A PROJECT REPORT ON

"THE STUDY OF FINANCIAL PLANNING OF AN 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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T.Y.B.A.F (SEMESTER – VI)

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Under the Guidance of

'ASST. PROF. DR. KISHOR CHAUHAN'

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

ACADEMIC YEAR 2023-24

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CERTIFICATE

This is to certify that **MS. Vishakha More** has worked and duly completed her Project work for the degree as Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of Management control and his project is entitled, **“The Study Of Financial Planning Of An 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 BY LEARNER

I the undersigned **Miss Vishakha More** here by, declare that the work embodied in this project work titled "**The Study Of Financial Planning Of An Individual."** forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has not 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.

MS VISHAKA MORE

Certified by

ASST. PROF. DR. KISHOR CHAUHAN

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To list who all have helped me in difficult because they are so numerous and the depth is so enormous.

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EXECUTIVE SUMMARY

“The study of financial planning of an individual ”project has been a very good experience. Every individual has to plan its financial position for better decision— making .The prevailing risks can be reduced and the efficiency can be increased through efficient planning. An individual needs to plan about its future investment to increase the returns and profitability.

For an individual, planning would be based on various other aspects like securing the future, retirement plans, and many other life events that may take place for that purpose.

This project is a sincere effort to plan financial positions for the future period to achieve financial goals and objectives of an individual. The project is executed in an efficient manner. The preparation of financial planning models has undergone various hard-hitting processes to prepare effective plans. The study on the effectiveness of the plan was made to suggest some areas of improvements can be identified to achieve goals in an optimistic manner. The project focuses on the part of preparing a well designed efficient plan to achieve various financial objectives of an individual. This made me engage In a project that helped me to to learn the importance of financial planning to optimistically achieve one's financial goals.

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Chapter:-1 INTRODUCTION

Finance is defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving and forecasting.

Finance, is a field that is concerned with allocation (investment) of assets and liabilities over space and time, often under conditions of risk or uncertainty. Finance can also defined as the **art of money management.** Participants in the market aim to price assets based on their risk level, fundamental value, and their expected rate of return. Finance, corporate finance and personal finance. It is a term describing the study and system of money, investment, and other financial instruments. Some people prefer to divide finance into three district categories :

A)Public finance

B)Corporate finance

C)Personal finance

There is also recently emerging area of social finance. Behavioural finance seeks to identify the cognitive (e.g. emotional, social, psychological) reasons behind financial decisions.

DEFINITIONS OF FINANCE

According to the experts, "finance is a sample task of providing the necessary funds (money) required by the business of entities like companies, firms, individuals and others on the term that are most favourable to achieve their economic objective"

According to the entrepreneurs, "finance is concerned with cash. It is so, since, every business transaction involves cash directly or indirectly"

WHAT IS PLANNING?

Planning is the fundamental management function, which involves **deciding beforehand**, what is to be done, when is it to be done, how it is to be done and who is going to do it. an **intellectual process** which **lays down** an **organisation's objectives and develops various courses of action**, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal.

According to KnootzKnootz, planning is the intellectual process that requires conscious determination of course of action and taking decisions on the basis of purpose, knowledge and considered estimates.

Planning

- Involves defining the organization's goals, establishing an overall strategy, and developing a comprehensive set of plans to integrate and coordinate organizational work.

-Informal planning- nothing is written down

-Formal planning- Written

"Planning is the selection and relating of facts and making and using of assumptions regarding the future in the visualisation and formalisation of proposed activities believed necessary to achieve desired result." **_George R Terry**

Planning is the function that determines in advance what should be done. It consists of selecting the enterprise objectives, policies, programmes, procedures and other means of achieving these objectives." **_Theo Haimann**

"Planning is the continues process of making present entrepreneurial decisions systematically and with best possible knowledge their futurity, organising systematically that efforts needed to carry out these decisions and measuring the results of these decisions against the expectation through organised systematic feedback. "**_Peter Drucker**

What is 'Financial Plan'?

A financial plan is a comprehensive evaluation of an individual's current pay and future financial state by using current known variables to predict future income, cash flows, asset values and withdrawals plans.

A financial plan identifies the project finance (I.e. money)needed to meet specific objectives. It defines all of the various types of expenses that a project will incur (labour, equipment and administration costs) along with an estimation of the value of each expense. It also summarises the total expense to be incurred across the project and this total expense becomes the project budget. As per of the Financial Planning exercise, a schedule is provided which states the amount of money needed during each stage of the project.

What is 'Financial Planning'?

Financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives. Financial planning is the process of setting, planning, achieving and reviewing your life goals through the proper management of your finances. This can also be viewed as a single process encompassing both finance and operations. The operating people focus on sales and production while financial planners are interested in how to finance the operations. The output from it takes the form of budgeting; the most widely used form of budget is pro forma or budgeted financial statements. The foundation for the budgeted financial statements is detailed budgets. It includes sales forecast, production forecast and estimates in support of the finance plan. Collectively, all of these budgets are referred to as master budgets.

FINANCIAL PLANNING STANDARD BOARD INDIA:

Financial Planning Standards Board (FPSB)India, is an Indian professional body based in Mumbai that deals with setting professionals standards. It's mission is to develop and promote

FPSB INDIA

FINANCIAL PLANNING STANDARDS BOARD INDIA

As a self-regulatory organisation, FPSB India promotes and maintains higher standards of professionals than required and seeks to cooperate with the government and regulation agencies to uniformly regulate personal financial planning practitioners.

FPSB India holds itself to a higher standard through its code of ethics and rules of professionals conduct, which is mandated for all members and is licensed for CEP through its affiliate agreement with FPSB Denver, USA. Other peer countries are Australia, Austria, Belgium, Brazil, Canada, China, China Taipei, France, Germany, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Republic of Korea, Singapore, South Africa, Switzerland, United Kingdom and the United States.

There is a push to establish international financial standards, increase financial
There is a push to establish international financial standards, increase financial
literacy, and create a suitable redressal mechanism for investors in India to improve the development and financial health of the country. Other financial services firms around the world have this as a goal as well, as it affects the overall economic health of a nation and the credibility of a specific institutions. Many leading financial services firms are coming together and attempting to professionalise the industry by setting international standards. Currently over 200 firms in 20 countries are aiming towards this objective

COMMON FINANCIAL PLANNING MISTAKES:

- **Failing to make a financial plan:**

  Most People would prefer to spend more time Planning their next holiday then they would their personal finances. They have only vague goals and don't analyse whether their limited financial resources are being put to the most productive uses to achieve those goals and provide financial stability. Without a financial plan and accompanying tools such as a budget, you're going to have a tough time knowing where you're going or how best to get there.

- **Not communicating:**

  Spouses or partners frequently have different styles of investing and managing money. These differences need to be discussed up front, then either reconciled or accommodated. Otherwise, conflicts over money can damage overall household finances and even lead to relationship problems. Leaving a spouse out of the "financial loop" can also be devastating if the other spouse dies first.

- **Procrastination on the savings front:**

  People, particularly young people, often say, "I'll start saving later, when I can afford to." This overlooks the tremendous power of compounding. Catching up takes a lot more money than most people realise. Think about the following examples: If you invest $100 a month for 30 days at an average annual return of 8% for 30 years, you will have accumulated almost $150, 000. If you wait 10 years before starting, you'll have to sock away $260 a month for the next 20 years to reach roughly the same amount. If you wait until the last 10 years, you'll have to sock away $800 a month to achieve the same results.

- **Failure to diversify personal finances:**

  The bear market of 2000-2003 painfully illustrated the benefits of diversifying among a variety of investment categories. But diversification might well involve more than just investments. One situation we run into frequently is that of a couple who both work in the same industry perhaps even for the same company and who invest heavily in stock options and employer or industry stock in their retirement plans. If you employer or industry suffers hard times, you could lose your jobs and much of your savings in one fell swoop. Furthermore, if your employer dominates the region where you live, the value of your home could suffer at the same time.

- **Chasing the market:**

In the 1990s, many investors chased higher-risk stocks right over a cliff. Now some observers worry that investors are over-concentrating on bonds or international stocks, with the potential for bad results when interest rate rise. The goal of investing is not necessarily to beat the markets __it's to achieve your life's goals. This is usually accomplished by investing regularly, early, and with modest risk. Trying to outwit the market year after year frequently causes investors to take excessive risk that, in the long run, leave you we'll short of their goals.

- **Assuming bad things won't happen:**

  Newspaper headlines should convince most people that personal catastrophe or life- changing events with negative financial consequences can over occur unexpectedly at any time. Yet families routinely fail to prepare financially for such events. For example, not having sufficient emergency cash funds in the event of job loss or not carrying disability or long term care insurance. Don't assume these events won't occur

HISTORY OF FINANCIAL PLANNING:

Who would have guessed that when Loren Dunton set up the Society for Financial Counselling Ethics in 1969 that it would evolve into the financial planning profession we know and love today? According to the Certified Financial Planner Board of Standards in Denver, there are more than 94,000 CFP certificants worldwide, including over 48,000 in the
U.S. The revolution that Dutton started with a meeting of 13 individuals at Chicago's O'Hare Airport in 1969 continues to gain momentum, and to serve more investors who need complex advice than ever before. With all that has happened in the economic and financial markets since those prescient first steps, *IA* thought it would be interesting to take a look at the history of financial planning on the occasion of the magazine's 25th anniversary.
There is such a strong interest in the various disciplines and means of financial planning that a number of organizations have developed to support those interests, including the Financial Planning Association (FPA), with 29,000 members; the National Association of Personal Financial Advisors, (NAPFA), with 1,300 members; the Personal Financial Planning division of the American Institute of Certified Public Accountants with 7,400 members; and the independent broker/dealer group, the Financial Services Institute (FSI), with 2,000 individual and more than 100 firm members.

Some advisors will remember the years leading up to the first graduating class of the College of Financial Planning in 1973 as relatively placid ones for the financial markets in the U.S. compared to the chaotic years that followed. Political and economic pressures converged in the early 1970s to deeply affect the markets. The decade opened in recession, while the grinding bear market continued its 15-year reign, lasting from 1967 to 1982. The formation of OPEC led to oil price shocks starting in 1973, which in turn led to double-digit inflation in 1974, and another recession in 1973-1975. The wind-up to the Watergate hearings, a wage and price freeze, the resignations of President
Nixon and Vice President Agnew, and the wind-down of the Vietnam War did not help economic matters. ERISA, the Employee Retirement Income Security Act, was signed into law. We added a new word, "stagflation," that defined a time of stagnant wages and continued inflation that curtailed buying power. By 1980, in economic and markets terms, U.S. investors were reeling from the bear market, an inflation rate of 13.5%, and interest rates at their highest levels ever. The country was suffering through a double-dip recession that would last until 1982. This was

the turbulent environment into which the first group of certified Financial planners was born and cut it's teeth.

"In 1973, '74, and '75, I was trying to distribute tax shelters, annuities, and real estate limited partnerships. It was a particularly good time for those things because of runaway inflation and very high taxation and interest rates," says Coombs. Investors were looking for tax shelters and inflation protection.
Coombs set up his business, Petra Financial Advisors, Inc., in Colorado Springs in early 1976, and registered as an investment advisor in 1979. The stock market in the U.S. was emerging from a particularly sharp '73 to'74 drop. "Nobody paid any attention to the stock market because it had been so bearish–you could hardly talk to anybody unless you talked taxes."

"Financial planning, in its infancy, seemed to be hooked to limited partnerships," says Richard Averitt III, chairman and CEO of Raymond James Financial Services in St. Petersburg, Florida. Averitt became a CFP in 1979. "Many people who did financial planning did tax planning, which meant they sold limited partnerships, which came to an ill end after the Tax Reform Act of 1986 made tax deductions for the business illegal, retroactively. Financial planning stumbled."

