any year can be treated as fresh investment in NSC for that year and lax benefits can be claimed under section NSCs can be from one person 10 another through post office on the payment of a prescribed fee. They also be transferred from one post office to another, The scheme Jodi;' so there are no risks associated withinvestment. One can take a loan against the NSC by pledging it to the RBI or a scheduled bank or co-operative society, a corporation or government company, a housing l'inance company approved by the National Housi ng Bank etc with Ille permission of the concerned post master.

4.9.4.post Office Kisan Vikas Patras

Kisall Vikas Pallas is a safe and long term invest nun! option backed by the Government of India which provides interest income similar to bonds, The title of the scheme makes some misconception it is only meant farmers. But anyone can go for Kisan Vikas patra. KVP is beneficial for those looking for a safe avenue invesur,ent the pressing need for a regular source of income. Money doubles the end of spe.•ified period.

The minimum investment in KVP is 100. Cerliiicate,s are available in denominations of 100, Rs500, Rs 1,000, Rs 5,000, 50,000, 50,000is sold The denomination of Rs 'through head post offices only. There is no certificates. Any mit on holding of these number of certificates be purchased. A KVP is sold at face value; the maturity value is pri nted the Certificate.

The post-office Kisan Vikas Palras gKVPs) offers a fixed rate of currently at 8,41 (2009) per period is 8 years lr,onths and Money doubles on maturity. Encashment is possible from two and half years. There is facility to veinvest the on maturity.

No income benefit is available under the Vikas patra scheme. Interest income is laxable, however. the deposits are from Tax Deduction al Source TDS) al the time of withdrawal. KV p deposits are exempt from Wealth tax.KVPs can be pledged as a security against a loan. It can be transferable to any post offices in India. KVPs can be transferable 10 one 10 other before maturity. Nomination Facility is also available.[30]

4.9.5.post Monthly Income

The post-office monthly income scheme (MIS) provides lor monthly payment of interest income to investors. 11 is for investors want 10 invest a, sum um amount initially and Il is meanl to provide a source of reyülar income on a long term not suitable for capital basis. The scheme is, therefore. more beneficial for retired persons.

Only one deposit is available in an account, Only individuals can open the account; either single or joint/ two or three). interest rounded off to nearest rupee i.e. SO pulse and above will be rounded off to next rupee. The minimum investment in a Posi-OlTlc•e MIS is Rs 1,500 for both single and joint accounts. The maxinuir,-. investment for a single account is Rs 4.5 lakll and Rs lakh for a joint account. The duration of MIS is six yearse

The post-office MIS gives a return of interest on maturity. The minimum investment in a Post-Office MIS is Rs i ,500 for both single and joint accounts.[31]

Premature closure of the account is permitted any time aner the expiry of a period of one year of opening the account. Deduction of an amount equal to 5 per cent of the deposit is to he made when the account is prematurely closed. Investors can withdraw money before three years, but a discount of Closing of account after three years will not have any deductions. Posi maturity Interest ai the rate applicable from time io time (at present A. 5%). Monthly interest can be automatically credited to savings account provided both the accounts standing at office.

Chapter 5: Research Methodology

5.1: Research Design

5.2: Data Collection Techniques and Tools

5.3: Sample Design

5.4: Limitations

5.1.Research Design

The study is about to find various avenues available an individual to invest and ways 10 achieve ong term and short study the pattern in which individual allocates his savings in various asset class. It describes the awarem:ss of investor about various alternatives available to also aims at creating awareness of financial planning.

The required for the study would be acquired through personal interview and questioner and it was collected by means of cold caijing (Cold cal liny is the process of approaching prospective customers or cl ients, who were not expecting such an ion),and the research period was spread out in twenty days. For this purpose researcher choose Nariman point (Mumbai) area, where researcher could find enough educated office going people. which will help us getting better understuding of how financial planning is done.

5.2. Data collection techniques and tools

For the purpose of data collection researcher took help of both primary data and secondauy data collection method.

primary data are those, which are collected afresh and for the first time. and thus happen to be original in Character. This method was used by means oi Personal Intervieu, wherein researcher had face-to-face contact with the persons. The behind choosing this n•.ethod was 10 have detailed information on the subject. It also provided opportunity for selecting the sample Ior interview. The interview conducted were a mixture of structured and unstructured interv iews. Scope kept open for detailed discussion at the discretion of the interviewee. Where there was a time crunch a structured procedure was followed wherein predetermined questions were forward

The other method was adopted in primary collection was Questionnaires. This was used 10 assist a structured [orm of information. The information Illus obtained was standard and in a more unbiased form. It assisted 10 collect dala from a luge sample size. The pattern adopted was a. general form of questionnaire. Questions in dichotomous (yes or no answers), rnuilipie choice and open ended question. Open ended questions are restricted due to the difficulty faced in analyzing. The questioner was kept short and to the point.

Secondary data means data that arc already available i.e.. the data which is already collected and analyzed by othero To get a better understanding and to have a larger exposure on the subject this method was used. Methods use was data available on •world wide web, articles in newspapers, financial industry reports, Financial Planning board of India reports and article, reports published by Government of India. etc. Support was also provided by the project guide by giving inputs from his years of experience.

5.3, Sample Design

Sample design was based on principles of sample suwey. Sample was decided on socio demographic factors such as income and age group. The number of respondent were restricted Co 50 duc to or time, Sampling unit was geographical unit where the research was point, Mumbai . Source list for respondents was no! predelermined it was on random basis. The various parameters on which the research was to be conducted are:

- Awareness of financial Planning
- Alignment of life goals and financial goals
- Investment distribution in various asset classes
- Decision influencing investment

5.4. Limitations

Lack of response from sample: It is also said as access to resource of inlajrrnation. As the method udopted was cold cal ling the respondent were not •a siiy• available for discussion.

