

URL: <https://1finance.co.in/blog/5-tailwinds-for-a-smooth-retirement-journey-in-india/>

TITLE: 5 Tailwinds for a Smooth Retirement Journey in India

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“Don’t retire from something, retire to something” Retirement is a major transition in your life that can be both exciting and daunting. With more nuclear families, the traditional reliance on children for elder support is reducing and now retiring comfortably requires robust financial & retirement planning and utilisation of resources.

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Fortunately, there are several helpful tailwinds at play that can make the retirement planning journey easier to navigate. With proper retirement planning and foresight, retirees in India can look forward to a smooth and fulfilling next chapter.

This is where the right strategies and expert guidance can make all the difference in turning retirement into your most fulfilling life chapter. By leveraging key tailwinds early on, and getting professional advice, you can retire to an enriching second innings rather than just from a lifelong career.

Let’s look at 5 key strategies that are acting as tailwinds for Indian retirees in 2024 and beyond.

STARTING EARLY

Beginning to save consistently in your 20s or 30s allows decades for compound growth to build a robust retirement corpus. With early efforts, you can invest more aggressively early on and accumulate potentially higher returns. Getting a head start also provides flexibility to save at lower rates as retirement nears.

USING RETIREMENT PRODUCTS THAT EFFICIENTLY SAVE TAX

Structuring your savings and investments to maximise tax advantages under Indian laws can enhance long-term growth. Contributing to EPF, PPF, NPS and other tax-saving instruments provides significant savings over time. It lowers your taxable income while allowing investments to compound tax-free for years, increasing net returns.

AVOIDING WITHDRAWALS

Resisting the temptation to make early withdrawals from retirement funds is key. Cashing out decreases your principal and reduces future compounding. Avoid withdrawals and plan other savings to cover near-term needs. Keeping retirement funds invested longer enables greater growth potential.

CONSULTING A HOLISTIC FINANCIAL ADVISOR

A holistic advisor takes the time to thoroughly review your complete financial situation, including assets, expenses, risk appetite, family needs and more.

Based on their analysis they suggest personalised strategies tailored specifically to you to help maximise retirement savings and investment returns.

Their guidance can help you make optimised decisions on selecting the right mix of financial products, balancing debt paydown versus investing, utilising tax-saving instruments properly, and maintaining an

optimal asset allocation over time.

A good advisor proactively keeps you updated on new retirement planning opportunities and changes in regulations. They act as an objective sounding board for key decisions on whether to purchase annuities, how to withdraw savings in retirement, create legacy assets for the family, and more.

This expert guidance is invaluable in creating and fine-tuning an integrated retirement planning strategy designed around your unique situation and goals.

INCREASING SAVINGS RATE

As your income grows, strive to increase your retirement contribution rate. Even small increases make a difference over time. Setting up automatic escalation of your contribution annually is an easy way to ensure you're saving more as income rises. The more you can save, the more your retirement corpus can grow.

Leveraging these tailwinds early and consistently can help retirement savings expand exponentially during your working years. They provide momentum to pursue the comfortable, secure retirement you deserve. With proper diligence and advice, you can make these tailwinds work hard for your future.

URL: <https://1finance.co.in/blog/who-is-a-sebi-registered-investment-advisor/>

TITLE: Who is a SEBI Registered Investment Advisor?

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Imagine you're feeling unwell—you'd go to a doctor, right? Or if your car breaks down, you'd visit a mechanic. In the same way, when it comes to investing in securities and mutual funds, it's wise to consult a SEBI Registered Investment Advisor (SEBI RIA). But who exactly is a SEBI RIA, and why is it important to seek their advice? Let's find out!

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WHO IS A SEBI REGISTERED INVESTMENT ADVISOR (RIA)?

A SEBI Registered Investment Advisor (SEBI RIA) is a professional or a firm registered with SEBI under the Investment Advisers Regulations, 2013. These advisors are authorised to provide investment advice and financial planning services to clients. The registration ensures that the advisor adheres to the stringent guidelines and maintains high standards of conduct and professionalism.

Qualifications and Registration Process

To become a SEBI Registered Investment Advisor (SEBI RIA), one must meet specific educational and experience criteria. The requirements include:

Educational Qualifications: A postgraduate degree or a professional qualification such as CFA, CA, CS, ICWA, or an equivalent.

Experience : At least five years of experience in activities related to advice in financial products or securities or fund or asset or portfolio management.

Certification : Certification from the National Institute of Securities Markets (NISM) or any other certification recognized by SEBI.

Once these criteria are met, the individual or firm can apply for registration with SEBI to become a SEBI Registered Investment Advisor (SEBI RIA). The application process involves submitting various

documents and details, including a detailed business plan, compliance policies, and the code of conduct.

Duties and Responsibilities

A SEBI Registered Investment Advisor (SEBI RIA) has several duties and responsibilities, ensuring that the client's interests are paramount. These include:

Fiduciary Duty: SEBI RIAs have a fiduciary duty to act in the best interest of their clients, putting their clients' interests ahead of their own.

Transparency: They must maintain transparency in their dealings, clearly disclosing any potential conflicts of interest.

Fairness: Providing unbiased and fair advice, free from any form of mis-selling or hidden agendas.

Confidentiality : Safeguarding the confidentiality of client information and using it only for the purpose of providing advice.

Documentation and Reporting: Keeping thorough records of all client interactions and advice provided, and periodically reporting to SEBI.

BENEFITS OF CONSULTING A SEBI REGISTERED INVESTMENT ADVISOR

Professional Guidance: SEBI RIAs offer professional and expert advice tailored to your financial goals and risk tolerance.

Regulated Advice: Being regulated by SEBI, RIAs adhere to strict guidelines, ensuring ethical and transparent conduct.

Conflict-Free: Unlike brokers or agents, SEBI RIAs do not earn commissions from selling financial products, reducing the potential for conflicts of interest.

Comprehensive Financial Planning: SEBI RIAs provide holistic financial planning services, including investment planning, retirement planning, tax planning, and estate planning.

Client-Centric Approach : With a fiduciary duty, SEBI RIAs always prioritise the client's best interests, offering personalised and unbiased advice.