A .Turning Point
The way people looked at investing, estate planning, retirement planning, and tax planning was turned on its head. The investment business started to change, too. Early in his career, Richard Averitt III learned about investing at a warehouse where the focus was on "investment-opportunity-driven" sales– when a new bond or other product came to market, representatives made a list of clients and other prospective buyers and called to talk to them about the product. On the flip side of this is the financial planning movement that Averitt describes as "oriented around a methodology that asks, 'Who is my client and what are his or her needs?' Financial planning began to develop a new image, not associated with a failed investment, but with a valid methodology." Averitt credits Tony Greene, former president, CEO, and chairman of Raymond James Financial Services, with leading the IAFP out of that dark time, and into financial planning as we know it today, and says Greene was instrumental in combining the ICFP and IAFP into one organization which became the FPA in 2000.

"Financial planning today has become less associated with any product or investment type at all and far more associated–as it should be–with individual investor planning and investor needs," notes Averitt. While Raymond James is a large firm, it is unique in the way in which advisors can work with the firm. They can be full-time employees or affiliate as independent professionals, as financial planners or as brokers, and there are several degrees of affiliation they can choose

B.The Road Ahead

“I’ve been impressed with the singular dedication of the FPA to build and support the mark and particularly their dedication to creating the next generation of financial planners,” says Coombs. What investors want most, he says, is a “trusted relationship with an individual, not a Web site or a big presence on the television screen. If they can find that trusted relationship, they hold onto that, tightly. The clients we’ve lost over the years–which haven’t been many– are those that we accepted without having done a financial plan for, they had just hired us to be asset managers. We just don’t lose clients that we have this trusted relationship with, and we’re not unique in that, it’s system-wide.” Coombs adds, “that’s what you ought to focus all of your time and attention on–building and maintaining that trusted relationship. We spend 90% of our time focusing on minutiae–asset management and taxes—which obviously we’ve got to know something about, but the thing our clients are looking for is that trusted relationship Coombs has long been an enthusiastic proponent of mentoring new planners to bring them along in the profession. “Just as I believe that our practices are strengthened by one-on-one relationships with our clients, the profession is strengthened by one-on-one relationships with new people coming into the profession. It’s a lonely world out there [for those] trying to get started. It’s hard to find a comfortable environment [in which] to try your wings.” Coombs was also responsible for a group called the “Rat Pack.” During an FPA Retreat, a young planner, Paul Fain, talked about all the help he got from his father’s friends while he was taking over his father’s practice after his dad, P. Kemp Fain, Jr., had died. “He referred to us as the rats in the barn–if you follow the rats in the barn, they’ll always lead you to where the food is. I thought ‘Why not create a Rat Pack?’ to help all the Paul Fains that are coming up,” says Coombs. They created an “ad-hoc, amorphous group” in which, to qualify as a mentor, your age and years of CFP practice must add up to 65 or higher, and you must be willing to commit five acts of mentorship each year. “In response to that, Aaron Coates created the NextGen group; he originally called them ‘the Mouseketeers’ but he caught a lot of flak for that. [It's] for those under 35 with less than three years of experience–so it’s the mirror image of the Rat Pack. We’re trying to get the FPA to develop a database of the group so that when somebody wants a mentor they can search the database of those Rat Pack-ers.” He says the FPA Residency program is a great program, and Bridge the Gap also is very successful.

As for financial planning in the future, Coombs believes it will be driven by both "individual people who develop a love and affection" for planning, as well as a trend toward larger firms. "To the extent that they don't lose their trusted relationship ties with their clients, I think they will be successful." Coombs feels that there will be an ebb and flow of planning at the warehouses, and "each flow will create a larger client base for those of us who operate the old-fashioned way."

From Averitt's point of view, one area that has completely changed financial planning is technology. "When I started doing financial planning, we were sitting with calculators and it could take months to do a financial plan. It was an arduous, lengthy process, fraught with opportunity for human error, and very difficult to update." That is very different from how planning is done today, he notes, and as technology continues to evolve, it will enable planners to be efficient, able to serve more clients, in a more timely and thoughtful way, even as the margins of the business may decline.

For Averitt, the bottom line, is that no matter how well you make an investment plan, no investment plan is certain to work, "but the financial planning process always works, so if you engage in a financial planning process, you'll get back on track. If you focus your investing based around investor objectives and goals, that is a better process to achieve investors' goals than to chase market averages. Goal-directed investing will deliver the results to the investor."

SCOPE OF FINANCIAL PLANNING:

Financial planning covers the all areas of the client's financial need and will result in the achievement of each of the client's objectives. The scope of planning would usually include the following:

- Risk management and insurance planning.
- Investment and planning issues.
- Tax planning.

- Estate planning.
- Retirement planning.
- Education planning for kids and their family members.
- Cash flow and liability management.
- Planning to ensure financial independence at retirement.
- Managing cash flow risks through sound risk management and insurance techniques.
- Planning for the reduction of tax liabilities and the freeing-up of cash flows for the purposes.
- Planning for the creation, accumulation, conservation and distribution of assets.
- Maintaining and enhancing personal cash flows through debt and lifestyle management.
- Relationship management.
- Moving beyond pure product selling to understand and service the core needs of the client.

FINANCIAL INSTRUMENTS TO INVEST MONEY

The following financial instruments are the investment options generally available to you in the investments marketplace;

Gold

Gold is favourite investment by all and sundry in India. High liquidity and inflation- beating capacity are it's strong selling points, not to mention beauty, prestige and so on. Though, there are phase when markets witness a fall in gold prices, it never lasts
and always makes a strong comeback. Of all the precious metals, gold is the most popular as an investment.

Investors generally buy gold as a way of diversifying risks, especially through the use of futures contracts and derivatives. The gold market is subject to speculation and volatility as are other markets. Safety, liquidity and Returns are the three criteria most conventional investors look for before making any investment. While gold meets the first two criteria swimmingly, it doesn't do badly at the last one either. Here are two main reason s why you should invest in gold:

Gold investment

is worthwhile because it is an inflation-beating investment. Over a period of time, the return on gold investment is in line with the rate of inflation.

Gold

has an inverse relationship to equity investments. Example. If the equity markets start performing poorly, gold too would have performed well. Considering gold as an investment options in your investment portfolio will be a buffer to the overall volatility of your portfolio.

Real estate

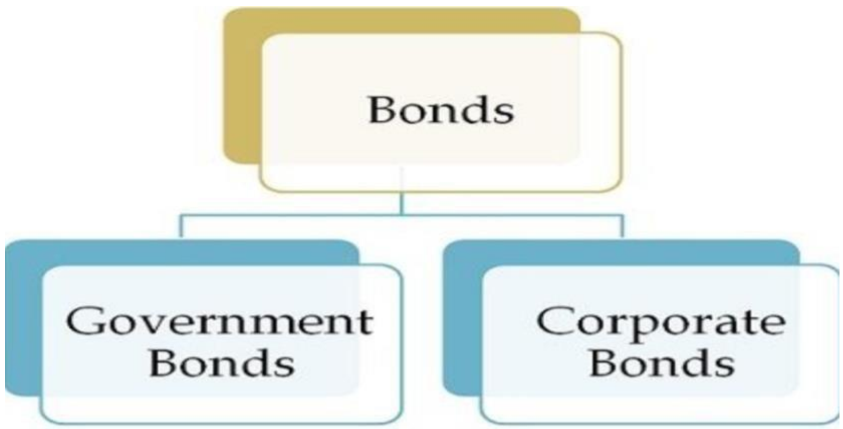
The house that you live in is for self-consumption and should never be considered as an investment. If you do not intend to live in it, the second property you buy can be your investment.

The location of the property is the single most important factor that will determine the value of your property and also the rental that it can

earn. Investments in real estate deliver returns in two ways - capital appreciation and rentals. However, unlike other asset classes, real estate is highly illiquid. The other big risk is with getting the necessary regulatory approvals, which has largely been addressed after coming of the real estate regulator

Bonds

In finances, a bond is an instrument of indebtedness of the bond issuer to the holders. The most common types of bonds include municipal bonds. The bond is debt security, under which the issuer owes the holders a debt and (depending on the terms of the bond) is obliged to pay them interest (the coupon) or to repay the principal at a later date, termed the maturity date. Interest is usually payable at fixed intervals (semi- annual, annual, sometimes monthly). Very often the bond is negotiable, that is, the ownership of the instrument can be transferred in the secondary market. This means that once the transfer agents at the back medallion stamp the bond, it is highly liquid on the secondary market. A bond is certificate of debt issued by the government or a company with a promise to pay a specified sum of money at a future date and carries interest at a fixed rate. Bond terms can range from a few months to 30 years



Government Bond: At periodic intervals, the central or state government issues bonds, popularly known as government securities or gilt edged securities. These are issued by the central bank of the country on behalf of the Government, for medium to long term, on which interest is paid on half yearly basis.

Corporate Bond: When public companies issue bonds, they are known as a corporate bond. When it comes to the international market, a secured corporate debt. The instrument is known as a corporate bond, but in the case of the unsecured debt instrument, it is known as corporate debenture. In India, corporate debt instruments are termed as debentures

Stock market: National Stock Exchange Of India Limited has a total market capitalisation Or more than US$2.27 trillion, making it the world's 11th largest stock exchange as of April 2018.NSE's flagship index, the NIFTY 50,the 50 stock index is used extensively by investors in India and around the world as a barometer of the Indian capital markets

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Nifty 50 index was launched in 1996 by the NSE. However,

vaidyanathan (2016) estimates that only about 4% of the Indian economy / GDP is actually derived from the stock exchange in India. When you buy stocks, you own a part of the company's assets. If the company does well, you may receive periodic dividends and /or be ableto sell your stock at a profit. If the company does poorly, the stock price may fall and you could lose some or all of the money you invested.

NSE offers trading and investment in the following statements

- Equity
- Derivatives

<u>Equity:</u> Equity shares are the main source of finance of a firm. It is issued to the general public. Equity share-holders do mot enjoy any preferential rights with regard to repayment of capital and dividend. They are entitled to residual income of the company, but they enjoy the right control the affairs of the business and all the shareholders collectively are the owners of the company

<u>Derivative</u>: Derivatives can either be traded over-the-counter or on an exchange. OTC derivatives constitute the greater proportion of derivatives and are not standardised. Meanwhile, derivatives traded on exchange are standardised and more heavily regulated. OTC derivatives generally have greater counterparty risk then standardised derivatives.

<u>Mutual Funds</u>

The first introduction of a mutual fund in India in 1963,when the Government of India Launched Unit Trust Of India. Until 1987, UTI enjoyed a monopoly in the Indian mutual fund market. Then a host of other government controlled Indian financial companies came up with their own funds. These include State Bank of India, Canara Bank, and Punjab National Bank. This market was made open to private players in 1993, as a result of the historic Constitutional amendments brought forward by the then congress-led government under the existing regime of Liberalisation, Privatization and Globalization. The first private sector fund to operate in India was Kothari Pioneer, which later merged with Franklin Templeton. SEBI is the regulator of mutual funds. In 1996, SEBI formulated the Mutual Fund Regulation which is a comprehensive regulatory framework

CHAPTER 02: LITERATURE REVIEW

The author Becker and Mulligan has done the research on 'Individual financial planning horizons' in the year 1997:

Construct an optimization model where individuals can choose to consume now or in the future; the trade-off depends on an endogenous time discount factor Beta. Individuals can choose to spend resources to increase this value and therefore the value of future consumption. Their model predicts that the degree of future orientation will be related to the level of education and wealth. They argue that this model is consistent with various empirical studies, in particular, that consumption growth is faster for individuals and countries that are better educated and that we see the inequality of consumption across individuals and countries increasing over time. For example, traditional investment advice suggests that asset allocation should shift away from stocks and towards bonds as an investor gets older.