Unq•illing io reveal financial position: In technical term can be said as access to inlOrmation. Many of are not c0111tOrtahle to disclose our financial affairs openly. In such a situation researcher had to convince the respondent a lot more times. Also many a times only general discussion would take place,

Time: Due lack Of time availability Of respondent and the period which can be used to collect data was short the research could not be eondueted on largo sample sin.[32]

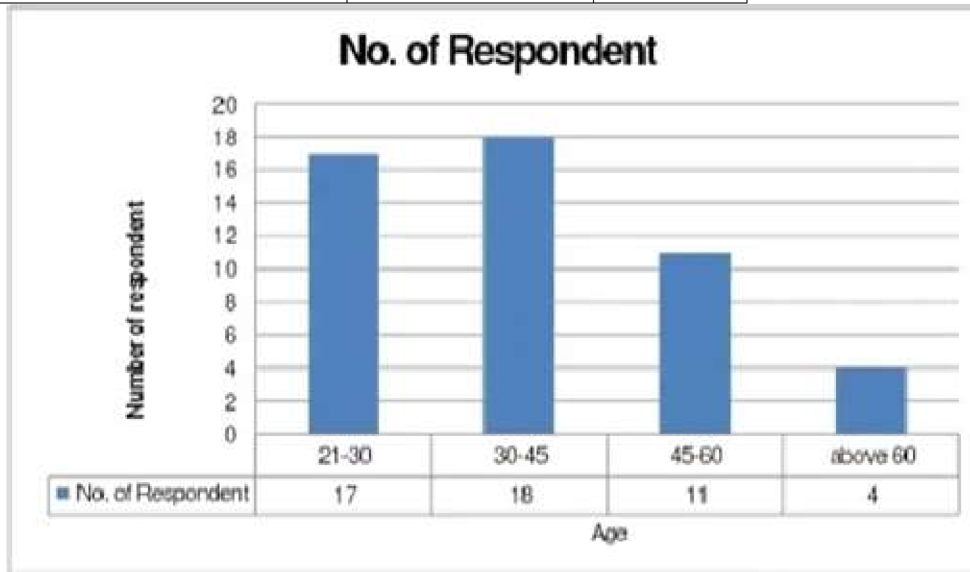
Using organization (company) name: Many a time to get access to respondent researcher had to revel (he ion identity, People thovght that it was for the purpose of sales of promotional activity. •which lead to negative response from many people.

Lack of expertise: On the side of the researcher the then' was lack of in-depth information on the topic.

Chapter 6: Data Analysis and Interpretation

6.I. Age di Of the respondent

A e rou Of respondeni	Of Respondent	Pe reenta
above 60		
Total	50	

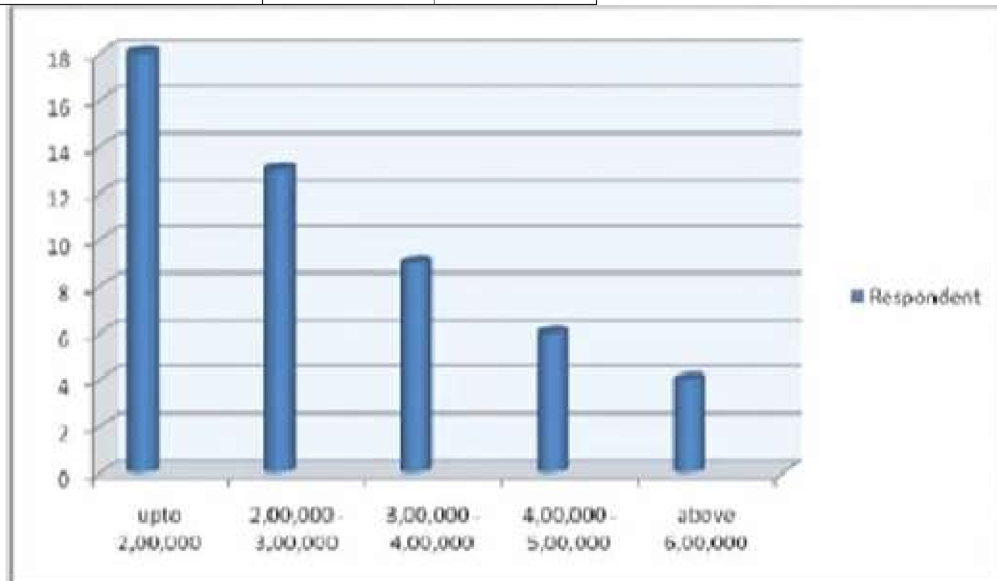


Almost 70% of respondent was from age group 21yrs to 45yrs this is considered to be mo Of respondent was from age group 2 1 yrs 10 a.syrs this is considered to be most active age group. During this age. Oi an individual changes very drastically. The career ig in growing stage in starting years and there are hardly liny responsibilities. this time there is a lot of funds available for disposal. It is this age where Iliaxilnum risk can be taken and a greater period can he given to grow the amount invested. As a person enter into tlwir 30's they have increased family responsibility and gradually (he risk taking ability reduces With the ape. With a greater portion Of such population inc in data collection [i greater degree of understanding Of c"iii be gained how fiiiaiic•iül elOiié by young India.