WHO CAN BECOME A SEBI REGISTERED INVESTMENT ADVISOR (RIA)?

Anyone engaged in or planning to engage in the business of providing investment advice to clients , whether individuals (financial advisors) or groups, must apply for registration under SEBI's Investment Adviser (IA) regulations.

HOW TO BECOME A SEBI REGISTERED INVESTMENT ADVISOR?

To become a SEBI Registered Investment Advisor (RIA), follow these steps as outlined in the SEBI (Investment Advisers) Regulations, 2013:

Application Submission :

Submit an application to SEBI in Form A as specified in the regulations, along with all necessary supporting documents.

Response Time :

Typically, SEBI responds within one month of receiving the application. However, the actual time for registration depends on how well the applicant meets all registration requirements and provides complete information.

Review Regulations :

Applicants should thoroughly review the SEBI (Investment Advisers) Regulations, 2013 to understand eligibility criteria and other details that can expedite the registration process.

Covering Letter Details :

The covering letter accompanying the application should include:

Whether the applicant has been providing investment advisory services prior to these regulations, and if so, details of such services.

Confirmation if the application is for registering as a new Investment Adviser.

Required Documents and Fees :

Submit the following as part of the registration process:

A duly filled, numbered, signed, and stamped Form A.

An application fee of 5,000 via bank draft payable to "The Securities and Exchange Board of India" in Mumbai.

Online Application :

Additionally, make an online application as per SEBI's prescribed guidelines.

GRANT OF CERTIFICATE OF REGISTRATION

SEBI Evaluation :

SEBI will consider all specified requirements and, upon satisfaction, approve the application. The applicant will be informed and, upon payment of the registration fees, a certificate of registration will be granted under specified terms and conditions.

Payment of Registration Fees :

Upon receiving SEBI's approval, the applicant must pay a registration fee of:

1,00,000 if the applicant is a corporate entity.

10,000 if the applicant is an individual.

Payment should be made via bank draft payable to "The Securities and Exchange Board of India" in Mumbai. Once the fee is received, SEBI will issue the certificate of registration.

POST-REGISTRATION COMPLIANCE

Compliance Requirements :

Once registered, the Investment Advisor must comply with SEBI's reporting requirements as specified from time to time.

Regular Updates :

The Investment Advisor should regularly check SEBI's website for updates, circulars, or guidelines relevant to IAs.

Notification of Changes :

The Investment Advisor must inform SEBI of any material changes to the details previously furnished within a reasonable period.

WHAT IS THE FEE STRUCTURE FOR REGISTRATION AS AN INVESTMENT ADVISOR (IA)?

The fee structure for registration as an Investment Advisor (IA) is outlined in Regulations 3(2), 9, and Schedule II of SEBI's regulations. The fees vary depending on the category of the applicant, as detailed below:

*Amounts exclude GST. **Fees must be paid as specified in the regulations.

*Amounts exclude GST. *Fees must be paid as specified in the regulations.

DO CAS, CSS OR ICWAS ALSO NEED TO SEEK REGISTRATION UNDER IA REGULATIONS?

Members of professional bodies such as the Institute of Chartered Accountants of India (ICAI), the Institute of Company Secretaries of India (ICSI), and the Institute of Cost Accountants of India (ICWAI) are exempt from obtaining registration under SEBI's Investment Adviser (IA) regulations when providing investment advice incidental to their primary professional services. For instance, if a Chartered Accountant (CA) advises a client on tax planning and suggests investing in Equity Linked Savings Scheme (ELSS) as part of that advice, this is considered incidental to their role as a tax consultant and does not require separate IA registration.

CONCLUSION

In the complex world of finance, a SEBI Registered Investment Advisor (RIA) is a trusted professional who puts clients first. Adhering to strict regulations and maintaining a fiduciary duty, RIAs offer crucial guidance that helps investors confidently navigate their financial journeys. Whether you're planning for retirement, saving for your child's education, or aiming to grow your wealth, consulting a SEBI Registered Investment Advisor is a wise step towards achieving your financial goals.

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URL: <https://1finance.co.in/blog/tax-planning-meaning-importance-benefits/>

TITLE: Tax Planning: Meaning, Importance, and Benefits

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Tax planning forms an integral component of an individual's financial management. It involves organising one's financial affairs to optimise tax liability within the legal framework.

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This article intends to simplify the meaning, importance, and benefits of tax planning and thus reinforce its relevance in efficient financial management.

WHAT IS TAX PLANNING?

Tax planning is the process of analysing one's financial situation to ensure maximum tax efficiency. It involves arranging financial affairs in ways that defer or avoid taxes by taking advantage of tax deductions, credits, and exemptions legally. The primary goal is to minimise tax liability by understanding the different tax laws and provisions.

Tax planning should not be confused with tax evasion. While evasion refers to illegally avoiding taxes, tax planning is a legal method of reducing the tax burden. It requires a sound understanding of the tax laws that are specific to the country in which the individual resides. Proper tax planning ensures that individuals do not overpay or underpay taxes.

TYPES OF TAX PLANNING

There are several types of tax planning, each designed to meet different financial goals:

- Annual Tax Planning : This involves planning at the start (or sometimes even at the end) of the financial year with the primary objective of saving tax in the current year. It includes making last-minute investments to avail of tax benefits.
- Long-Term Tax Planning : This type of planning is done with a long-term perspective. It involves strategic financial decisions and investments made at the beginning of the planning exercise. The objective is to minimise taxes over several years while also achieving financial growth.
- Purposeful Tax Planning : It involves tax-saving decisions aligned with specific purposes, such as creating assets/ trusts, restructuring income, or making productive investments that also offer tax benefits.

- Annual Tax Planning : This involves planning at the start (or sometimes even at the end) of the financial year with the primary objective of saving tax in the current year. It includes making last-minute investments to avail of tax benefits.
- Long-Term Tax Planning : This type of planning is done with a long-term perspective. It involves strategic financial decisions and investments made at the beginning of the planning exercise.

The objective is to minimise taxes over several years while also achieving financial growth. • **Purposive Tax Planning** : It involves tax-saving decisions aligned with specific purposes, such as creating assets/trusts, restructuring income, or making productive investments that also offer tax benefits.