The author Elmerick, Montalto, and Fox has done a research n Finances was used to determine the extent to which Financial Planners were used by households' in year 2002:

The result of this research showed that 21.2% of households in the United States made use of a Financial Planner. He also noted that in a consumer survey commissioned by the Consumer Federation of America and the Financial Planning Association it was reported that 92% of Americans consider financial planning to be personally important. The view that when consumers are looking for comprehensive personal financial planning they are more likely to seek the services of a Financial Planner over and above other specific experts in financial discipline such as accounting. He has used survey data to show that where households decide that they need to do personal financial planning, they spend more time developing and monitoring plans and this effort is associated with increased wealth. He has identified a shift in attitude of individuals who now recognize that integrated long-term financial planning is critical to effective financial management and that a single expert who can consolidate all of their financial needs into a comprehensive plan is more efficient. An individual who wishes to achieve financial independence at retirement or protect assets that are mortgaged if they die, faces the risk of not having the money to do so if no personal financial planning has been done. The personal financial planning process is an exercise in applying risk management techniques at an individual level. This should include the more comprehensive identification of risks which individuals face, the appropriate prioritisation of these risks and the effective management of these risks. It was noted that individuals have the tendency to spend more time on managing smaller risks that they encounter but do not spend time on risks that affect their overall financial wellbeing. He suggests that the tools for Financial Planners to use in the personal financial planning process will increase in sophistication and that the skill level of Financial Planners will have to increase as well.

The author David S. Murphy has done a research on' Personal financial planning attitudes: a preliminary study of graduate students' in year 2010:

The purpose of this paper is to report on a survey about the personal financial planning attitudes of MBA students in the USA. The findings indicate that, while most respondents feel both that financial planning is important and that they are interested in developing a financial plan, very few feel that they have the necessary skills and knowledge to prepare their own plan. In addition, the participants indicated a strong preference for professional personal financial planning advice. The study also indicates that less than 13 % have prepared a comprehensive personal financial plan. When asked to identify the one professional from whom they would seek advice, certified financial planners were the preferred resource. While the results are not generalizable to the wider population, the views of this group are important because one might expect that educated individuals would be both more interested in personal financial planning and more capable of preparing their own plans compared with average Americans. A perceived need of respondents is to feel that their financial planner will put their needs first. While some professionals believe this to be the hallmark of 'independence' the

The author Dr. Sunil Karve has done a research on 'A study of financial planning need analysis' in year 2015:

This research paper is focused on the importance of financial planning analysis. A financial plan sometimes refers to an investment plan, which allocates savings to various assets or projects expected to produce future income, such as a new business or product line, shares in an existing business, or real estate. In general usage, a financial plan is a series of steps or goals used by an individual or business, the progressive and cumulative attainment of which are designed to accomplish a final financial goal like elimination of debt, retirement etc. This often includes a budget which organises an individual's finances and sometimes includes a series of steps for spending and saving future income. In this research paper we highlighted the pattern in which an individual allocates his savings, whether investors are having awareness about financial planning & it's importance

The National Council of Applied Economic Research (NCEA) hdone a research on 'Urban Saving survey' in year 1961:

They noticed that irrespective of occupation followed and educational level and large attained, households in each group thought saving for the future was desirable. It was found that desire to make provision for emergencies was a very important motive for saving for old age Securities and Exchange Board of India (SEBI) and "Survey of Indian Investors" had reported that Safety and Liquidity were the primary considerations which determined the choice of an asset. In this paper we are trying to find out the Factors which influence individual investment decisions, the difference in the perception of Investors in the investing process on the basis of Age and the difference in perception of the Investors on the basis of Gender.

The Tomas Dvoraka has done a research on "Financial Literacy Iyear 2010:

Financial literacy proves to be a major block for investors who do prefer safer avenues of investment as they lack basic knowledge of financial markets. Financial literacy has been measured in different terms by various authors. He designed and administered a financial literacy test tailored to a specific defined contribution plan and found that participant knowledge is particularly low among women, low income and low education employees. They also find some evidence that personal contributions lead to more knowledge. Prior research indicated workers, including many college students, were ignorant regarding their own finances, future wealth, and retirement planning although in their business courses they learn the importance of managing and maximising other people's wealth. He indicates that the financial literacy of UAE investors is far from the needed level. The financial literacy level is found to be affected by income level, education level, and workplace activity. High-income respondents hold high educational degrees, and those who work in the field of finance/banking or investment had as expected a higher financial literacy level than others. Whereas, financial illiteracy exists regardless of the age of the respondents a significant difference in the level of financial literacy was found as well between the respondents according to their gender. Specifically, women have a lower level of financial literacy than men. Finally, the results indicate that there is a significant relationship between financial literacy and investment decisions. The most influencing factor that affects the investment decision is religious reasons and the least affecting factor is rumours. In general it can be found that researchers have correlated financial literacy with gender, race, socioeconomic status, and financial inclusion. The present study has helped to 21 understand financial literacy by measuring the investor awareness towards various sets of financial products and risk perception towards these products in the Indian context.

The Andreas Oehler has done a research on Financial education and behaviour' in year 2008:

Financial education with regard to old-age provision can be successful if it reaches consumers in their environment at life-stages where important decisions need to be made. To achieve that considerable efforts have to be taken in terms of funding and organisational set-up. However, evaluation is necessary to prove the effectiveness of the education especially for vulnerable consumer groups. If evaluation reveals that these groups cannot be targeted effectively or that consumers are not taking action subsequently to attending financial education, there might be a case for changing behaviour through the institutional set-up of pension schemes (i.e., through automatic enrolment) and using financial education as a supportive policy instrument.

CHAPTER 03: RESEARCH AND METHODOLOGY

Definitions of the population since the study is mainly related to knowing the patterns of the salaried investors on different products. Their potential of earning income and reducing risk of the investment community product" where cash security in the market has to be analysed through their comings over the other.

OBJECTIVES OF STUDY:

a. To identify investment habits of people.

b. To understand financial planning done in Navi Mumbai

c. To analyse the characteristics of different asset classes.

d. To study the changes in financial planning with change in age

e. To identify various avenues for investment

f. To spread awareness to financial planning

g. To examine the factors influencing the investment

h. To study the pattern in which an individual allocates his savings.

I. To study factors influencing investment decisions

SAMPLE SIZE;

The sample size denotes the number of elements selected for study. For the present study questionnaire distribution to 20 numbers of individuals.

HYPOTHESIS

There is no significant of long and short term goals.

There is no significance of financial strengths and weaknesses that the investors had to implement financial planning.What the financial objectives of an investor's anchored to current resources.

DATA COLLECTIONS

Data was collected by using main two methods i.e. primary data and secondary data.

1. PRIMARY DATA:

Primary data are those collected by the investigator himself/herself for the first time and thus they are original in character, they are collected for particular purpose. Combination of non- probability convenience sampling techniques and snowball sampling will be used for collecting the data from different investors. .The salaried people are selected by the connivance sampling method. The selection of units from the population based on their easy availability and accessibility to the researcher is known as sampling. Information is collected by conducting a survey by distributing a questionnaire to 100 respondents. These 61 respondents are of different age groups, different occupations, different income levels and different qualifications. We choose the following resources for our research.

Questionnaire Design:

Here in our research we set questions for salaried individuals and answers can be easy to fill out with a minimum amount of time and effort and request the customer to answer these questions with correct information. The questionnaire consists of close ended questions.

Close ended Questions:
It contains those questions in which the respondent is given a limited number of alternatives responses from which he/she is to select the one that most closely matched his attitude. The fixed alternative questions may be taken in the form of

- Dichotomous question
- Multi- choice question:

Dichotomous Question: It refers to one who offers the respondents a choice between only 2 alternatives and reduces the issues to its simplest terms.

Multi-choice Questions: A multiple choice question refers to one, which provides several sets of alternatives. Multiple choice questions can be used when an issue has more than 2 aspects.

Customer: Customer helps in creation of more accurate ideas about our research.

SECONDARY DATA

Secondary data are those, which have already been collected by some other persons for their purpose. Secondary data are usually in the shape of finished products. External Data: It was generated from internet websites and books. Statistical tools and techniques used: The data has been analysis by graph and charts

Scope of study

The scope of study is getting familiar with various investment avenues in the market. To study the life stages of an individual and to identify their risk tolerance, income flow, life goals and current investment. Study should cover all areas of the individual financial needs and should result in achievement of each of the individual goals. Scope of planning will include the following:

- Risk management and insurance planning
- Investment planning
- Retirement planning
- Tax planning

LIMITATIONS OF STUDY

- This research was only taken in a limited area only i.e. Panvel, Navi Mumbai.
- This research is limited to an individual.
- Due to limitations of time and sources, data was collected only from 61 respondents.
- In some primary data collection methods there is no control over the data collection. Incomplete questionnaires always give a negative impact on research.
- Some respondents do not give timely responses. Sometimes, the respondents may give fake, socially acceptable and sweet answers and try to cover up
- The data collected by the third party may not be a reliable party so the reliability and accuracy of data go down.

CHAPTER 04: CONCEPTUAL FRAMEWORK

What financial planning problems do most people struggle with?

A couple of the most common problems that lay people have with their own financial planning are:

Assessing their risk tolerance levels. How much are they really able to tolerate? Can they afford to lose principal? What is a suitable return on investment for their personal psychological risk level?

Defining an investment horizon. How long until they need to spend the invested money? What is the time frame to analyse an investment return? Is it 6 months or 6 years or age 65?

Determining style drift. Are their investments, or their professional investment advisors drifting with the currents of the market? Do they follow a rebalancing regime? Have they assumed more or less risk and/ or return over the passage of time because of external macro-events. To do accurate analysis of this requires statistical skills that most people do not have or cannot follow intuitively.

Bias awareness it is hard to assess your own biases and see how they may affect your own investment portfolio. Even harder to see how they might affect your risk management techniques. Not recognizing a personal bias towards risk is a common mistake of successful people and shows up in many successful individual financial plans. It can tend to create poorly diversified portfolios, etc.

IMPORTANCE OF FINANCIAL PLANNING

It is important to plan finances in order to reap long term benefits through the acts in hand. The investments that one makes are structured properly, and managed by professionals through financial planning. Every decision regarding our finances can be monitored if a proper plan is devised in advance. The following points explain why financial planning is important:

1. **Cash Flow:** Financial planning helps in increasing cash flow as well as monitoring the spending pattern. The cash flow is increased by undertaking measures such as tax planning, prudent spending, and careful budgeting.

2. **Capital:** A strong capital base can be built with the help of efficient financial planning. Thus, one can think about investments, and thereby improve his financial position.

3. **Income:** It is possible to manage income effectively through planning. Managing income helps in segregating it into tax payments, other monthly expenditures, and savings.

4. **Family Security:** Financial planning is necessary from the point of view of family security. The various policies available in the market serve the purpose of financially securing the family.

5. **Investment:** A proper financial plan that considers the income and expenditure of a person, helps in choosing the right investment policy. It enables the person to reach the set goals.
6. **Standard of Living:** The savings created through planning, come to the rescue in difficult times. Death of the breadwinner in a family affects the standard of living to a great extent. A proper financial plan acts as a guard in such situations, and enables the family to survive hard times.

7. **Financial Understanding:** The financial planning process helps gain an understanding about the current financial position. Adjustments in an

investment plan or evaluating a retirement scheme becomes easy for an individual with financial understanding.

8. **Assets:** A nice 'cushion' in the form of assets is what many of us desire for. But many assets come with liabilities attached. Thus, it becomes important to determine the true value of an asset. The knowledge of settling or cancelling the liabilities comes with the understanding of our finances. The overall process helps us build assets that don't become a burden in the future.

9. **Savings:** It is good to have investments with high liquidity. These investments, owing to their liquidity, can be utilised in times of emergency and for educational purposes

❖ REASONS TO CONDUCT FINANCIAL PLANNING:

1. **Adequate Funds:** A financial plan would ensure the availability funds to achieve enterprise goals.