33

6.20 Income distribution of respondent

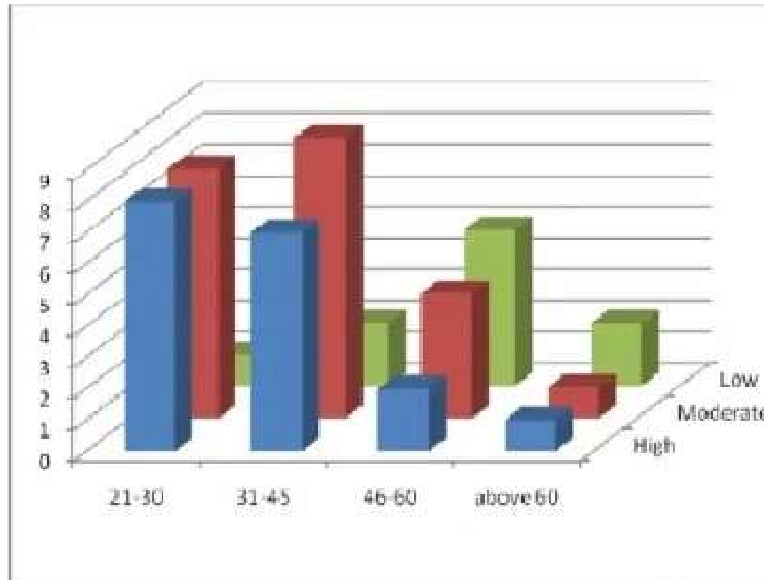
Income	Respondent	Percentage
›to 2,00,000		
2.00.00') 3/30.000		
.OOO.		18
.ooo . S.OO.OOO	6	12
above 6,00,000		
	so	100



Financial planning is about assessing our present cash flows; estimating the required cash flow after a certain period of time and to determine the steps required to achieve this over a period. The amount of disposable income at hand determines various investment decisions. It also helps in making tax plans so that maxim benefit can be gained through various tax exemptions. So it is necessary to know the income inflow of an individual. The above graph shows that a major portion of respondent are in income slab of upto Rs.2,00,000 p.a.; this indicates that the persons may be in the beginning st;age of career. With increasing income slab the no of respondentate reduced.

6.3. Perxonwillingness to take risk according to age

Age group	Willingness to take risk			Total
	High	Moderate	Low	
21-30				17
			2	
46_60	2			
above 60			2	
Total				so



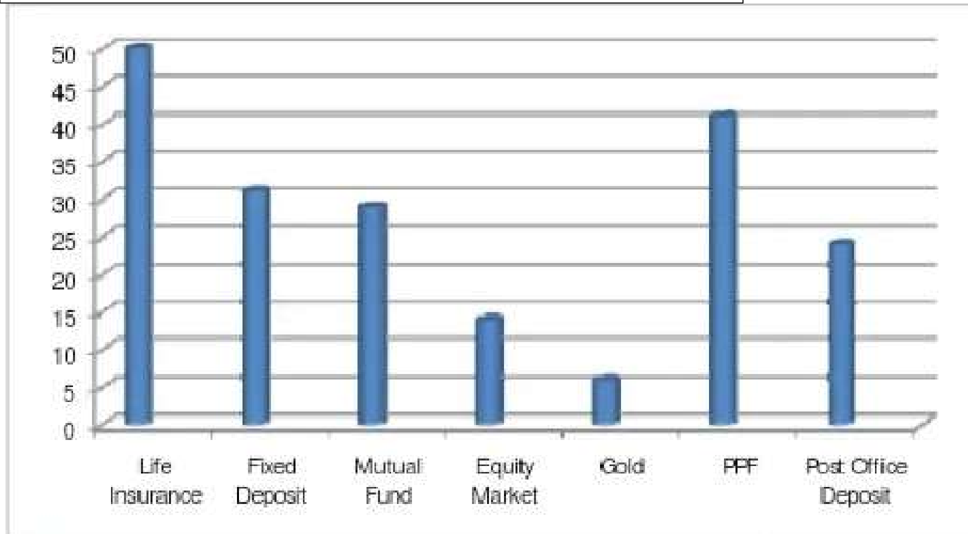
• Moder ate

•IOW

The investment decisions are more based on the willingness to take the risk rather than the ahility to take risk. The above graph describes the willingness to take risk at YLTr10us life stages. At the younger age people ure more willing to take risk which reduces over the years as responsibility increase. Although different individual may have different preferences which could contradict their age. Many a time investment is a function of will ingness rather than ability which is clearly described by above graph.

6.4,, Investment made by the respondent in various avenues[35]

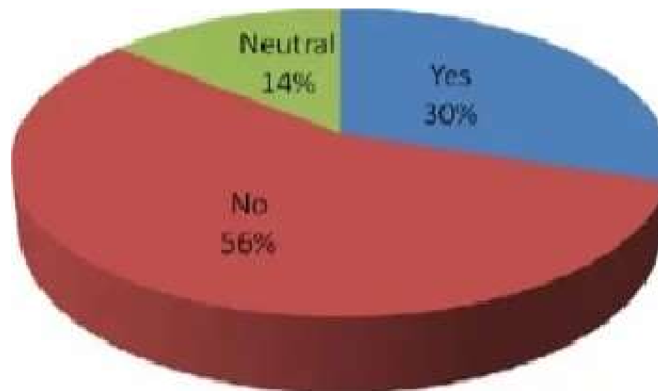
Avenue	Respondent	Percentage
Life Insurance Fixed Deposit		62
Mutual Fund	29	
Equity Market Gold	14 6	12
PPB		82
Post Office Deposit	24	