IMPORTANCE OF TAX PLANNING

Tax Savings : The foremost importance of tax planning lies in saving money by reducing taxable income. It allows individuals to invest or spend the saved amount in ways that promote financial growth. **Ensuring Compliance** : A well-planned tax strategy helps individuals to remain compliant with tax laws and regulations. This reduces the risk of penalties or default actions, offering peace of mind to taxpayers. **Optimising Investments** : Tax planning helps in identifying investment avenues that are tax-efficient. This ensures that an individual not only saves on taxes but also earns a return on their investments. **Reduces Tax Liabilities** : Effective tax planning allows one to reduce liabilities by taking advantage of various deductions and exemptions. For example, contributions to retirement accounts, insurance premiums, and educational loans often offer tax breaks. **Managing Cash Flow** : Planning taxes properly ensures that an individual has better control over their cash flow throughout the year. By making early investments and saving on taxes, one can prevent the financial strain that often comes at the time of tax filing. **Retirement Planning** : For individuals, tax planning can be amalgamated with retirement planning. As most tax-saving investments come with a long lock-in, contributing to retirement plans like unit-linked pension funds, provident funds, etc can reduce taxable income while also securing post-retirement income. • **Tax Savings** : The foremost importance of tax planning lies in saving money by reducing taxable income. It allows individuals to invest or spend the saved amount in ways that promote financial growth. • **Ensuring Compliance** : A well-planned tax strategy helps individuals to remain compliant with tax laws and regulations. This reduces the risk of penalties or default actions, offering peace of mind to taxpayers. • **Optimising Investments** : Tax planning helps in identifying investment avenues that are tax-efficient. This ensures that an individual not only saves on taxes but also earns a return on their investments. • **Reduces Tax Liabilities** : Effective tax planning allows one to reduce liabilities by taking advantage of various deductions and exemptions. For example, contributions to retirement accounts, insurance premiums, and educational loans often offer tax breaks. • **Managing Cash Flow** : Planning taxes properly ensures that an individual has better control over their cash flow throughout the year. By making early investments and saving on taxes, one can prevent the financial strain that often comes at the time of tax filing. • **Retirement Planning** : For individuals, tax planning can be amalgamated with retirement planning. As most tax-saving investments come with a long lock-in, contributing to retirement plans like unit-linked pension funds, provident funds, etc can reduce taxable income while also securing post-retirement income.

BENEFITS OF TAX PLANNING

Maximising Tax Deductions and Credits : Tax planning allows individuals to take advantage of deductions for expenses such as children's education fees, insurance premiums paid for health and life, property taxes paid, etc. Tax benefits extended to interest paid on loans for education or home buyouts, home improvements, can also lower the overall tax burden. **Better Investment Opportunities** : Strategic tax planning helps in identifying investment opportunities that not only grow wealth but are also tax-friendly. Investing in certain tax-saving instruments such as unit-linked life insurance policies or pension plans, and mutual funds under section 80C and NPS under section 80D provides dual benefits of wealth creation and tax savings. **Risk Mitigation** : Proper tax planning reduces the risk of future financial strain by preparing individuals and businesses for tax obligations. It ensures that they are not caught off guard by large, unexpected tax demands, which could affect cash flow and liquidity. **Retaining More Income for Wealth Accumulation** : In the long term, tax planning enables individuals to accumulate wealth. The money saved on taxes can be reinvested into other financial avenues like stocks, bonds, or real estate, leading to higher returns and financial growth. **Minimising Litigation** : Careful tax planning ensures compliance with tax regulations, reducing the chances of disputes with tax authorities. This minimises the risk of penalties, audits, or other legal consequences that could arise from incorrect or incomplete tax filings. **Social Benefits** : Tax planning also ensures that individuals and businesses contribute their fair share to the economy through legitimate means. By reducing tax evasion, tax planning supports national

development and the proper allocation of resources for public services. • Maximising Tax Deductions and Credits : Tax planning allows individuals to take advantage of deductions for expenses such as children,Âs education fees, insurance premiums paid for health and life, property taxes paid, etc. Tax benefits extended to interest paid on loans for education or home buyouts, home improvements, can also lower the overall tax burden. • Better Investment Opportunities : Strategic tax planning helps in identifying investment opportunities that not only grow wealth but are also tax-friendly. Investing in certain tax-saving instruments such as unit-linked life insurance policies or pension plans, and mutual funds under section 80C and NPS under section 80D provides dual benefits of wealth creation and tax savings. • Risk Mitigation : Proper tax planning reduces the risk of future financial strain by preparing individuals and businesses for tax obligations. It ensures that they are not caught off guard by large, unexpected tax demands, which could affect cash flow and liquidity. • Retaining More Income for Wealth Accumulation : In the long term, tax planning enables individuals to accumulate wealth. The money saved on taxes can be reinvested into other financial avenues like stocks, bonds, or real estate, leading to higher returns and financial growth. • Minimising Litigation : Careful tax planning ensures compliance with tax regulations, reducing the chances of disputes with tax authorities. This minimises the risk of penalties, audits, or other legal consequences that could arise from incorrect or incomplete tax filings. • Social Benefits : Tax planning also ensures that individuals and businesses contribute their fair share to the economy through legitimate means. By reducing tax evasion, tax planning supports national development and the proper allocation of resources for public services.

CONCLUSION

Tax planning is an essential aspect of personal financial strategy, which should never be ignored. By organising financial affairs efficiently and within the bounds of the law, individuals can minimise tax liabilities, optimise investments, and ensure long-term financial stability. Not only does tax planning offer immediate savings, but it also provides a roadmap for wealth accumulation and future financial growth.

URL: <https://1finance.co.in/blog/5-key-steps-to-plan-a-financially-secure-life/>

TITLE: 5 Key Steps to Plan a Financially Secure Life

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In a world of constant change and uncertainty, achieving financial security is a common aspiration for many. Whether it's building a comfortable retirement fund, buying a home, or pursuing lifelong dreams, financial stability forms the foundation for realising our goals and aspirations. However, the path to financial security isn't always straightforward. It requires careful planning, discipline, and a strategic approach. Here, we check the five key steps to help you plan a financially secure life.