2. **Balancing of Costs and Risks:** There should be a balancing of costs and risks so as to protect the investors.

3. **Flexibility:** A financial plan should ensure flexibility so as to adjust as per the requirements. It should be adjustable as per the changing conditions.

4. **Simplicity:** The financial structure should not be complicated by issuing variety of securities.

5. **Long-term View:** A financial plan should take a long-term view. The needs funds in the near future and over a longer period should be considered for while selecting the pattern of financing.

6. **Liquidity:** The liquidity of funds should always be kept in mind while

preparing a financial plan. During periods of depression can keep a concern going.

7. **Optimum use:** A financial plan should ensure sufficient funds for genuine needs. Neither the plans should suffer due to shortage of funds nor there should be wasteful use of them. The funds should be put to their optimum use.

8. **Economy:** The cost of raising the funds should be minimum. It should impose a disproportionate burden on the company. It can be ensured proper debt-equity mix.

LIMITATIONS OF FINANCIAL PLANNING:

1. Financial plans are prepared by taking into account the expected situations in the future. The future is always uncertain and things may not happen as these are expected, so the utility of financial planning is limited. Hence, it is difficult to forecast.

2. A changed situation may demand a change in financial plan but managerial personnel may not like it

3. Abrupt changes in the government guidelines or the economic environment may adversely impact your finance plan.

4. If there is insufficient communication and improper coordination anywhere between different officers, departments associated with a company, even the excellent financial strategy will never exercise effectively and is assured in order to fail.

5. It is extremely time-consuming and funds consuming.

6. Limitations of financial planning can be avoided by hiring a best financial planner.

7. Financial planning should-be based on realistic vision and mission. It involves determination of the course of action ahead of time. It may lead to inflexibility, internal as well as procedural rigidity.

8. Ineffective techniques of information gathering followed by financial planners can lead to problems with accurate data.

9. External aspects are extremely tough to predict, a few external factors for example: war, natural calamities, stock market crisis and so forth. All can make implementation of the plan difficult. To overcome such limitations of the financial planning model, you should protect yourself with sufficient insurance policies

❖ **STEPS FOR** FINANCIAL **PLANNING**

Step 1: Establish the Goal / Relationship:

This is where the adviser introduces himself or herself and typically explains the financial planning process to a client or prospective client. The adviser may ask open ended questions to uncover anything and everything from immediate financial goals to feelings about market risk to dreams about

The purpose of establishing the goal or relationship is to form the foundation or purpose of planning itself is to begin the financial journey with the clarification of a financial destination. Too many people save and invest money with no specific goal in mind.

Going a bit deeper, too many people have financial destinations but these goals are not their own; the goals are whatever the so-called conventional wisdom has taught. The purpose of money must follow the purpose of life, not the other way around.

You can fulfil this step by simply getting to know yourself a bit better. Financial planners do this by asking open-ended questions, which are questions that cannot be answered by a simple yes or no. Here some examples of open-ended questions you can use in your own planning:

What are your feelings about investing in the stock market? Why do you think you feel that way?

What are some of your earliest memories and resulting experiences of financial planning (i.e., first savings account, first checking account, and first credit card) What are your financial strengths? What are your financial weaknesses? How do you plan to save enough for retirement?

Now you have an idea of your financial goal, the guiding philosophy to direct investment objectives, cash management, insurance needs, and other financial instruments to help achieve your goals.

Step 2: Gather the Relevant Data:

This step is where the information required to make recommendations for the appropriate strategies and financial products to reach your goals is gathered. For example,

- What is your time horizon?

- Do you want to accomplish this goal in five years, 10 years, 20 years, or 30 years?
- What is your risk tolerance?

- Are you willing to accept a high relative market risk to achieve your investment goals, or will a conservative portfolio be a better option for you?
- How far along are you in your goals?

- Do you have any money saved yet?

- Do you have life insurance?

- Do you have children? If so, what are their ages?

If you are gathering data for retirement planning, you'll need to know your Annual income, savings rate, years until proposed retirement, age when you are eligible to receive Social Security or a pension, how much you've saved to date, how much you will save in the future, expected rate of return and more.

Although you may already know this information, it is wise to have it all written down so that you can visualise all of the necessary data required to make investment decisions.

Step 3: Analysis the Data:

You've gathered the relevant data, now analyse it! Following the retirement planning example, the data you've gathered can help you arrive at some basic assumptions. Let's assume you have 30 years until retirement, you've already saved INR 5,00,000, you expect an 8.00% return on your investments, and you can save INR 1000 per month going forward.

If you don't have a financial calculator, you can analyse the data with a financial calculator or you can go to one of many online calculators, such as Kiplinger's Retirement Savings Calculator, plug in the numbers and see if your retirement nest egg will be just right for you.

Using a financial calculator these assumptions will arrive at approximately INR 20,00,000 at the proposed retirement date of 30 years from now Is this enough? Is your retirement goal achievable? Often, the initial assumptions are not quite enough to obtain the goal. This is where you begin devising alternative solutions that are in the next step.

Step 4: Develop the plan

Let's say you need INR 50,00,000 to reach your goal. The previous assumptions (in Step 3: Analysis the Data) brought you just around INR 20,00,000. If you can handle taking more market risk, you could increase your exposure to stocks in an aggressive portfolio of mutual funds and assume a 9.00% rate of return. Assuming all other assumptions remain the same, and by increasing your expected return by 1.00%, your 30-year time horizon, and savings rates would bring you to a nest egg worth nearly INR 60,00,000 But what if you want to keep the rate of return at 8.00% but increase your savings rate to Rs.1500 per month? You can still come close to your goal with INR 40,00,000

You can see why this step's keyword is "develop." Financial planning requires devising alternative solutions that are achievable for each individual. With so many different variables to consider, your plan needs to develop, to evolve with your needs but remain within your capabilities and risk tolerance.

Step 5: Implement the Plan:

Now you simply put your plan to work! But as simple as this sounds, many people find that implementation is the most difficult step in financial planning. Although you have the plan developed, it takes discipline and desire to put it into action. Saving INR 1500 per month may be difficult. You may begin to wonder what may happen if you fail. This is where inaction grows into procrastination. Successful investors will tell you that just getting started is the most important aspect of success.

You don't need to start out at a high level of savings or at an advanced level of investment strategy. You could learn how to invest with just one fund or you could start saving a few rupees per week to build up to your first investment.

The point is to make your financial strategies achievable and to consider slowly moving up to desired savings rates rather than jumping into something that may be challenging if implemented too fast for your comfort level and budget

Step 6: Monitor the plan

Its called "financial planning" for a reason: Plans evolve and change just like le Once the plan is created, it's essentially a piece of history. This is why the plan needs to be monitored and tweaked from time to time. Think of what can change in your life, such as marriage, the birth of children, career changes and more. These events all require new perspectives on life and finance Now think of financial changes beyond your control, such as tax law changes, interest rates, inflation rates, stock market fluctuations, and economic recessions, Nothing remains constant except change! Life changes, laws change and so

will your plan But, once again, this is why it's not called a financial plan, it's financial planning! Now that you know the 6 steps of financial planning, you can apply them to any area of personal finance, including insurance planning, tax planning, cash flow (budgeting), estate planning, investing, and retirement. Just remember to keep referring back to the steps as significant life or financial changes occur. You may also want to do as the professional financial planners do and sit down and re-evaluate your plan on a periodic basis, such as once per year

Have a plan, be rich

This is perhaps, one virtue that can neutralise the impact of various financial A plan acts as a guide through your financial journey and, even if Amnestic and global upheavals dent your investments, it will help you get Jack on track. At the macro level, planning affects every aspect of personal finance, be it taxation, insurance or achievement of goals.

I can cut losses, enhance gains, and avoid the pain and panic of a financial or life stage crisis. At another level, a plan is a simple matter of listing out your needs and wants, and deploying the money in the right avenues so that you have it when you need it. As a first step, calculate your existing worth and identify the goals for which you will require money in the future

Calculate the exact amount required for each goal after factoring in inflation and the time horizon in which you want it.

Find out your risk-taking ability and then pick the instruments you want to invest in (asset allocation). Link your investments to goals and you won't have to scrounge around for money when you need it. Build a plan the minute you are employed because you can invest without straining your finances and without the burden of responsibilities.

BENEFITS OF FINANCIAL PLANNING:

In today's world one would consider financial planning to rank pretty high in Maslow's Hierarchy, and is as critical as the safety and social needs. Other than the fact that financial planning helps in bringing about discipline and achieving financial security, there are a few other reasons as well as to why you should do financial planning. Here are such top reasons

- Improves risk management:
  Taking adequate life cover and health cover is critical. When you do

financial planning, you can determine the amount of cover you need with greater certainty. Thus you do not overpay for unnecessary insurance and so do not end up with a lower than necessary cover.

- Improvement in portfolio returns on investment (ROI):
  Financial planning takes into account various aspects like risk management. vestment planning, goal planning, liquidity management and liability management. You are able to design an integrated investment plan that takes into account goals, available liquidity and risk appetite, thus helping in improving your portfolio ROI.

- Use the metrics approach to manage your money:
  When you undertake financial planning, you can measure specific milestones on what you have achieved. There is a science involved in managing money and financial planning helps you do this with higher efficiency.

- Identify good and not so good areas:
  Financial planning helps you bring order to your finances by identifying what s right and not right for you. For example, you may be low on insurance cover or holding investments which are performing poorly. Financial planning helps you identify this and take corrective measures.

- Reduce your cost of personal finance:
  When you undertake financial planning, you can cut down on many personal. finance costs. A good example is by doing away with expensive ULIP policies or any investment which carries high charges.

- Discipline in managing money:

Financial planning brings in discipline. Also, there are subtle behavioural changes when you undergo financial planning. For example, when you run a systematic investment plan (SIP), your expenses are automatically curtailed and this goes towards investments Similarly, when you do financial planning, you become aware if your lifestyle expenses are above or below what you can afford.

- Measure and improve asset allocation
  Asset allocation is a critical element of managing your money. There has to be fine balance struck between managing risk and returns, and the right assets need to be chosen for the same. Financial planning helps in selecting the right asset allocation mix depending on your risk and return preferences.

- Future visibility:
  Planning is for the future. While we have often heard quotes saying that you should live in the present and not dwell on the past or worry about the future, when it comes to money, considering the future becomes very important. Financial planning helps you get visibility for the next 15-20 years. You are able to get comfort on retirement and plan your money during emergency situations. This helps in achieving peace of mind and also helps you plan in case there is a gap.

- Professional approach:
  There is a professional approach in putting together a plan and tracking it. You can implement best practices with the help of your financial advisor All this brings about greater order to your money management practices. Financial planning is not difficult. It is easy and it pays off handsome returns over the long term. It can cut losses, enhance gains, and avoid the pain and panic of a financial or life stage crisis. At another level, a plan is a simple matter of listing out your needs and wants, and deploying the money in the night avenues so that you have it when you need it.

COMMON MISCONCEPTIONS ABOUT FINANCIAL PLANNING

- **One only needs to start financial planning when approaching retirement**

Financial planning is a life-long process. The earlier you start, the sooner you can enjoy the benefits and the more time you have to grow your savings

- **Financial planning is more than just investment:**

Financial planning is not a one-time deal! You should revisit and review your financial plan regularly to make sure you are on the right track wards achieving your goals.

- **You need a lot of money to do financial planning:**

Everyone can benefit from financial planning, not just multi millionaires! No matter how much income or savings you have, you can always benefit from having a clear plan for your finances

NEED FOR RETIREMENT PLANNING:

Retirement phase has become very challenging in the life of senior citizens. Earlier stages in life can be managed as those stages fall in the earning phase of an individual.

