Let's talk Money summary

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Preface

You are doing ok if:

You have between 6 months to 2 years of emergency funds in a mix of FD in a commercial large bank and very conservative debt funds.

Your loans are less than 30% of your take home salary.

You are increasing safe assets as you age

You have your own medical cover

You have your will in place

You are building a second and a third career even as you work your current job.

Don’t stash that cash

You are doing ok if:

You have a 3 account system that separates your income, spending and savings.

Your spending on living costs is no more than 45-50% of your take home income.

Your EMI payouts are no more than 25-30% of your take home income.

Your savings are at least 15-20% of your take home income.

Emergencies need a fund

You are doing ok if:

You have between 6 months to 2 years living costs in an emergency fund.

You are a double income family with no dependent parents and have 3 months living expenses.

You are a single income family with dependent parents and have a year’s living costs in an emergency fund.

You are in your 50s and have 2 years of living expenses in this fund.

Your emergency fund sits in fixed deposits or very safe debt funds.

Building your protection

You are doing ok if:

Along with your work cover, you have your own family cover

You live in small-town in India and have a family floater between Rs 3 -7 lacs.

You live in the large metros and want the five star hospitals and have a minimum of Rs 15 lacs family floater.

You are over 60 years old and have a top up plan to bump up your basic cover.

What if you die

You are doing ok if:

You have a pure term insurance plan.

You bought this online to remove agent Commission cost.

You don't have a single UIP or a traditional plan in your Money Box.

You have a sum assured that is 8 to 10 times your annual take home income or 15 to 20 times your annual expenditure.

Finally, we are investing

You are doing OK if :

You are committed to drawing up an investment plan.

You have written down your near medium and long term goals.

You have put the monetary value to these goals.

You understood what amount you need to invest today.

Let's de-jargon investing

You are doing OK if :

You have no more than 5 to 10% of your portfolio in gold and they are in the form of government gold bonds.

You own one house as the roof over your head and no more.

You have your FDS, PF and PPF debt funds and no other debt products No corporate deposits, no chit funds, no ATI bonds.

Your debt allocation is equal to your age. At age 30, no more than 30% of your portfolio is in debt products. At 70, no more than 70% in debt products. The rest is equity.

Equity

You are doing OK if :

You understand that equity cooks over time and you need at least 7 to 10 years of patience to see returns.

You understand that you will not double your money overnight, but will get a return that is between 12 to 15% a year.

You understand that mutual funds are the best way to give your money and equity exposure.

You understand that if you don't have the ability to choose funds, you invest through index funds or ETFs.

Mutual funds

You are doing OK if :

You understand that you can invest in debt, equity and gold through mutual funds.

You understand that managed funds cost more, carry more risk, but also can give higher returns.

You understand that the lowest cost and safest way to get an equity exposure is to use index funds or ETFs that track the sensex or Nifty 50.

You understand that churning your mutual fund portfolio benefits the seller and not you, and therefore you should choose carefully and stay invested for years.

Putting it all together

You are doing OK if :

You understand that further away your goal, the more risk you can take.

For your near term goals within three years, you invest in ultra short term or conservative hybrid mutual funds.

For your medium term goals that are about three to seven years in the future, you invest in aggressive hybrid and diversified equity mutual funds.

For your long term goals that are 7 or more years away, you invest in a mix of diversified equity, multi cap, mid cap, and small cap funds.

My Retirement

You are doing OK if :

You are saving about 10 to 15% of your take home salary towards your retirement.

At age 30, If you have 0 retirement money, to start saving 30% of your post tax income, at age 40, 40% and at age 50, 80% of your income.

You are targeting a retirement Kitty that is between 18 and 35 times your annual spending at age 60.

By age forty, you have three times your annual income as a retirement Kitty, by age fifty, six times your annual income, and by age sixty. 8 times your annual income as your retirement Kitty.

Redo the box

You are doing OK if :

You don't watch the stock market tickers and then change your Money Box.

You set up dates twice a year to redo your Money Box(Attaching them to major festivals or birthdays that are about 6 months apart being a good nudge).

You rebalance your portfolio and return to your asset allocation, which means sometimes selling some equity when a bull run is raging.

A personal situation changes and you reconfigure the box accordingly to suit the change.

Will it

You are doing OK if :

You have a valid will in place no matter what your age and stage.It's OK to have a will at age 35.

Your will has details of all the assets and details about who gets what.

You have informed your family about the existence and location of the will.

You have made a plan for your family to use the proceeds of the insurance policies and assets to smoothen their transition.

What kills a Money Box

You are doing OK if :

Your spending is in control and you are paying off your credit card bills in full as they arrive each month.

Your borrowing is under control with good loans like a home loan rather than personal loans to fund lifestyle related consumption.

You stay away from the periodic investment manias like Bitcoin or emu farms.

You continue your sips even if markets tank.