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SET CLEAR FINANCIAL GOALS

The first step towards financial security is defining our goals. What do we want to achieve financially in the short, medium, and long term? Our goals could include buying a house, saving for our children's education, building an emergency fund, or retiring comfortably. Be specific about the objectives and assign a timeline and monetary value to each goal. This clarity will serve as a roadmap for our financial

journey, helping us prioritise our efforts and allocate resources in a better manner.

OBSERVE CASH FLOWS, CREATE A BUDGET & FOLLOW IT

A budget is a powerful tool for managing our finances effectively. Start by tracking our income and expenses to understand where our money is going each month. Categorise our expenses into fixed costs (such as rent or loan payments, utilities, and insurance) and variable costs (such as groceries, entertainment, and dining out). Identify areas where we can reduce spending to free up more money for savings and investments.

Once we have a clear picture of our cash flow, we need to create a budget that aligns with our financial goals. Allocate a portion of our income towards savings, investments, and debt management, while ensuring we have enough for essential expenses and discretionary spending. We must be realistic with our budgeting approach and be prepared to adjust it as our circumstances change. The key is to stick to our budget consistently and avoid unnecessary splurges that could derail our financial progress.

BUILD AN EMERGENCY FUND

Life is unpredictable, and unexpected expenses can arise when we least expect them. Hence, having an emergency fund is crucial for maintaining financial stability. Aim to set aside three to six months' worth of living expenses in a readily accessible savings account or liquid instruments. This fund will serve as a financial safety net, providing us with peace of mind knowing that we can cover unforeseen expenses such as medical emergencies, car repairs, or job loss without resorting to high-interest debt or depleting our long-term savings.

We need to make building our emergency fund a priority, even if it means starting small and gradually increasing our contributions over time. Automate our savings by setting up auto-debit payments from our normal savings account to our emergency fund products, treating it as a non-negotiable expense. Remember, the goal is to have enough savings to manage any financial problem that comes our way without harming our financial security.

INVEST WISELY FOR THE FUTURE

While saving is essential, it's equally important to make our money work for us through investing. Investing allows us to grow our wealth over time, outpacing inflation and building a corpus for the future. We need to start by educating ourselves about different investment options, including Stocks, Bonds, Mutual Funds, Real Estate, and Retirement products like NPS, etc.

Diversification is key to minimising risk and maximising returns. We need to spread our investments across different asset classes and sectors to reduce the impact of market fluctuations. We can consider seeking professional advice from a financial advisor to help us develop an investment strategy tailored to our risk tolerance, time horizon, and financial goals.

We need to stay disciplined and avoid making impulsive investment decisions based on short-term market trends or emotions. Instead, we need to focus on the long-term growth potential of our investments and stay committed to our strategy, even during periods of market volatility. Remember, investing is a marathon, not a sprint, and patience is essential for achieving financial success.

PLAN FOR RETIREMENT

One of the most significant financial goals for many individuals is ensuring a comfortable retirement. We need to start planning for retirement as early as possible to take advantage of the power of compound interest and give our savings time to grow. We must estimate our retirement expenses based on our desired lifestyle and anticipated healthcare needs, considering factors such as inflation and longevity. We need to contribute regularly to our retirement accounts such as EPF or NPS, taking advantage of any

employer matching contributions and tax benefits available. We need to consider consulting with a retirement planning expert to help us develop a comprehensive retirement strategy tailored to our unique circumstances.

We must monitor our progress towards our retirement goals regularly and adjust as needed to stay on track. As we approach retirement age, gradually shift our investment portfolio towards more conservative options to protect our savings from market volatility and ensure a steady income stream during our golden years.

CONCLUSION

In conclusion, achieving financial security requires careful planning, discipline, and a long-term perspective. By setting clear goals, creating a budget, building an emergency fund, investing wisely, and planning for retirement, we can take control of our financial future and build a solid foundation for a life of prosperity and peace of mind. We need to remember; that financial security is not just about accumulating wealth; it is about having the freedom to live life on our terms and pursue our dreams without the burden of financial stress. We must start taking steps today to secure our financial future and unlock the door to a brighter tomorrow.

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URL: <https://1finance.co.in/blog/financial-well-being-vs-financial-wellness-whats-the-difference/>
TITLE: Financial Well-Being vs. Financial Wellness: What's the Difference?
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CONTENT:

In today's complex financial landscape, understanding the nuances of financial health is more critical than ever. Two terms that often surface in conversations about money are "Financial Well-Being" and "Financial Wellness." While they may seem interchangeable, they represent distinct aspects of financial stability. This blog aims to demystify these terms, delve into their individual components, and offer a roadmap to achieving both. By understanding the differences and similarities between Financial Well-Being and Financial Wellness, you'll be better equipped to make informed decisions that lead to a more secure and fulfilling financial life.

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WHAT IS FINANCIAL WELL-BEING?

Definition Financial Well-Being is a state where you have sufficient financial security and financial freedom to make choices that allow you to enjoy life. It's not merely about accumulating wealth but achieving a balance that offers both stability and the freedom to live as you choose.

KEY COMPONENTS

Financial Well-Being rests on two main pillars:

1. Emotional Security: This is the peace of mind that comes from knowing you can meet your daily expenses and unexpected financial emergencies without undue stress.
2. Financial Security: This involves having a robust financial structure, including savings, investments,

and a safety net for emergencies like job loss or health issues.

Real-World Examples Consider Neha, a 40-year-old professional. She has a stable job, zero debt, and a six-month emergency fund. She takes vacations without worrying about the financial repercussions and enjoys her weekends without the looming dread of Monday bills. Sarah is a prime example of someone who has achieved financial well-being.

BENEFITS OF ACHIEVING FINANCIAL WELL-BEING

Achieving financial well-being offers a multitude of benefits. It reduces stress, thereby positively impacting your mental health. It also enhances your quality of life, allowing you to engage in activities that bring joy and fulfillment, whether it's traveling, pursuing a hobby, or spending quality time with loved ones.

WHAT IS FINANCIAL WELLNESS?

Definition Financial Wellness is the active pursuit of financial literacy and responsible financial behavior. It's about understanding how to manage, save, and invest your money wisely.