At a young age expenses are in line with the income, but during old age expenses go up while income reduces drastically or stops. Maintaining a similar lifestyle has become difficult during old age; mainly due to inflation, health care and medical expenses etc. In countries like India, senior citizens are dependent upon their children, pension, or life time savings. Many senior citizens in India are finding it difficult to get this support due to Ocio-economic changes. Following are the factors which emphasises need for financial planning-

- Increasing life span.
- Inflationary trends.
- Low returns in conventional modes of investment.
- Unexpected contingencies.
- Increasing medical cost.
- Changing demographics.
- Diminishing trend of joint family system.

- Erosion of the defined benefit pension system.
- •Absence of social security system by government.
- Falling interest rates.
- Uncertain returns on other investment options.
- Pursuing hobbies.
- Dynamic social environment.
- Increasing cost of other supports

SAVING V/S INVESTMENT:

Saving and investing are both important concepts for building a sound financial foundation, S they're not the same thing. While both can help you achieve a more comfortable financial fore, consumers need to know the differences and when it's best to save compared to when best to invest. The biggest difference between saving and investing is the level of risk taken. Saving typically results in you earning a lower return but with virtually no risk. In contrast, investing allows you the opportunity to earn a higher return, but you take on the risk el loss in order to do so. Here are the key differences between the two--and why you need both of these strategies to help build long-term wealth

How are saving and investing similar?

Saving and investing have many different features, but they do share one common goal: they're both strategies that help you accumulate money

First and foremost, both involve putting money away for future reasons." says Chris Hogan, financial expert and author of Retire Inspired Both use specialised accounts with a financial institution to accumulate money. For savers, that means opening an account at a bank, such as Citibank, or credit union. For investors, that means opening an account with an independent broker, though now many banks have a brokerage arm, too. Popular online investment brokers include Charles Schwab, Fidelity and TD Ameritrade.

Savers and investors both also realise the importance of having money saved. Investors should have sufficient funds in a bank account to cover emergency expenses and other unexpected costs before they tie up a large chunk of change in long-term investments.

As Hogan explains, investing is money that you're planning to leave alone "to allow it to grow for your dreams and your future." **How are saving and investing different?**

"When you use the words saving and investing, people really 90-some percent of people think it's exactly the same thing." says Dan Keady, CFP, and chief financial planning strategist at TIAA, a financial services organisation

While the two efforts share a few similarities, saving and investing are different in most respects. And that begins with the type of assets in each account.

When you think of saving, think of bank products such as savings accounts, money markets and CDs or certificates of deposit. And when you think of investing, think of stocks, ETFs, bonds and mutual funds, Keady ssays

When to save money

If you'll need the money in the next few years, a high-yield savings account or money- market fund will likely be best for you.

If you haven't built up an emergency fund yet, you'll want to do that before you dive into investing. Most experts suggest having three to six months worth of expenses ser aside in an emergency fund.

If you're carrying high-interest debt such as a credit card balance, it's best to work toward paying it down before investing. Paying off a loan with an annual interest rate in the high-teens will likely give you a better return than you can earn from

INVESTMENT VEHICLES FOR INVESTING IN GOLD:

GOLD BARS:

The most traditional way of investing in gold is by buying bullion gold bars. Alternatively, there are bullion dealers that provide the same service. Bars are available in various sizes. For example, Good Delivery bars are approximately 12 kg. 1 kilogram is also popular, although many other weights exist, such as the 10oz, loz, 10 g, 100 g, 1 kg, 1 Tael, and 1 Tola.

Bars generally carry lower price premiums than gold bullion coins. However larger bars carry an increased risk of forgery due to their less stringent parameters for appearance. While bullion coins can be easily weighed and measured against known values to confirm their veracity, most bars cannot, and gold buyers often have bars re-assayed. Larger bars also have a greater volume in which to create a partial forgery using a tungsten-filled cavity, which may not be revealed by an assay. Tungsten is ideal for this purpose because it is much less expensive than gold, and has the same density (19.3 g/cm 3).

Gold coins:

Gold coins are a common way of owning gold. Bullion coins are priced according to their fine weight, plus a small premium based on supply and demand (as opposed to numismatic gold coins, which are priced mainly by supply and demand based on rarity and condition). The sizes of bullion coins range from one-tenth of an ounce to two ounces, with the one-ounce size being most popular and readily available.

The Krugerrand is the most widely held gold bullion coin, with 46 million troy ounces (1,400 tonnes) in circulation. Other common gold bullion coins include the Australian Gold Nugget (Kangaroo), Austrian Philharmoniker

(Philharmonic), Austrian 100 Corona, Canadian Gold Maple Leaf, Chinese Gold Panda, Malaysian Kijang Emas, French Napoleon or Louis d'Or,

Mexican Gold 50 Peso, British Sovereign, American Gold Eagle, and American Buffalo. Coins may be purchased from a variety of dealers both large and small. Fake gold coins are common and are usually made of goldlayered alloys

Gold Exchange-traded products:

Gold exchange-traded products (ETPs) represent an easy way to gain exposure 10 the gold price, without the inconvenience of storing physical bars. However, exchange traded gold instruments, even those that hold physical gold for the benefit of the investor, carry risks beyond those inherent in the precious metal itself. For example, the most popular gold ETP (GLD) has been widely criticised, and even compared with mortgage-backed securities, due to features of its complex structure.

Typically a small commission is charged for trading in gold ETPs and a small annual storage fee is charged. The annual expenses of the fund such as storage, insurance, and management fees are charged by selling a small amount of gold represented by each certificate, so the amount of gold in each certificate will gradually decline over time Exchange-traded funds, or ETFs, are investment companies that are legally classified as open-end companies or unit investment trusts (UITS), but that differ from traditional open-end companies and UITs. The main differences are that ETFs do not sell directly to investors and they issue their shares in what are called "Creation Units" (large blocks such as blocks of 50,000 shares). Also, the Creation Units may not be purchased with cash but a basket of securities that mirrors the ETF's portfolio. Usually, the

Creation Units are split up and re-sold on a secondary market

Gold Certificates:

Gold certificates allow gold investors to avoid the risks and costs associated with the transfer and storage of physical bullion (such as theft, large bid-offer spread, and metallurgical assay costs) by taking on a different set of risks and costs associated with the certificate itself (such as commissions, storage fees, and various types of credit risk) .

Banks may issue gold certificates for gold that is allocated (fully reserved) unallocated (pooled). Unallocated gold certificates are a form of fractional reserve banking and do not guarantee an equal exchange for metal in the event of a run on the issuing bank's gold on deposit. Allocated gold certificates should be correlated with specific numbered bars, although it is difficult to determine whether a bank is improperly allocating a single bar to more than one party.

The first paper banknotes were gold certificates. They were first issued in the 17th century when they were used by goldsmiths in England and the Netherlands for customers who kept deposits of gold bullion in their vault for safe-keeping. Two centuries later, the gold certificates began being issued in the United States when the US Treasury issued such certificates that could be exchanged for gold. The United States Government first authorised the use of the gold certificates in 1863. On April 5, 1933 the US Government restricted the private gold ownership in the United States and therefore, the gold certificates stopped circulating as money (this restriction was reversed on January 1, 1975). Nowadays, gold certificates are still issued by gold pool programs in Australia and the United States, as well as by banks in Germany,

Switzerland and Vietnam.

LIFE INSURANCE CORPORATION

A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death. Typically. life insurance is chosen based on the needs

and goals of the owner. The purpose of life insurance is to provide financial protection to surviving dependents after the death of an insured. It is essential for applicants to analyse their financial situation and determine the standard of living needed for their surviving dependents before purchasing a life insurance policy. Life insurance agents or brokers are instrumental in assessing needs and establishing the type of life insurance most suitable to address those needs. Several life insurance channels are available including whole life, term life, universal life, and variable universal life (VUL) policies. It is prudent to re-evaluate life insurance needs annually, or after significant life events like marriage, divorce, the birth or adoption of a child, and major purchases, like a house

How Life Insurance Works?

- **Death benefit** is the amount of money the insurance company guarantees to the beneficiaries identified in the policy upon the death of the insured. The insured will choose their desired death benefit amount based on estimated future needs of surviving heirs. The insurance company will determine whether there is an insurable interest and if the insured qualifies for the coverage based on the company's underwriting requirements.

- **Premium payments** are set using actuarially based statistics. The insurer will determine the cost of insurance (COI), or the amount required to cover mortality costs, administrative fees, and other policy maintenance fees. Other factors that influence the premium are the insured's age, medical history, occupational hazards, and personal risk propensity. The insurer will remain obligated to pay the death benefit if premiums are submitted as required. With term policies, the premium amount includes the cost of insurance (COI).

- **Cash value** of permanent or universal life insurance is a component which serves two purposes. It is a savings account, which can be used by the policyholder, during the life of the insured, with cash accumulated on a tax deferred basis. Some policies may have restrictions on withdrawals depending on the use of the money withdrawn.

Life Insurance Corporation of India (LIC) is the largest insurance group and investment company in India. It's a state-owned company where the Government of India has 100% stake. LIC also funds close to 24.6% of the Indian Government's expenses. It has assets estimated at INR 13.25 trillion (US$250.43 billion). It was founded in 1956 with the merger of 243 insurance companies and provident societies. Headquartered in Mumbai, financial and commercial capital of India, the Life Insurance Corporation of India currently has 8 zonal Offices and 113 divisional offices located in different parts of India, around 3500 servicing offices including 2048 branches, 54 Customer Zones, 25 Metro Area Service Hubs and a number of Satellite Offices located in different cities and towns of India and has a network of 13,37,064 individual agents, 242 Corporate Agents, 79 Referral Agents, 98 Brokers and 42 Banks (as on 31.3.2011) for soliciting life insurance business from the public.

Factor to be considered before buying an life insurance policy:

Before buying a life insurance policy it is always important to find out why I want to buy insurance and for what purpose. How much life insurance cover do I need, comes second. Few factors which need to be considered are:

- Age and number of dependents.
- Annual income and annual expenses
- Outstanding liabilities like home loan, car loan, etc. Investment and savings.

LIC

भारतीय जीवन बीमा निगम

LIFE INSURANCE CORPORATION OF INDIA

BENEFITS OF INVESTING IN (LIC) LIFE INSURANCECOMPANY COMPANY:

Industry leader: You are assured of being associated with a leader which has a technologically advanced network to provide you the most advanced and efficient services.

An array of plans: Innovative plans are designed to ensure the maximum benefit of the policyholder and their family. LIC provides a complete basket of plans from Endowment plans to Money Back plans cover to its customers.

- **Easy claim procedure:** LIC provides a simplified claim procedure. This is the reason perhaps why it provided the highest percentage of Claim Settlement Ratio across the industry for the year 2015-16.

- **Unmatchable customer support:** The customer support of LIC is one of the best in the industry. It provided 100% grievances settlement for the year 2015-2016

- **Simplified process:** Simplified processes, especially the online customer services are configured to make life easier for the policyholders. You can get the complete details of your policy sent on an SMS.

- **Most trusted:** LIC is the most trusted insurance company with hundreds of recognitions and awards including the likes of Golden Peacock Award 2015, India's Most Trusted Brand- 2015 and Brand Icon Award among many others.

TYPES OF LIFE INSURANCE POLICY:

- **Term insurance:**

  Term life insurance or term assurance is life insurance that provides coverage at a fixed rate of payments for a limited period of time, the relevant term. After that period expires, coverage at the previous rate of premiums is no longer guaranteed and the client must either forgo coverage or potentially obtain further coverage with different payments or conditions. If the life insured dies during the term, the death benefit will be paid to the beneficiary. Term insurance is typically the least expensive way to purchase a substantial death benefit on a coverage amount per premium dollar basis over a specific period of time. Term life insurance can be contrasted to permanent life insurance such as whole life, universal life, and variable universal life, which guarantee coverage at fixed premiums for the lifetime of the covered individual unless the policy is allowed to lapse. Term insurance is not generally used for estate planning needs or charitable giving strategies but is used for pure income replacement needs for an individual.