A fair idea of asset allocation of individuals in various asset class can be observed through this. It was observed that the all respondent had life cover policy. This shows that the basics of financial planning were achieved. The next major portion was Provided Fund due to it being more secure investment and also tax exemption offered, Major investments were also made in Bank Fixed Deposits and Post Office Depusits. Equity was not a preferreud investmenf amonv many due io its volatile nature bui many used it as a long term investment by investing in large companies. Investment in gold was more in form of jewelry which is not a good option as investment Very few invested in gold coins/bars and Gold ETF

6.5.SatisK.c1ion of investors on their previous investment

Satisfaction	Res	
Yes		
		56
Neu	7	14
Total	50	100



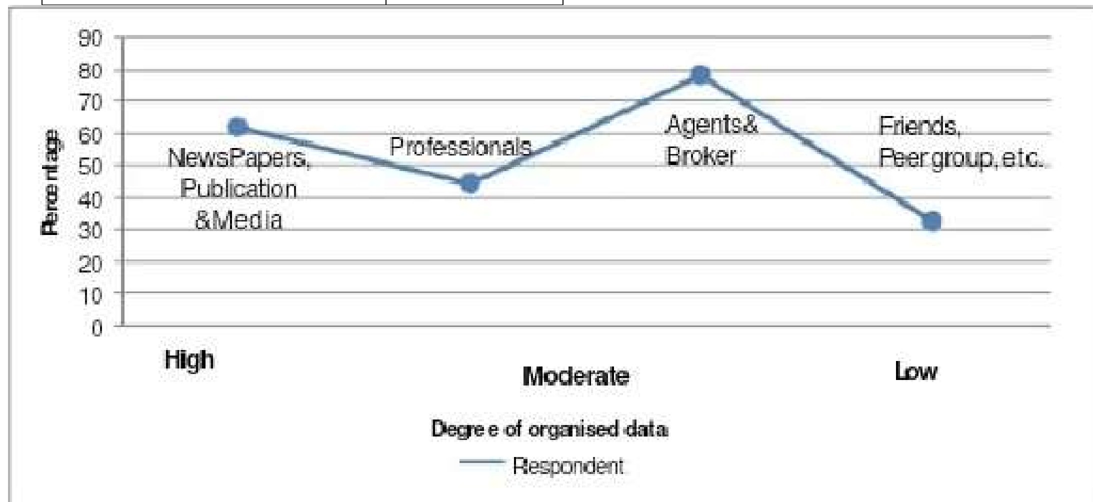
A major portion of respondent was unsatisfied with the returns they got on their investment. This reflects that investment decision was not taken properly. Few common reasons cited were:

- Inadequate knowledge about inscrumenl in which nvestment"'as made
- Misguided by lhe agent of financK11 company
- Charges applicable were not disclosed initially
- Uninvestment[36]

Also a portion of investment was in assets which has a low risk — low returns category. This also was a major reason of respondent unsatisfied with current returns.

6.6. Various sources of information/reference for investor which influence investment decision.

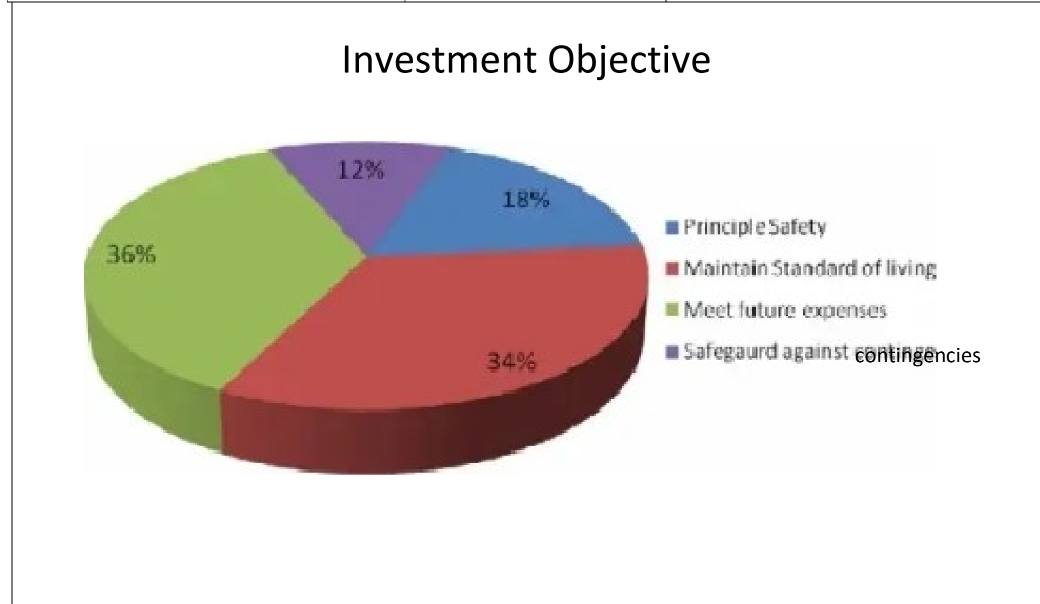
Source of information	Respondent
News paper, Publications Media	
Professionals	22
Agents/Broker	
Friends, Peer group. etc.	16



There are sources of information which are vital in nuking investment decision. The graph shows the source of information which is plotted according to its authentication. On the X axis the extreme right indicates highest authentication and it get reduce as we move to right. The authentication of information plays a important role in right imQstment decision. We find that major respondent have taken investment decision on the bases of information provided by Agents & Broker of different financial company. The next major information source is News papers. publication and media which are considered to be highly authenticated data. Help of professionals in investment decision is taken not by many; due the fees charged by various professional for their service. There is less number of respondent taking their investment decision on information provided by friends. Mostly the information provide by such people is based on their experience which may not be true for others. That is the reason. such source of information is considered less organized and reliable.[37]