KEY COMPONENTS

Financial Wellness focuses on:

1. Financial Literacy: This involves understanding financial terms, knowing how to create and maintain a budget, and understanding various investment options.
2. Financial Behavior: This refers to the actions you take based on your financial literacy, such as saving a portion of your income, budgeting wisely, and investing for the future.

Real-World Examples Meet Sanjay, a 30-year-old software engineer. He reads financial blogs, follows a strict budget, and invests 20% of his income. While he may not have the extensive savings that Neha has, his disciplined approach is setting him on the path to financial wellness.

BENEFITS OF ACHIEVING FINANCIAL WELLNESS

Being financially well equips you to make informed decisions. This can lead to achieving long-term goals like buying a home, starting a business, or even retiring early. It also provides a sense of empowerment and control over your financial destiny.

THE OVERLAP AND DIFFERENCES

Financial Well-Being and Financial Wellness are two terms that often get used interchangeably, but they serve different yet complementary roles in your financial life. At first glance, they may seem to be talking about the same thing—after all, both aim to help you achieve a state of financial stability and peace of mind. However, when you dig deeper, you'll find that they focus on different aspects of your financial journey.

Financial Well-Being is the end goal; it's the destination you're trying to reach. It represents a state where you have enough financial security and emotional peace to live your life on your terms. It's about reaching a point where money is a tool, not a source of stress. In this state, you have the freedom to make choices that allow you to enjoy life, whether that means going on vacations, pursuing hobbies, or spending time with loved ones without worrying about the financial implications.

On the other hand, Financial Wellness is the journey to that destination. It's about the steps you take to reach a state of Financial Well-Being. This involves acquiring financial literacy, understanding how to

budget, save, and invest, and then applying this knowledge through responsible financial behavior. Understanding the overlap and differences between these two concepts is crucial because it helps you focus your efforts. Financial Wellness is what you practice to achieve Financial Well-Being. Knowing this distinction allows you to set actionable goals and measure your progress effectively.

WHY THE DISTINCTION MATTERS

Understanding the difference is crucial for effective financial planning. Knowing that Financial Wellness is the path allows you to focus on education and behavior, while understanding that Financial Well-Being is the goal helps you measure your progress and gives you something to strive for.

HOW TO ACHIEVE BOTH ?

Practical Steps for Financial Well-Being 1. Create an Emergency Fund: Aim for at least six months' worth of living expenses. 2. Pay Off High-Interest Debts: Focus on debts like credit card balances that can quickly accumulate. 3. Invest Wisely: Diversify your portfolio to include a mix of assets. 4. Take Qualified Advice: While self-education is essential, consulting with a Certified Financial Planner or a qualified financial advisor can provide you with personalized, expert advice tailored to your specific needs and financial situation.

Practical Steps for Financial Wellness 1. Educate Yourself: Read books, take online courses, or even attend financial seminars. 2. Create a Budget: Use apps or traditional methods to track your income and expenses. 3. Seek Professional Advice: Consult with financial advisors for personalized financial planning.

TOOLS AND RESOURCES

Budgeting Apps: Using budgeting apps (you can do your research and use the most suitable app for your purpose) is an excellent way for tracking your income, expenses, and investments. These apps are tailored for the Indian market and can even help you understand your spending habits.

Books: While international books like "Rich Dad Poor Dad" are universally applicable, there are also India-specific financial literacy books such as "Let's Talk Money" by Monika Halan that offer insights into managing finances in the Indian context.

Financial Advisors: Certified Financial Planners (CFP), CWM, etc. in India can provide personalized advice tailored to your financial situation.

CONCLUSION

Financial Well-Being and Financial Wellness are two sides of the same coin. One focuses on the emotional and financial security you aim to achieve, while the other equips you with the skills and knowledge you need to get there. Understanding the difference can significantly impact your financial planning and quality of life.

URL: <https://1finance.co.in/blog/10-things-to-remember-before-investing-for-the-first-time/>

TITLE: 10 Things to Remember Before Investing for the First Time

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Investing can be a powerful tool for wealth creation and securing financial stability. However, for first-time investors, this process may seem daunting. With such a plethora of investment options available, it's crucial to approach investing with a basic understanding of the fundamental principles. Here are some key points to consider before making your first investment.

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EDUCATE YOURSELF

Education is a crucial step in the investment process. Familiarise yourself with basic investment concepts such as diversification, asset allocation, the time value of money, etc. There are numerous resources available including books, online courses, and financial news & websites. Understanding these concepts will help you make informed decisions and avoid common pitfalls.

UNDERSTAND YOUR FINANCIAL GOALS

Before you start investing, it's essential to have a clear understanding of your financial goals. Are you saving for retirement, a down payment on a house, or your children's education? Your goals will influence your investment strategy, including the types of investments you choose and your investment timeline. Long-term goals may allow for aggressive investments, while short-term goals may require conservative choices.

ASSESS YOUR RISK TOLERANCE

Risk tolerance refers to your ability and willingness to lose some or all of your original investment in exchange for greater potential returns. Understanding your risk tolerance is critical, as it will help guide your investment choices. Stocks and mutual funds, for example, can offer high returns but come with higher risks, while fixed deposits and savings accounts are generally safer but have lower returns. Your age, financial situation and goals all play a role in determining your risk tolerance.

START WITH A PROPER PLAN

A well-thought-out investment plan is your roadmap to achieving your financial goals. Your plan should outline your goals, risk tolerance and investment strategy. It should also include a timeline for reviewing and adjusting your investments as needed. Having a plan in place helps keep your investments aligned with your goals and prevents emotional decision-making during market fluctuations.

DIVERSIFY YOUR INVESTMENTS

Diversification is a key principle in investing that involves spreading your investments across different asset classes to reduce risk. By diversifying, you minimize the impact of a poor-performing investment on your overall portfolio. This can be achieved by investing in a mix of stocks, mutual funds, gold, real estate, fixed deposits and other assets. Diversification helps protect your portfolio against market volatility and enhances the potential for long-term gains.

CREATE AN EMERGENCY FUND

Before you start investing, ensure you have an emergency fund in place. This fund should cover three to six months' worth of living expenses and to be kept in a combination of savings account plus FDs / debt funds, at places which are liquid and are easily accessible in case of need. An emergency fund provides a financial cushion in case of unexpected expenses or a sudden loss of income allowing you to avoid withdrawing from your investments prematurely.