- **Endowment insurance**:

Combining risk cover with financial savings, endowment policies are the most popular policies in the world of life insurance. Endowment insurance are policies that cover the risk for a specified period and at the end the sum assured is paid back to the policy holder along with all the bonus accumulated during the term of the policy. It works in two ways, one they provide life insurance cover and on the other hand as a vehicle of saving. If the insured dies during the tenures of the policy. the insurance firm has to pay the sum assured just as any other pure risk cover. A pure endowment policy is also a form of financial saving. whereby if the person covered remains alive beyond the tenure of the policy, he gets back the sum assured with some other investment benefits.

- **Whole life insurance:**

Whole life insurance is a life insurance policy which is guaranteed to remain in force for theinsured's entire lifetime, provided required premiums are paid, or to the maturity date. As a life insurance policy it represents a contract between the insured and insurer that as long as the contract terms are met, the insurer will pay the death benefit of the policy to the policy's beneficiaries when the insured dies. Because whole life policies are guaranteed to remain in force as long as the required premiums are paid, the premiums are typically much higher than those of term life insurance where the premium is fixed only for a limited term. Whole life premiums are fixed, based on the age of issue, and usually do not increase with age. The insured party normally pays premiums until death, except for limited pay policies which may be paid up in 10 years, 20 years, or at age 65. Whole life insurance belongs to the cash value category of life insurance, which also includes universal life, variable life, and endowment policies

- **Annuities and pension:**

  Money back plan provides life coverage during the term of the policy and the maturity benefits are paid in instalments by way of survival benefits every 5 years. The plan is available with a 20 years and 25 years term. In the event of death within the policy term, the death claim is made up of a full sum assured without deducting any of the survival benefit amounts already paid. The bonus is also calculated on the full sum assured. The premium paid is tax deductible under section 80C of Income Tax Act 1961.
  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.

- **Money back plan:**

  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, half-year or every month, either for life or for a fixed number of years. Annuities differ from all other forms of life insurance in that an annuity does not provide any life insurance cover, instead offers a guaranteed income earlier in life or a certain period. Typically annuities are brought to generate income during one's retired life, which is why they are also called pension plans. By buying an annuity or pension plan the annuitant receives the guaranteed income throughout his life. He also receives lump sum benefits for the annuitant's estate in addition to the payment during the annuitant's lifetime.

NATIONAL STOCK MARKET OF INDIA (NSE):

A stock market, equity market or share market is the aggregation of buyers and sellers (a loose network of economic transactions, not a physical facility or discrete entity) of stocks (also called shares), which represent ownership claims on businesses; these may include securities listed on a public stock exchange, as well as stock that is only traded privately. Examples of the latter include shares of private companies which are sold to investors through equity crowdfunding platforms. Stock exchanges list shares of common equity as well as other security types, e.g. corporate bonds and convertible bonds.

National Stock Exchange has a total market capitalization of more than US$2.27 trillion, making it the world's 11th-largest stock exchange as of April 2018. NSE's flagship index, the NIFTY 50, the 50 stock index is used extensively by investors in India and around the world as a barometer of the Indian capital markets. Nifty 50 index was launched in 1996 by the NSE. However, Vaidyanathan (2016) estimates that only about 4% of the Indian economy/GDP is actually derived from the stock exchanges in India.

India adopted the DEMAT ACCOUNT for electronic storing, wherein shares and securities are represented and maintained electronically, thus eliminating the troubles associated with paper shares. After the introduction of the depository system by the Depository Act of 1996, the process for sales, purchases and transfers of shares became significantly easier and most of the risks associated with paper certificates were mitigated.

A Demat Account is an account that allows investors to hold their shares in an electronic form. Stocks in Demat account remain in dematerialized form. Dematerialization is the process of converting physical shares into electronic format. A demat account number is required to enable electronic settlements of all the trades. Demat account functions like a bank account, where you hold your money and respective entries are done in bank passbook. In a similar form, securities too are held in electronic form and are debited or credited accordingly. A demat account can be opened with no balance of shares. You can have a zero balance in your account.

STEPS TO OPEN A DEMAT ACCOUNT :

Step 1: To open a demat account; you have to approach a depository participant (DP), an agent of depository, and fill up an account opening form. The list of DPS is available in the websites of depositories: CDSL (Central Depository Services (India) Ltd and NSDL (National Securities Depository

Ltd).

Step 2: Along with the account opening form, you must enclose photocopies of some documents for proof of identity and proof of address.

Step 3: You will have to sign an agreement with DP in the depository prescribed standard format, which gives details of rights and duties of investor and DP. You are entitled to receive a copy of the agreement and schedule of charges for future reference.

Step 4: The DP will then open an account and give you the demat account number. This is also called a beneficial owner identification number (BO ID). All your purchases/ investments in securities will be credited to this account.

If you sell your securities, your demat account will be debited.

PROCESS OF DEMATERIALISATION:

- Surrender your physical certificates to your DP for dematerialisation.
- The DP intimates your request to the depository through the system.
- The DP submits the certificates to the registrar and share transfer agent
- (RSTA) of the company.
- 0 In case of any objection or in case of additional documents (if any), the RSTA Informs you directly. RSTA confirms the dematerialisation request from
- the depository. After dematerialising the certificates, RSTA updates the accounts and
- informs depository regarding completion of dematerialisation.
- Depository updates its accounts and informs the DP.
- The DP then updates your demat account by crediting the shares.
- Before approaching your DP for demating your shares, you can check
- the list of shares and debentures that can be dematerialised from the

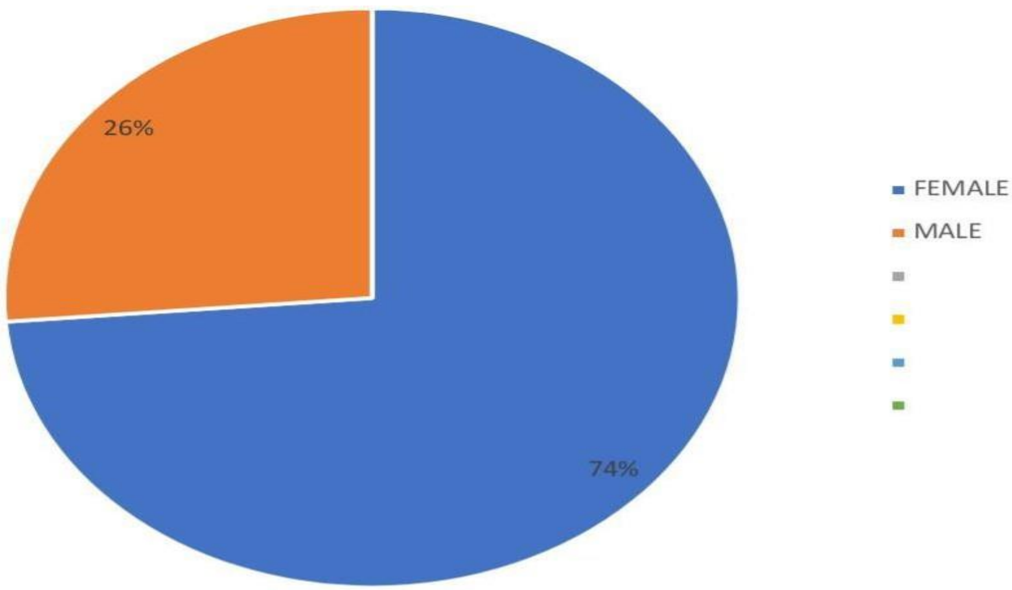
- websites of CDSL and NSDL. To convert physical certificates into demat mode, the name in the share

- certificate should match with the name of the demat account holder.

CHAPTER05: DATA ANALYSIS AND INTERPRETATION

a) Gender:

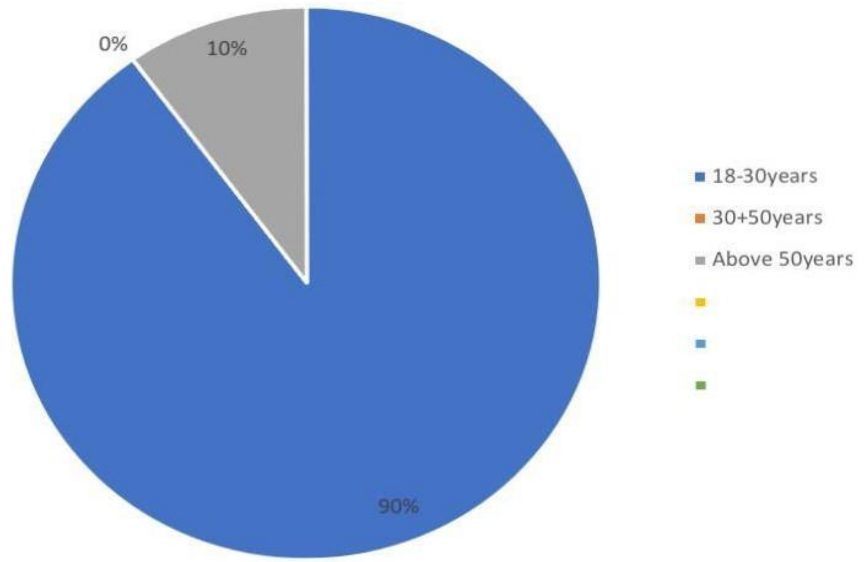
Options	No. Of responses
Female	14
Male	5



Interpretation: The gender distribution of the respondents indicated that 5 were male i.e. 26% and 14 we're female i.e. 74%

b) Age:

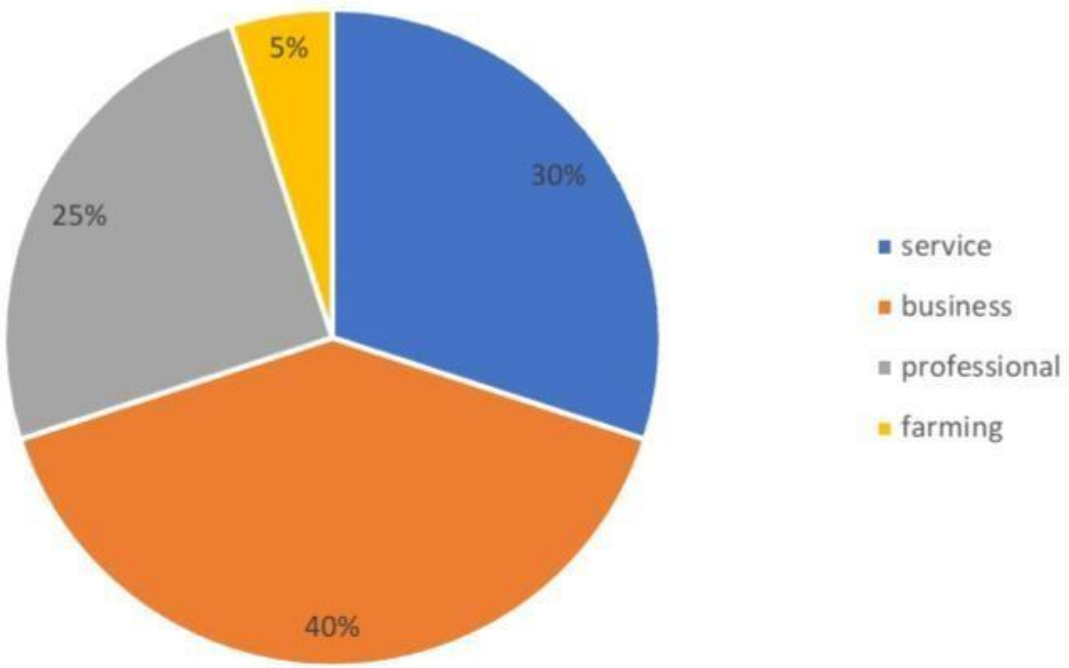
Options	No. Of responses
18-30 years	18
30-50 years	0
Above 50 year	2