6, 7 Investment Objecti ves of Individuals

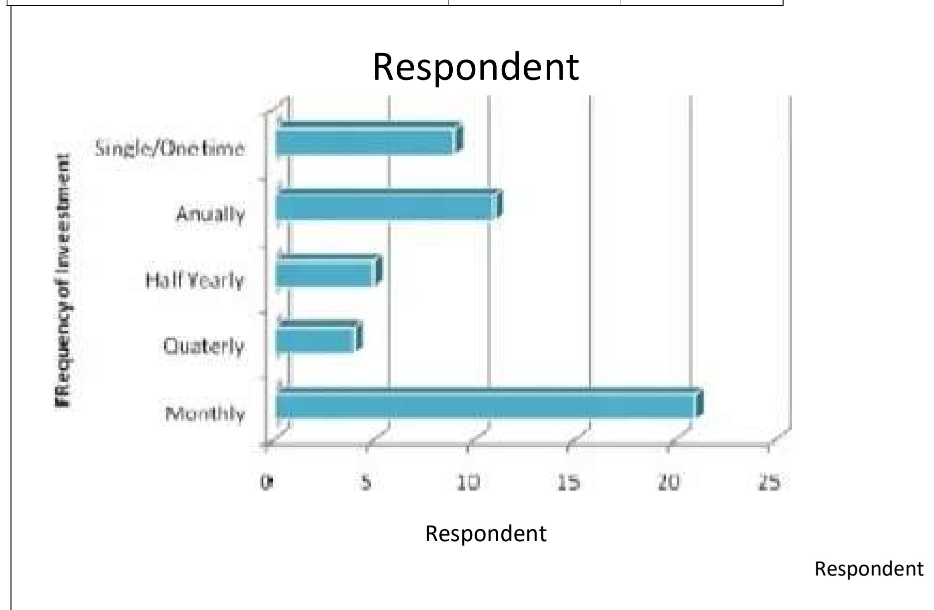
Investment Objective	Respondent
Principle Safety	
Maintain Standard of living	
Meet future expenses	18
Safegau rd against contingencies	
Total	50



investment objective to a greater extend determine the investment tenure and the avenue. Different investment obJectives have different investment avenues to meet them. By determining the obleetlve we can easily determine the investment u•hiele for individuals. The persons looking for principal safety can investment in Post office schemes. government securities, banks and PPF, Investment in Equity and Mutual funds can give greater returns which can beat high inflation rate. Term deposits are useful when money is needed after a fixed period of time.[38]

6.8. Respondent frequency of investment

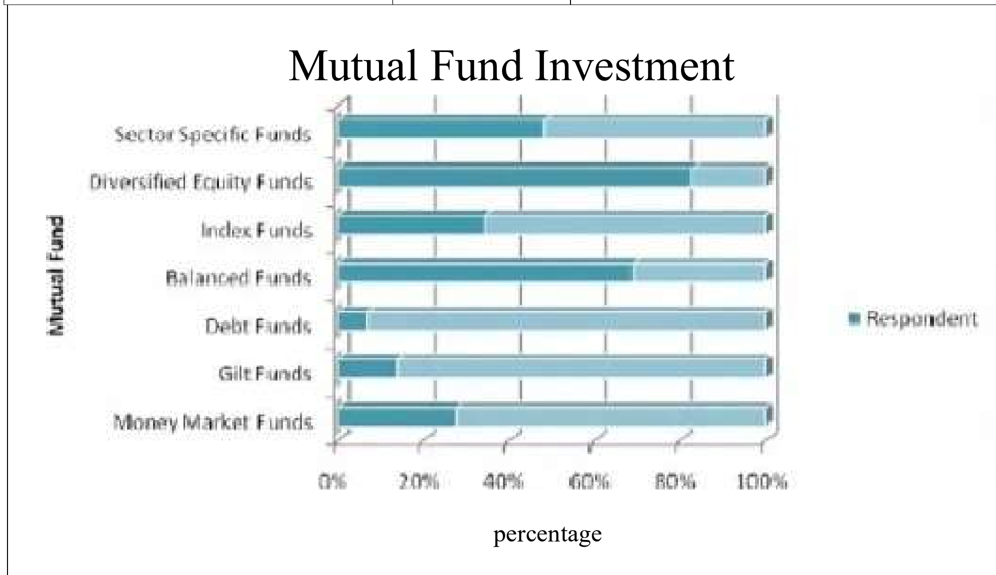
Preferred Frequency 01 In vestment	Respondent	PercTntaee
Monthly	2 1	42
Quarterly	4	
Half Ve arly		
Annually		22
SingleJOne time		
Total	50	100



A good number of investors prefer to invest regularly on monthly basis. thanks io Systematic Investment Plan. Monthly investnlent helps to invest in small denominations with henel"lts of Rupee cost averLging. Monlhly investment was largely found in Mutual Funds, To surprise many prefer to invest in single or one time installment without knowing the risk attached to it, One time investment are a good option only for physical assets I ife real estate and gold.[39]

6.9.Investment in mutual funds

Mutual Fund Investment	Respondent
Mon. Market Funds	
Gilt Funds	
Debt Funds	
Balanced Funds	20
Index Funds	1 0
Diversified Equity Funds	24
Sector Specific Funds	14