STAY DISCIPLINED AND PATIENT

Investing is a long-term game that requires discipline and patience. Market fluctuations are inevitable, and it can be tempting to react impulsively to short-term volatility. However, successful investors stay focused on their long-term goals and avoid making emotional decisions. Stick to your investment plan, review your portfolio regularly, and make adjustments as needed based on your goals and risk tolerance.

UNDERSTAND TAX IMPLICATIONS

Different investments have different tax implications, which can affect your overall returns. Be aware of how interest, dividends and capital gains are taxed. For eg. Fixed deposits might not be suitable for a person falling under the 30% tax bracket as the entire interest will be added to his taxable income. Here, the person can take advantage of arbitrage funds as it has equity taxation. Understanding these implications can help you make more informed investment decisions and optimise your returns.

CUT THE NOISE

Social media and 24-hour news channels can be serious sources of distraction and stress for new investors. Constant exposure to sensational headlines and social media posts about market trends and investment strategies can lead to anxiety and impulsive decisions. To maintain a clear focus and sanctity, limit your consumption of financial news and avoid relying on social media for investment advice. Instead, base your decisions on thorough research and your investment plan. Setting specific times to review your investments and sticking to reputable sources can help keep distractions at bay.

SEEK PROFESSIONAL ADVICE IF NEEDED

If you're unsure about where to start or how to create an investment plan, consider seeking advice from a qualified financial advisor. A professional can help you assess your financial situation, set realistic goals, and develop a personalised investment strategy. They can also provide ongoing support and guidance to help you navigate the complexities of investing.

CONCLUSION

Investing for the first time can be both exciting and intimidating. By understanding your financial goals, assessing your risk tolerance, educating yourself, and creating a solid investment plan, you can set yourself up for success. Remember to diversify your investments, stay disciplined, and seek professional advice if needed. With these considerations in mind, you'll be well on your way to building a secure financial future.

TITLE: How to Get a Credit Card for the First Time

DATE: Date not found

AUTHOR: Author not found

CONTENT:

Just a decade ago, credit cards were a luxury, with stringent eligibility criteria making them accessible to only a select few. However, the landscape has undergone a remarkable transformation. In this blog, we will talk about how you can apply for a credit card for the first time.

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From a mere 2 crore credit cards in circulation in 2011, India has witnessed staggering growth, with the number soaring to an impressive 10 crore by 2024. The calendar year 2023 alone saw the addition of a whopping 16.71 million new credit cards, significantly surpassing the 12.24 million cards issued in 2022. This trend of consistent growth has been a hallmark over the past five years, with the number of credit cards in circulation swelling by nearly 77 % from 55.53 million in December 2019.

So, if you are someone who wants to get your first credit card to unlock a bit more convenience and financial freedom, this article is for you. As a young adult, a credit card can offer you convenience, flexibility, and the opportunity to build a strong credit history.

UNDERSTANDING THE BASICS OF CREDIT CARDS: HOW CREDIT CARDS WORKS

Before diving into the application process, it's crucial to understand the fundamentals of credit cards. A credit card is usually a plastic card issued by a bank or other financial institution. It provides you with access to a pre-approved credit limit that you can use to make purchases and access services. You must repay the used credit within a specified period.

A credit card functions similarly to a loan. However, instead of receiving cash upfront, you are given a set credit limit to spend. The issuer determines this limit, and you are required to repay a certain amount to the lender by the end of each billing cycle.

For instance, suppose you have a credit card from an Indian bank with a credit limit of 50,000. You decide to buy a smartphone costing 20,000 using this card. You can either pay back the 20,000 within the next billing cycle to avoid interest, or you can choose to pay it off over time, in which case interest may be added to the amount you owe.

Each month, you'll receive a statement detailing your transactions and the total amount due. It's essential to pay your bills on time to avoid interest charges and maintain a good credit score.

CHECKING YOUR ELIGIBILITY

To apply for a credit card in India, you typically need to meet certain eligibility criteria. These may include:

- Age:** You must be at least 18 years old to apply for a credit card in India. Some banks may have a higher minimum age requirement of 21 years.
- Income:** Most banks require a stable source of income to approve your credit card application. The minimum income requirement varies between banks and cards, ranging from 15,000 to 25,000 per month.
- Credit Score:** Although you may not have a credit history as a first-time applicant, maintaining a good credit score from the start is essential. A credit score of 750 or above is considered good and can improve your chances of approval.
- Nationality:** You must be an Indian citizen or a Non-Resident Indian (NRI) to apply for a credit card in India.

- **Age:** You must be at least 18 years old to apply for a credit card in India. Some banks may have a higher minimum age requirement of 21 years.
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CHOOSING THE RIGHT CREDIT CARD

With numerous credit card options available in India, it's essential to choose one that aligns with your needs and spending habits. As a first-time credit card user, consider the following factors:

Fees: Look for credit cards with low or no annual fees to minimize costs. Some banks offer lifetime free credit cards, which can be a good option for beginners.

Rewards: Choose a card that offers rewards and benefits that suit your lifestyle. For example, if you frequently shop online, look for cards that offer higher reward points or cashback on online purchases.

Eligibility: Ensure that you meet the eligibility criteria for the card you're interested in. Some banks offer credit cards specifically designed for students or young professionals.

Brand: Consider the reputation and services provided by the card issuer. Opt for well-established banks with a good track record of customer service and security.

Use 1 Finance Credit card Scoring & Ranking System : 1 Finance has developed a powerful engine designed to refine your credit card search, maximize benefits, and evaluate how well your cards align with your needs.

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PREPARING THE REQUIRED DOCUMENTS

To apply for a credit card in India, you'll need to submit certain documents along with your application. Keep the following documents handy:

Identity Proof: Aadhaar Card, PAN Card, Passport, Voter ID Card, or Driving License.

Address Proof: Aadhaar Card, Passport, Voter ID Card, Driving License, Utility Bills, or Rental Agreement.

Income Proof: Salary Slips (last 3 months), Bank Statements (last 3 months), or Income Tax Returns.

Photographs: Recent passport-size photographs.