Interpretation: The age distribution of the respondents indicated that the largest group of respondents is 18 i.e. representing 90% we're between the ages of 18 and 30 years. The second largest group of respondents is 2 i.e. representing 10% were between the ages above 50 years.

a) Occupations:

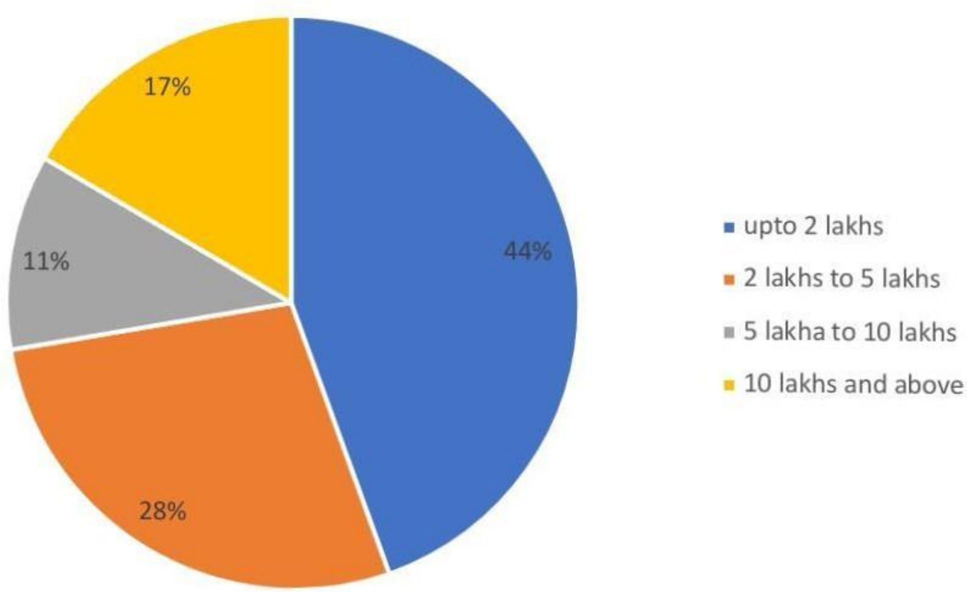
Options	No. Of responses
Service	6
Business	8
Professional	5
Farming	1



Interpretation: The distribution according to the occupation of the respondents indicated that the largest group of respondents is 8 i.e. representing 40% doing business. The second largest group of respondents is 6 i.e. representing 30% working in the service sector. The next group or respondents is 5 i.e. 5 representing 25% are professionals. There were 1 respondents of farmers i.e. 5%.

Income:

Options	No. Of responses
Upto 2 lakhs	8
2 lakhs to 5 lakhs	5
5lakhs to 10 lakhs	2

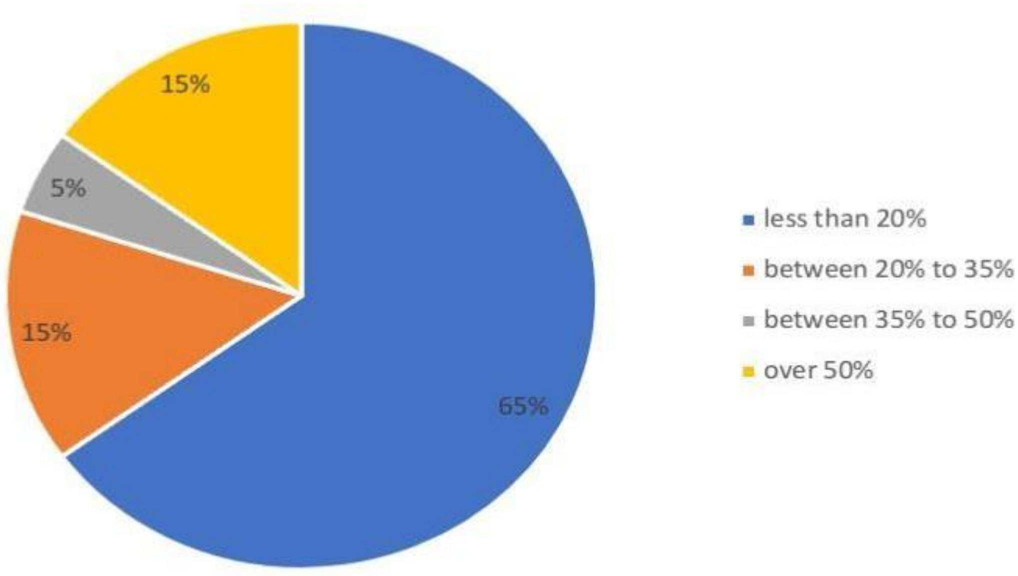


10 lakhs and above	3

<u>Interpretation:</u> The income distribution of the respondents indicated that the largest group of respondents is 8 i.e. representing 44% were of income from upto 2 lakhs. The second largest group of respondents is 50i.e. representing 28% we're of income from 2 lakhs to 5 lakhs. The next group of respondents is 30 i.e. representing 17% where income is 10 lakhs and above. The least group of respondents is 2 i.e.11% where income is 5 lakhs to 10 lakhs.

What percentage of your Income salary do you save?

Options	No. Of responses
Less than 20%	13
Between 20% to 35%	3
Between 35% to 50%	1

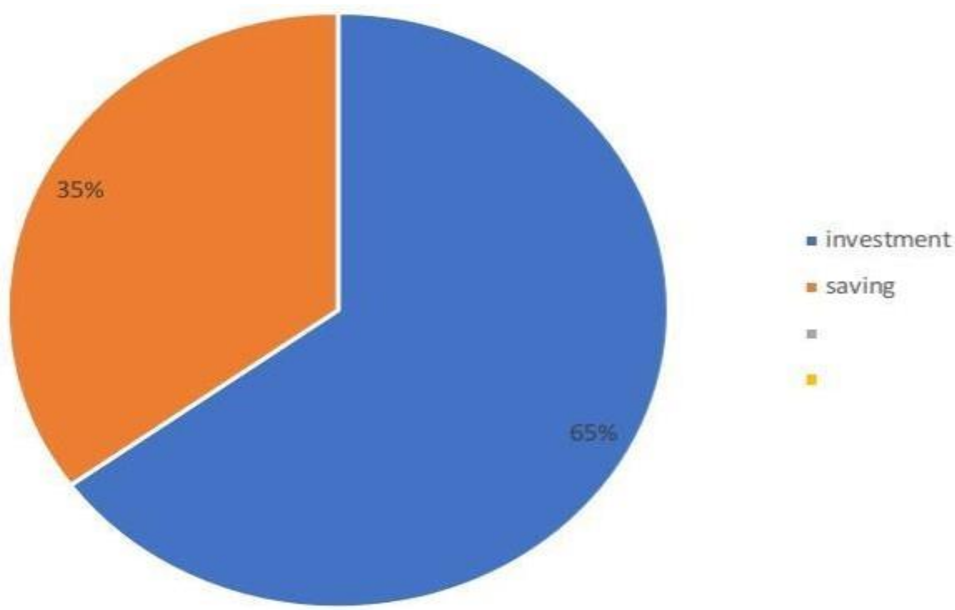


Over 50%	3

Interpretation: Interpretation: The distribution of the respondents indicated that the largest group of respondents is 13 i.e. representing 65% where they save less than 20% of their part income. The second largest group of respondents is 3 i.e. representing 15% where they save between 20% to 35% part of income. The next group of respondents is 3 i.e. representing 15% where they save over 50% of their part income. The least group of respondents is 1 i.e. representing 5% where they save between 35% to 50% of their part income.

What do you prefer as a part of your financial planning?

Options	No. Of responses



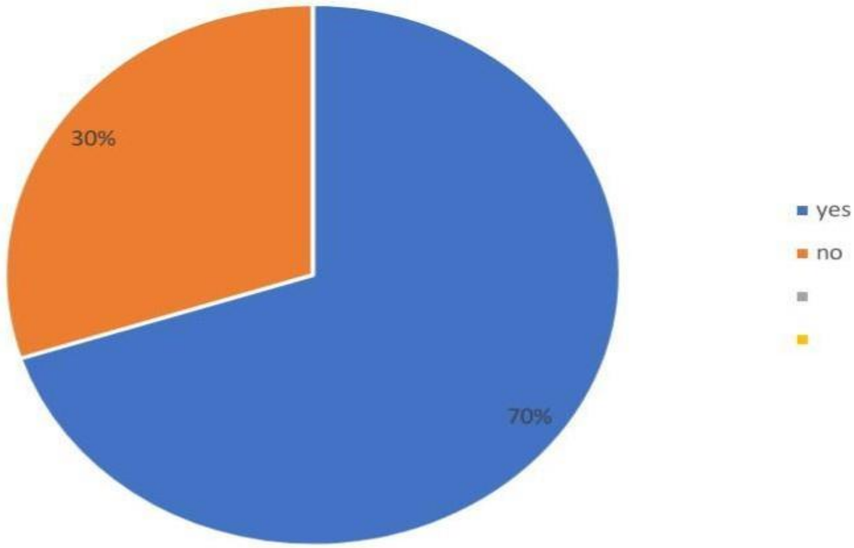
Investment	13
Saving	7

Interpretation: The distribution of the respondents indicated that the largest group of respondents is 13 i.e. representing 65% we're they prefer investment as a part of financial planning. The second largest group of respondents is 7 i.e. representing 35% where they prefer saving as a part of financial planning.

Do you have enough time to manage your investment affairs?

Option s	No of responses
Yes	14
No	6

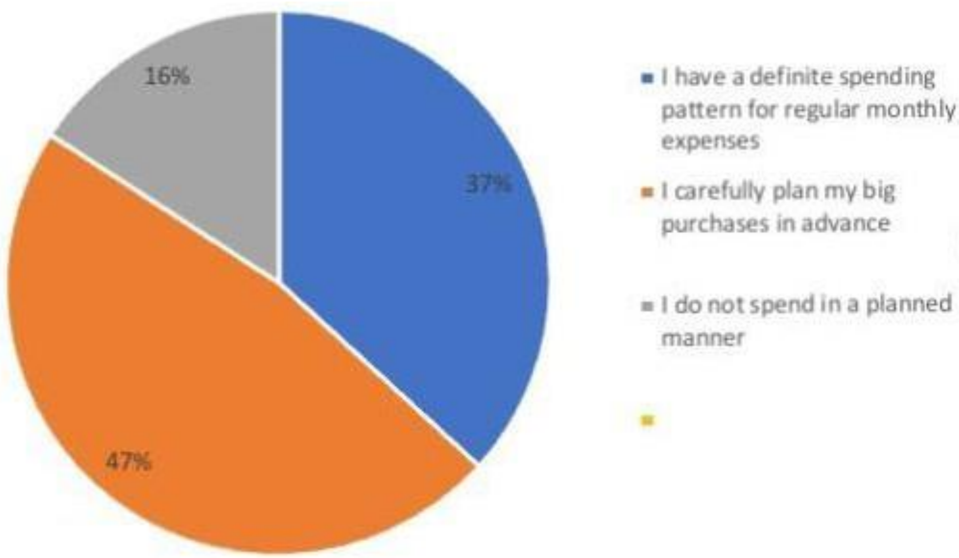
Interpretation: The distribution of the respondents indicated the largest group of respondents is 14 i.e. representing 70% where they have time for investment



affairs.The next group distribution of the respondents is 6 i.e. representing 30% where they do not have time for investment affairs.