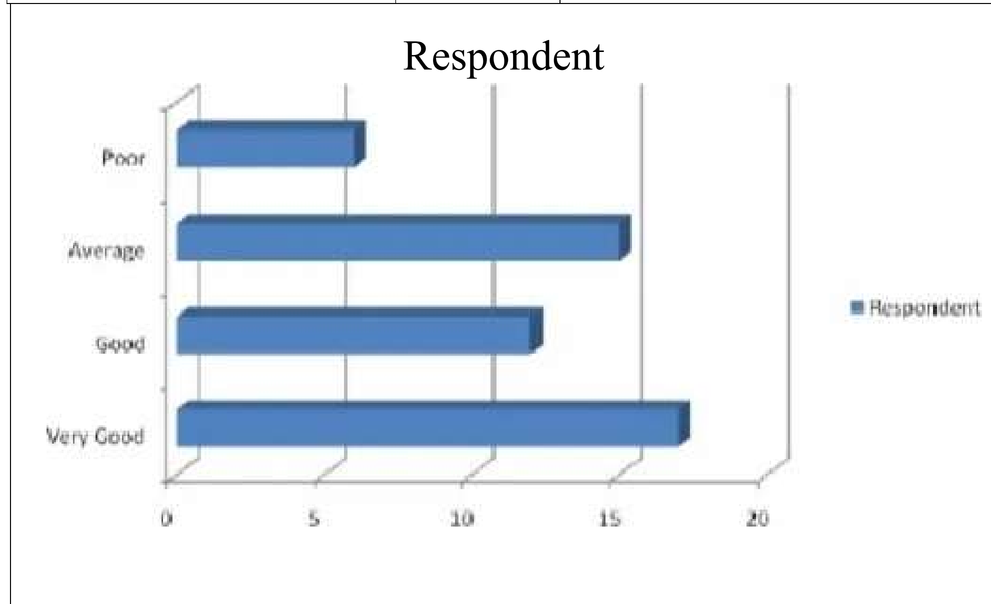


li was observed ihai a large number of mutual fund investors have invested in Diversified Equity Funds •which are high on risk hut also gives a high return. The other major portion went to Balanced Funds which provides with a regular income, moderate capital appreciation and at the same time nunimiLing the risk of capital erosion, Also large portion of investors have invested in Sector Specific Funds which are high on risk but also pro-vides high returns when economy favors such sectors. All this funds provide a greater opportunity for capital appreciation with trying to minimize the effect of risk on fluctuations in equity market.

A small portion of respondent has invested in fixed return funds like Debt funds. Gilt funds and Money Market Funds. This investment have low risk — low return characteristics Witli little capital appreciation.[40]

6.10 C). Financiai Literacy Of respondent

Financial Lite	
Good	
Good	1 2
A verage	
Poor	
Total	50



The purpose behind knowing the financial literacy is to get to know ho•w better the tespoiidéiil take nvestment déc'iSiOii ndividually. A large portion of respondent Slated they have a good knowledge of investment a-venues but their investment portfolio contradicted. Thus il slates that many are nol reudy to acknowledge that they do not possess the tequired knowledge. This keeps them into darkness and may lead 10 wrong investment decisions. which are hard to •correct.

Chapter 7: Conclusions, Limitations and Suggestions 7.1: Conclusions

7.2: Limitations

7.3: Suggestions

7. I. Conclusion

The Saving behaviour has been Changed considerably over (he couple of years, The savings rate in India is comparatively higher than various Other countries. Earlier the trend of saving was in terms of physical [Lgsetg but it started to shift now to financial instruments. This trend partially reflects llw relentless expansion of the various branch networks of the financial institutions into the county's rural areas and partially holds the increasing trend Oi the easy accessibiiity Of the [liter-native investment opportunities.

Today COi'POiåiIe securities has become [i pmt Of household savings Whetéiii retail individuals prefer to invest his saving in security Iliarkol. The reason sited for this are the growth seen in the stock market and a low interest rate and return ollQred by traditional instruments. Also growing income or working "as also contributed largely to the changing pattern Oi saving in a.

The household savings in India can be broadly calegori'.ed into the following types:

- Suings in physical properties
- Savings in financial instruments or financial household savings

Financial household savings in India usually include the following:

- Savings deposits banks
- Life insurance policies
- Provident lilllds
- Pension funds
- Liquid cash Of households
  DepositsWilh iiOii-bciii king financial institutions
- Unit Trust ol' India Investment Schemes

The major m»rtion of financial saving goes into pension funds and life insurance.
It has been found recently thul the Of like lax. incentives or higher interest rates are not able to increase the rate ol' private saving rate in the long run. It is also found that the response of saving the interest rate changes in India was amongst the iowest in toe developing countries.

Over past 30 years. the prime two instruments for household long term saving like pension saving and life insurance have come to an idle stale. On the other hand, the Inutual funds started to become more successful in the early years of 9908, Considering these twofactors, we can conclude two[41] •weaknesses Ol' lire saving market India. First, sector dominatethe markets. Second. the allocation Of portlölio is under control that makes the low returns from the Inarkel developments.

7-1.1. Financial Planning — Age Approach

	MI"ly5is-Stape I - Professional

Life Stage Analysis

- Age of 2nyrs and 30yrs — young group.
- Started with new job or profession. • May or may not have a Spouse.
- Ambitious and Career Fo•cused.
- Probably do not have any dependents. • Might not have made any Investment. • Likes to Spend.