• **Identity Proof:** Aadhaar Card, PAN Card, Passport, Voter ID Card, or Driving License.

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• **Income Proof:** Salary Slips (last 3 months), Bank Statements (last 3 months), or Income Tax Returns.

• **Photographs:** Recent passport-size photographs.

APPLYING FOR YOUR FIRST CREDIT CARD

Once you've chosen the right credit card and gathered the necessary documents, you can proceed with the application process. Here are the steps to apply for a credit card for the first time in India:

Visit the bank's website or nearest branch to access the credit card application form. Fill out the application form accurately, providing all the required information such as personal details, income, and employment status. Submit the completed application form along with the necessary documents. The bank will verify your details and assess your eligibility based on factors like income, credit score, and employment stability. If your application is approved, the bank will send you a confirmation and your new credit card within a few days. Upon receiving the card, activate it as per the bank's instructions, usually by calling their customer care or through net banking. Set up a strong PIN for your card and sign on the back of the card to prevent unauthorized use.

• **Visit the bank's website or nearest branch to access the credit card application form.**

• **Fill out the application form accurately, providing all the required information such as personal details, income, and employment status.**

• **Submit the completed application form along with the**

necessary documents. • The bank will verify your details and assess your eligibility based on factors like income, credit score, and employment stability. • If your application is approved, the bank will send you a confirmation and your new credit card within a few days. • Upon receiving the card, activate it as per the bank's instructions, usually by calling their customer care or through net banking. • Set up a strong PIN for your card and sign on the back of the card to prevent unauthorized use.

USING YOUR CREDIT CARD RESPONSIBLY

As a first-time credit card user, it's crucial to use your card responsibly to build a positive credit history and avoid falling into debt. Follow these tips to manage your credit card effectively:

Set a budget: Determine how much you can afford to spend each month and stick to your budget. Avoid overspending just because you have a credit card.

Pay your bills on time: Always pay your credit card bills on or before the due date to avoid late payment fees and high-interest charges. Set up automatic payments or reminders to ensure timely payments.

Pay in full: Try to pay your credit card balance in full each month to avoid accruing interest on your purchases. If you can't pay the full amount, pay as much as possible above the minimum due.

Monitor your statements: Regularly review your credit card statements to track your spending and detect any unauthorized transactions. Report any discrepancies to your bank immediately.

Avoid cash advances: Cash advances often come with higher interest rates and fees compared to regular purchases. Avoid taking cash advances unless absolutely necessary.

Keep your credit utilization low: Aim to use no more than 30% of your credit limit at any given time. High credit utilization can negatively impact your credit score.

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BUILDING A GOOD CREDIT SCORE

Your credit card usage plays a significant role in building your credit score, which is crucial for future financial opportunities like loans and mortgages. To build a good credit score, follow these practices:

Make timely payments: Consistently paying your credit card bills on time is the most important factor in building a good credit score.

Maintain low credit utilization: Keep your credit card balances low relative to your credit limit. High utilization can lower your credit score.

Limit new credit applications: Avoid applying for multiple credit cards simultaneously, as each application results in a hard inquiry on your credit report, which can temporarily lower your score.

Monitor your credit report: Regularly check your credit report for errors or discrepancies. You're entitled to one free credit report per year from each of the major credit bureaus in India.

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PROS AND CONS

Pros of Using Credit Cards:

- Facilitates Large Purchases:** Credit cards allow you to make significant purchases and spread the cost over several months, making it easier to manage big expenses without needing the full amount upfront.
- Safety and Convenience:** Carrying a credit card is safer than carrying large amounts of cash. It is also widely accepted in most places, providing a convenient payment method.
- Credit Score Improvement:** Regular use and timely repayment of credit card dues can help in building a good credit score.
- Rewards and Offers:** With a good credit score, you can qualify for additional perks such as cashback, lower interest rates, and other attractive offers.

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Cons of Using Credit Cards:

- Debt Accumulation:** Without careful spending, it's easy to accumulate substantial debt, which can become challenging to repay.
- Impulse Buying:** Having a credit line might encourage impulsive purchases, as it gives the illusion of always having money available.
- Negative Impact on Credit Score:** Failing to meet monthly payments not only forfeits any benefits but also harms your CIBIL score, affecting future loan and credit opportunities.
- Interest Costs:** If balances are carried over from month to month, the interest can add up to a significant debt over time.

• **Debt Accumulation:** Without careful spending, it's easy to accumulate substantial debt, which can become challenging to repay.

• **Impulse Buying:** Having a credit line might encourage impulsive purchases, as it gives the illusion of always having money available.

• **Negative Impact on Credit Score:** Failing to meet monthly payments not only forfeits any benefits but also harms your CIBIL score, affecting future loan and credit opportunities.

• **Interest Costs:** If balances are carried over from month to month, the interest can add up to a significant debt over time.

CONCLUSION

Getting your first credit card in India is a significant step towards financial independence and building a strong credit history. By understanding the process of applying for credit cards, choosing the right card, and using it responsibly, you can enjoy the benefits of convenient and secure transactions while laying the foundation for a bright financial future.

Remember to always pay your bills on time, keep your balances low, and monitor your credit score regularly. By following the tips and guidelines provided in this guide, you can confidently navigate the world of credit cards and make the most of this powerful financial tool.

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URL: <https://1finance.co.in/blog/income-from-real-estate-investment-trusts-reits-and-its-taxation/>

TITLE: Income From Real Estate Investment Trusts (REITs) and its Taxation

DATE: Date not found

AUTHOR: Author not found

CONTENT:

Real Estate Investment Trusts (REITs) have become a popular investment option for individuals seeking exposure to real estate without directly owning or managing properties. They offer a simplified and efficient way to invest in large-scale real estate projects with relatively small capital. However, income from REITs is taxable, and understanding the tax implications is crucial for optimising returns and making informed financial decisions.

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WHAT ARE REITS?

REITs are entities that acquire, own, manage, or finance income-generating real estate. They function like mutual funds but focus exclusively on real estate rather than stocks or bonds. By pooling funds from multiple investors, REITs allow individuals to invest in commercial real estate projects without the operational responsibilities of property ownership. Investors earn income through rental revenue, interest, or capital gains from these properties.