What are your spending habits

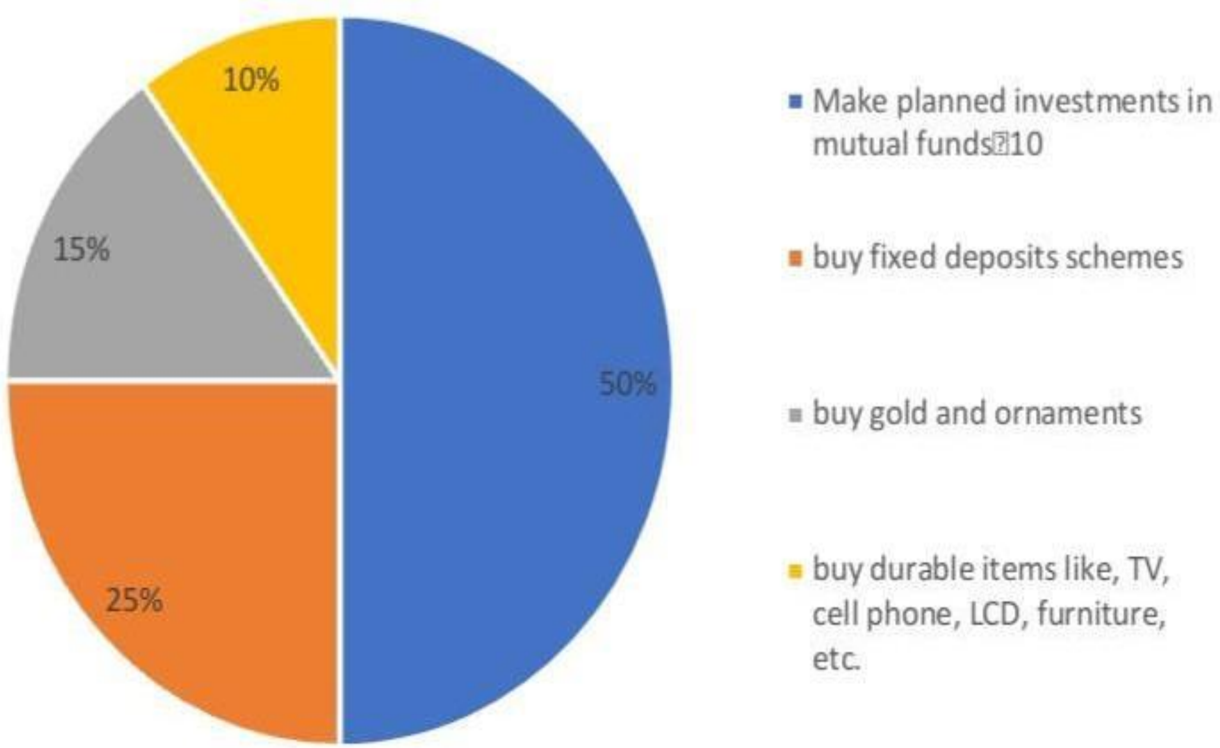
Option	No.Of responses
I have definite spending pattern for regular monthly expenses	7
I carefully plan my big purchases in advance	9
I do not spend in a planned manner	3



<u>Interpretation:</u> The distribution of the respondents indicated that the largest group of respondents is 9 i.e. representing 47% were they carefully plan my big purchase in advance. The next group distribution of respondents is 7 i.e. representing 37% were they have a definite spending pattern for regular monthly expenses. The least group of respondents is 3 i.e. representing 16% where they do not spend in a planned manner.

My investment generally are comprised of ?

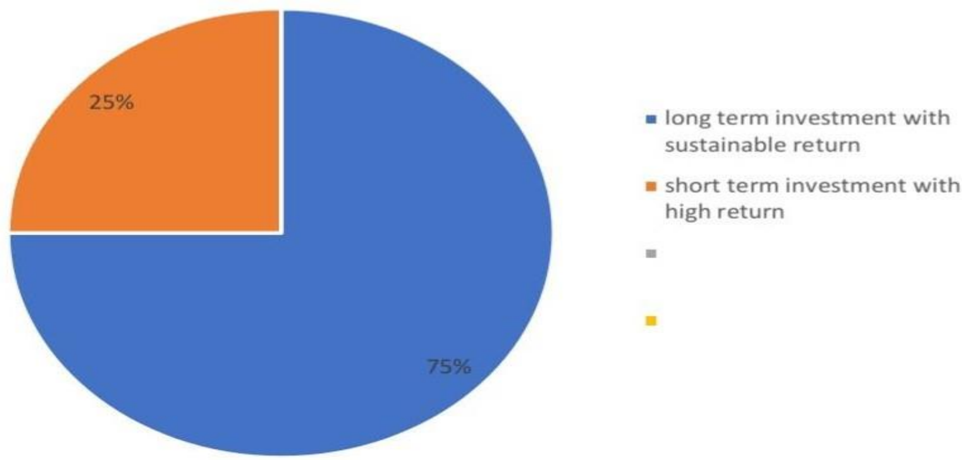
Options	No. Of responses
Make planned investments in mutual funds	10
Buy fixed deposits schemes	5
Buy gold and ornaments	3
Buy durable items like, TV , cell phone, LCD, furniture	2



Interpretation: The distribution of the respondents indicated that the largest group of respondents is 10 i.e. representing 50% were they make planned investments in mutual funds. One group of respondents is 5 i.e. representing 25% where they buy fixed deposits scheme The other group of respondents is 3 i.e. representing 15% where they buy gold and ornaments. The Least group of distribution of the respondents is 2 i.e. representing 10% were they buy durable items like TV, LCD, Refrigerator, Cell phone, furniture etc..

What kind of investment do you prefer?

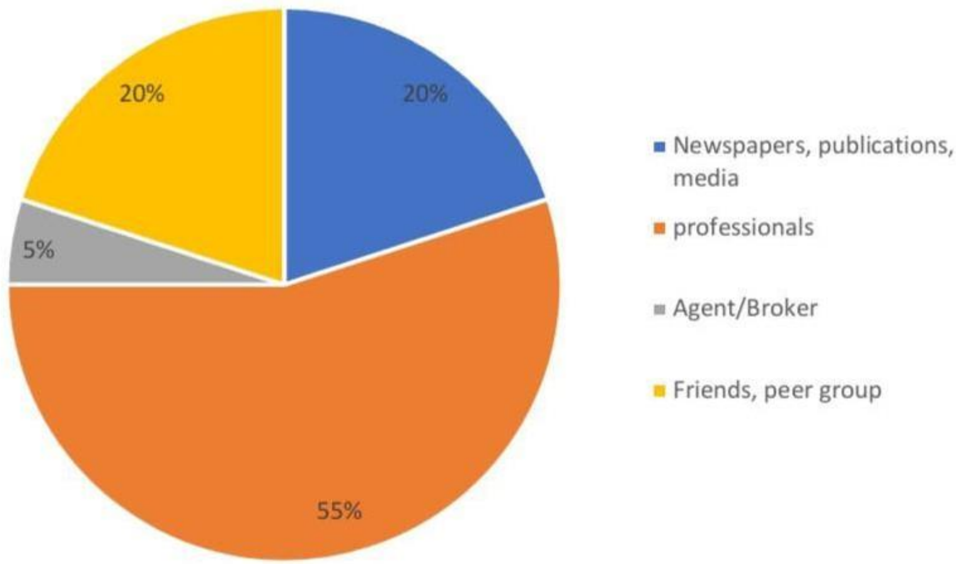
Options	No. Of responses
Long term investment with sustainable returns	15
Short term investment with high return	5



<u>Interpretation:</u> The distribution of the respondents indicated the largest group of respondents is 15 i.e. representing 75% where they invest in long term investment with sustainable return. The next distribution group of the respondents is 5 i.e. representing 25% where they invest in short term investment with high return.

Your various sources of information/ reference which influence investment decisions?

Options	No. Of responses
Newspapers, publications, media	4
Professionals	11
Agent/Broker	1



<u>Interpretation :</u> The distribution of the respondents indicated that the largest group of respondents is 11 i.c. representing 55% where they refer professionals for their investment decision. The second largest group of respondents is 4 i.e. representing 20% where they refer to newspapers, publications, media, for their investment decision.. The next group of respondents is 4 i.e. representing 20% where they refer to friends, peers groups for their investment decision. The least group of respondents is 1 i.e. 5% where they refer to agents/brokers for their investment decision.

CHAPTER 06 : CONCLUSION

The research study has deducted that financial planning habit has a significant associations both with the choice of the investments and savings, the investment decisions are more based on the willingness to take the risk rather than the ability to take risk. Not only does sound planning improve one's standard of living, it also helps to stretch one's purchasing power and accumulate wealth in the most effective manner. The essence of financial planning is thus to provide a person with a perspective of what to do with ones money in order to attain one's financial goals. It is further deducted that preference to investment objectives of safety of principal, regular income, capital growth and tax benefit of investors have significant difference among investors with habit of making and not making financial plans. Also the investment preference towards saving account, fixed deposit, mutual funds, shares and gold or silver of investors have significant difference among investors making and not making financial plans. However the investment avenues of small saving scheme, life insurance, capital market debt instruments and real estate does not have significant associations to the habit of making/not making financial plans.

CHAPTER 07: SUGGESTIONS

Allocate at least 20% of your income towards financial priorities. By priorities, we mean building up emergency savings, paying off debt, and padding your retirement. individual should at least take an annual pulse of their finance. This doesn't necessarily mean a full financial overhaul each year, but it could mean making small tweaks that in long run may pay off. Increased consumer awareness as to the necessity of financial education and how they can access it is needed. Financial education is not just for investors. It is just as important, if not more so, for the average family trying to balance its budget and save for the children's education and the parents retirement. More needs to be learned about the financial education

,needs of consumer at various stages in their lives and how financial education programmes can be designed to best address these need.

After all this it can be stated that the fundamentals of successful investing is:

- Save regular and invest regularly
- Start early
- Diversify
- when needed.
- Save regular and invest regularly
- Use tax shelter
- Keep a regular check on investment and modify plans as and when needed.

All the documentations should be complete and need to be preserved. At the time of maturity it is necessary to produce the investment documents which acts as a proof. But many times investors do not have proper documents which dishonours the claims at maturity. It is also recommended that all the disclosure documents also be preserved as it would help in case of any dispute in settlement.

Mutual funds could provide better advice to their investors on the net and through the traditional investment routes where there is an additional channel to deal with the brokers. Direct dealing with the fund could help the investor with their financial planning.

Financial planning is not a one time activity, the initiative should be taken by a financial planner to put this forward to their client. Regular meetings should be conducted between the financial planner client to review the investment portfolio. This is one area where many planners are lacking today.

CHAPTER 08: APPENDIX

i. Gender
- Female
- Male

ii. Age:
- 18-30 years
- 30-50 years
- Above 50 years

iii. Occupations:
- Service
- Business
- Professional
- Farming

iv. Income:
- Upto 2 lakhs
- 2 lakhs to 5 lakhs
- 5 lakhs to 10 lakhs
- 10 lakhs above

v. What percentage of your income salary do you save?
- Less than 20%
- Between 20% to 35%
- Between 35% to 50%
- Over 50%

vi. What do you prefer as a part of your financial planning?
- Investment

- Savings

vii. Do you have enough time to manage your investment affairs?

- Yes
- No

viii. What are your spending habits?

- I have a definite spending pattern for regular monthly expenses
- I carefully plan my big purchases in advance
- I do not spend in a planned manner

ix. My investments generally are comprised of

- Make planned investments in Mutual Funds
- Buy fixed deposit schemes
- Buy gold and ornaments.
- buy durable items like TV, LCD, Refrigerator, Cell phone, Furniture, etc

x. What kind of investment do you prefer?

- Long term investment with sustainable return
- Short term investment with high return

xi. Your various sources of information/ reference which influence investment decisions?

- Newspaper, Publications, Media
- Professionals
- Agent/Broker
- Friends, Peer groups

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