Financial Needs Analysis

- Might have a financial support from parents. • No habit of Investments and likes to spend. • May be thinking of Buying a Home or Car.
- Planning to get married,
- May be thinking of Higher Education. • Can take high risk

Financial Planning

- Understanding the importance of savings and I'm•neflts of compound growth returns. • Save mare and invest more, its only possible during this stage of life, where responsibilities are less.
- Life Insurance Needs are almost negligible, but should be included in investment as it will not only provide life but also would create a habit of Saving. ULIP would be better option in this stage.
- Equity and equity related instrument occupy a greater portion of portfolio. • Need for liquidity is less but still keeping in mind the era of pink slip contingency plan should he in place.
- Should think for building real estate.
- Véry long term investment

Life Insurance Need Anal sis-Sta ll- Nevvl Married Life Stage Analysis

- Age of A lyrs to 45yrs.
- Married and have Dependents. Kids.
- Income on rise.
- Might have taken some Loan i.e Home Loan, Carl-oan etc.
- •Have a high Expenditure.

- Might have started some Investments in Equity or Mutual Funds.
- Risk appetite is Moderate

Financial Needs Analysis

- Have a high Debt Repayment through Installments i.e EMIS
- May want to Silve for Children 's education.
- Persons need to financially protect their Family and Dependents from unfortunate events.
- Elderly parents also need financial support.
- Start sa for retirement

Financial Planning

- Need a more stable portfolio, with moderate risk.
- Should concentrate on less volatile investment
- Insurance is a must. include child plan and retirement plans under this.
- Should concentrate on reducing debts
- Relatively long term investment

parents

Life Ståiee Analysis

- Age of 45-60 years.
- Malor expenses goes towards Child higher education and marriage. • Reduced Loan Burden • Have a good Income.
- Retirement on mind.
- Low risk taking appetite.

Financial Needs Analysis

- Saving for retirement.
- Childs Higher Education Expenses or Marriage.
- Previous Investments giv ing Good dividends and Returns.

Financial Planning

- Should invest in instruments which provide regular return, such as fixed income products.
- Malor portion of investment should be diverted towards retirement plan.
- Health insurance should be included.
- Investment should be highly liquid

<u>Life Insurance Need Analysis- Staue I V' Post-Retirement</u>

Life Stage Analysis

- Age 60 years or above.
- Retired from employment.
- Might have taken some assignment as consultant. • Planning to pursue long cherished hobbies. • Children are financially independent and married. • Reduced monthly income.
- Might have small or no Loan oufsfanding liabilities.
- Marginal or rero risk appetite.

Financial Needs Analysis

- Need regular income to maintain current life style.
- Need to protect investments from market risk.
- Need to save far spouse.
- Require enough balance for any emergency medical expenditure for both self and spouse.

Financial Planning

- Single Premium Immediate Annuities
- Health Insurance is a must
- Regular income products
- Should do estate planning

7.2. Limitations

Reasons cited for not undertaking financial planning are:

Will stari financial planning later — No one knows when the later would come. We need to change this psychology arrd need to understand that financial planning is needed at every stage of life and earlier we start is better.

Waiting to have money to do financial planning — We should realize that we need a plan to have money and not money to have a plan.

Lack of knowledge — there are plenty of hooks and websites that can help to gain the knowledge of financial planning. A person can even engage a certified financial planner for this purpose.

Misguide earlier under name of financial planning - We need to understand that financial planning is not restricted to a particular asset class or product.

Believing financial planning is only for rich - It is a fact that financial planning is even more important for the person with an average income than it is for someone who earns a very high income.

Reasons for failure of financial plan

No financial education — This is probably be the number one reason why we mess up our financial lives, because no one has taught us how to manage finamees. Investing simply without knowing what weare doing is financial suicide. More over not many are •willing 10 learn it on their own. With lack of knowledge we are bound to have a wrong way. We need to understand that almost everything today is related to money in one way or another.

Leaving planning options and eho:iees to others — We are never responsible to ourselwes in life, bill the truth is that personal finances are persons own responsibility. Mostly believe that government or employer would take care of their financial well being in future Person should understand that the best government or employer can do is guide and provide opportun in e s.

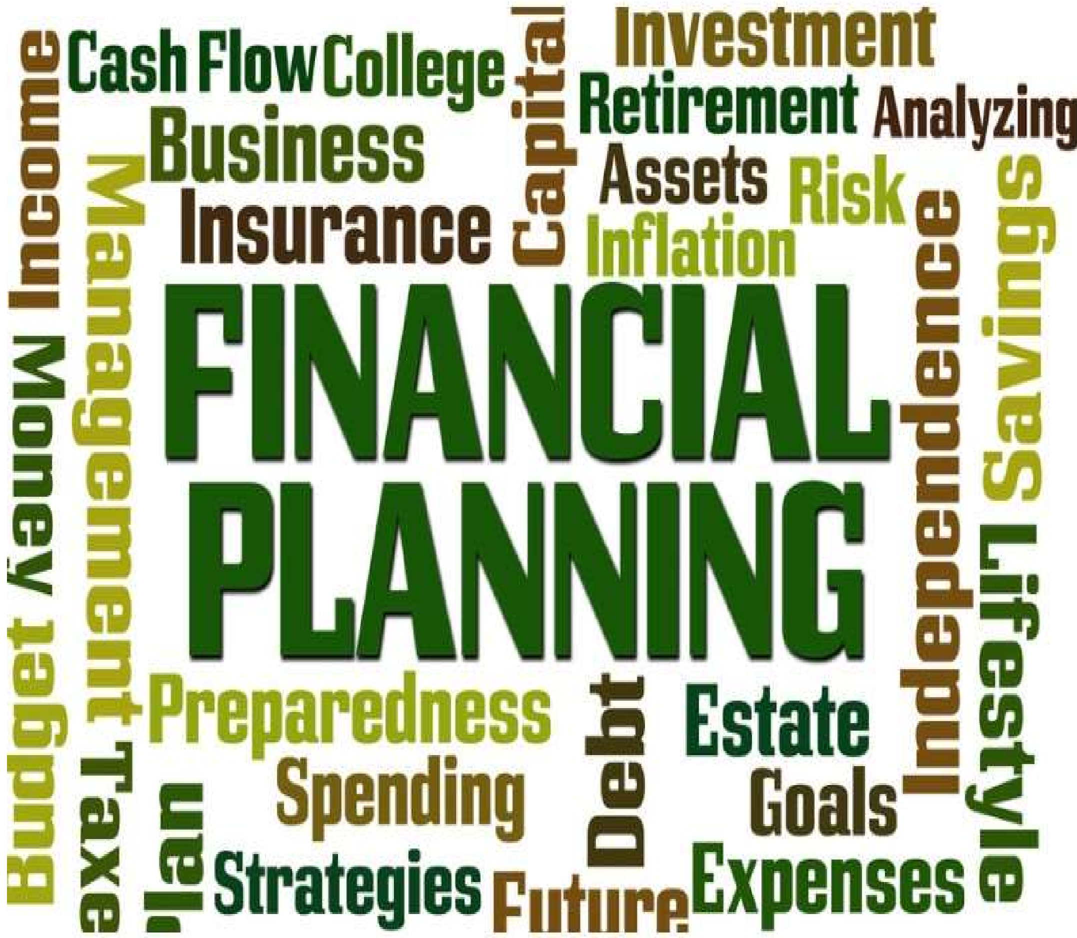
Relying on lousy advisors — There are many financial agents which claim to have all the knowhow of financial planning. Wilh lack of awareness we believe the agents and put all our hard earn.ud money on their recommendations which may not be right all the time. Such advices are mostly related to a product category and do not cover financial principal of diversifi cati onExpensive free advice — In India advice come free from every corner, and every other person loves to do that. Advices can come from family members, friends. and professionals.

Greed — Everyone ones to get rich over a night. when greed enters the mind it blocks logical thinking. In the process of getting more ',ve often loss more. We should understand that there is risk attach to every investment which may not suite our risk appetite.

Give no priority to personal finance management — We all know financial planning is important hut when it comes to implementing its not the same. Any investment ohJectiye should be preceded by a proper financ•al plan. Investment without objective can lead us nowhe re.

NO clear or specified financial goals — Many of us are not clear about our financial goal, we just want to earn money. Making lots and lots of m.oney is not a proper goal. We fail to understand the various need which would come with our growing age.

Following the crowd mentality - Some call it the "herd" mentality, too. When people blindly follow the advice of other its bound to meet .



Cash Flow
College
Capital
Investment
Retirement
Analyzing
Income
Business
Assets
Risk
Management
Insurance
Inflation
Independence
Savings
Money
FINANCIAL
PLANNING
Lifestyle
Budget
Preparedness
Debt
Estate
Spending
Goals
Strategies
Expenses

7.3. Suggestion

After all this it can be staled that the fundamental corner stone's of successful investing

- Save regul arly , Invest regularly
- StartEarl
- Diversify
- Use tax shelter
- Keep a regular check on investment and modify plans as and when needed

People need io be educated auld informed about Financial Planning and this provides a. greater opportunity to financial product distributer like Reli Money to educate people. Companies can arrange for seminars and sessions through which they can provide information to people and in ITturn can gel prospective clients from the audience. In this way both the audience and the company can also be benefited.

Financial planning ig not a onetime activity: the initiative Should be taken by financial planner 10 put this forward to their client. Regular mealings should he conducted between the financial planner and client 10 review the investment portfoliov Alteration Should be made in portfolio as per need and requirement Of' the client. This Will ensure that the investment objectives are achieved. It Will create goodwill for the financ planner and his c'Oiiip•hiiY. Thig is Oiié V.•héié iiiany plaiiiiers lacking FOIlOW-iiP. follow-tip. follow-up is need of hour and it should be understood by financ ial service provider.

Coal should be properly divided into short Verm, medium term and long term. Proper allocation should done in various instruments according to the time period Of goal. There ate insti'iiiiiéiilg Which C[ii'i Site different tiiiié period If investment are gi ving regular return or are going to get matured should be reinvested properly.

If an investor is seeking help from advisor then he should colle•t enough information of produci from different sources. Will help to take proper investment decision and choose a tiglil advisor. Il is necessary that Should have élioLigli éXPéiiéiiCé. Thus the ultimate responsibility is on the investor when il comes to taking investment decision.

Always keep investment a simple affair. Diversification is must but not to a greater extend, Investor should know exactly •what he is investing in. If they do not have adequate information. qiiestiOitl should asked financial advisor. It is better to invest iii instruments which we can understand rather than being dependent on someone else advice.

All the documentations should be complete and need 10 he preserved, Al time of maturity it is necessary to pmduce the investment docu Which act as a proof. gut many times investors do noi have proper documents which dishonours the claim maturity. It is also Study Individual Finan Cia/ Picurning

recommended that all the disclosure documents also be preserved as it would help in case of any dispute in settlement.

Investment through SIP should he encouraged. A little amount regularly invested for long period can create a greater V'ealth. SIP helps in Rupee cost averaging, develop habit of savinp and it provides convenience ofinve

Buy and hold. Investment should be done fairly for a longer period of time only then capital appreciations is possible.[42]

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