In India, REITs primarily invest in assets like office spaces, shopping malls, and warehouses. Prominent Indian REITs include Embassy Office Parks REIT, Mindspace Business Parks REIT, Brookfield India REIT, and Nexus Select Trust REIT.

The SEBI (Real Estate Investment Trusts) Regulations, 2014 ("REIT Regulations") provide a framework for registration and regulation of Real Estate Investment Trusts ("REIT's").

WHAT IS A SPECIAL PURPOSE VEHICLE (SPV)?

SPV means any Indian company

- (i) in which the REIT holds or proposes to hold not less than 50% of the equity share capital or interest;
- (ii) which holds not less than 80% of its assets directly in properties and does not invest in other special purpose vehicles;
- (iii) which is not engaged in any activity other than holding and developing property and any other activity incidental to such holding or development.

ELIGIBILITY CRITERIA FOR REIT CLASSIFICATION

To qualify as a REIT, entities must meet specific requirements to ensure their primary focus is on real estate income and serve the interests of diverse investors:

1. Trust Setup & Registration: REITs must be set up as trusts and registered with SEBI, involving a trustee, sponsor group, manager, and inducted sponsors.
2. Trustee Role: The trustee holds the REIT assets in trust for unit holders, must be SEBI-registered as a debenture trustee, and should not be associated with the sponsor(s) or manager.
3. Investment in Real Estate: REITs can invest in commercial real estate (both freehold and leasehold) directly or through SPVs and holding companies, excluding mortgage assets.
4. Fundraising Mechanism: REITs raise funds through an initial offer, with subsequent offerings via follow-on issues, rights issues, or QIPs.
5. Mandatory Listing: REITs must be listed on a recognised stock exchange and comply with continuous disclosure requirements.
6. Investment Restrictions: At least 80% of REIT assets must be invested in income-generating commercial properties, while up to 20% can be invested in development properties, debt securities, government bonds, etc.
7. Mandatory Distribution: REITs are required to distribute a minimum of 90% of net distributable cash flows to unitholders, at least semi-annually.
8. No Investment in Other REITs: REITs are prohibited from investing in the units of other REITs.

TAXATION OF REIT INCOME IN INDIA

India's taxation framework for REITs aims to avoid double taxation by levying taxes either at the REIT level or the investor level. Tax treatment varies based on the type of income:

1. Dividend Income

If the SPV opts for the concessional tax rate regime under Section 115BAA, dividend income is taxable for unitholders at applicable slab rates. If the SPV does not opt for the concessional tax rate regime under Section 115BAA, the dividend income is exempt for unitholders.

10% TDS will be applicable for dividend paid to resident unitholders if the amount exceeds 5,000 p.a. (10,000 p.a. from FY 2025-26 onwards)

2. Interest Income

Interest income earned by unitholders from REITs is taxable as per the applicable slab rates.

10% TDS is deducted if interest income exceeds 5,000 p.a. (10,000 p.a. from FY 2025-26 onwards)

3. Capital Gains

Short-Term Capital Gains (STCG): Gains from selling REIT units held for less than one year are taxed at 20%.

Long-Term Capital Gains (LTCG): Gains from selling REIT units held for more than one year are taxed at 12.5% if they exceed 1.25 lakh annually. Indexation benefits are not available.

4. Rental Income

Rental income distributed by REITs is taxed at the applicable slab rates to the unitholder.

10% TDS is deducted on rental income.

BENEFITS OF REITS

1. Liquidity: REITs units are listed on a recognised stock exchange, which makes it easy to buy and sell.

2. Simplified Investment: REITs provide a streamlined way to invest in real estate without the operational challenges of property ownership.

CHALLENGES IN REITS

1. No tax benefits: REITs are of not much help when it comes to tax benefits since the income is taxable in the hands of unitholders at the applicable tax rates.

2. Market Risk: REITs can be subject to fluctuations in the real estate market, leading to inconsistent returns. Economic recessions, changes in interest rates, or falls in property values can all impact the performance.

FINAL THOUGHTS

REITs offer an efficient and lucrative way to invest in real estate without direct ownership or management responsibilities. While the taxation of REIT income can be complex, strategic planning and professional advice can help investors minimise tax liabilities and maximise returns.

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URL:

<https://1finance.co.in/blog/understanding-the-dynamics-of-individual-vs-family-floater-health-insurance/>

TITLE: Understanding the dynamics of Individual Vs Family Floater Health Insurance

DATE: Date not found

AUTHOR: Author not found

CONTENT:

Meet the Kumar family: Mr. Kumar, aged 45 years, Mrs. Kumar, a youthful 42 years, and their vibrant children aged 12 years and 10 years. Recognizing that health insurance has become an essential necessity for most families today and being aware of rising medical costs, the family is searching for health insurance. However, Mr. Kumar is faced with two options — Individual health insurance and Family

Floater Health Insurance.

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Should they opt for individual health insurance plans for each family member, ensuring individual coverage, or embrace the collective security of a family floater plan, that covers all four members under one protective shield?

Each option bears its own set of advantages and potential drawbacks, making it essential for the Kumar family to weigh their choices carefully, considering their unique needs and circumstances.

Let's understand both the options in detail :

INDIVIDUAL HEALTH INSURANCE:

Individual Health Insurance is a policy primarily designed for a single person, offering coverage on an individual sum insured basis. This means that each family member can have their own separate policy, customised to their specific needs and requirements. What's more, the flexibility of this product allows you to add family members, such as your spouse and children, in the future if you wish to provide separate coverage amounts to each individual. This unique feature transforms it into a " Multi-Individual policy ," making it a versatile choice for families of all sizes.

For Example:

Mr. Kumar can choose a health insurance policy that covers himself, his spouse, and their two children, with each family member insured for 5 lakhs individually under the same policy. This means that Mr. Kumar , his spouse, and each of their two children have separate coverage of 5 lakhs within the single policy. In the event of a Hospitalisation claim, each family member can claim up to 5 lakhs for their medical expenses from this comprehensive health policy.

HERE ARE SOME OF THE SALIENT FEATURES OF INDIVIDUAL HEALTH INSURANCE:

Separate coverage:

The biggest advantage is that each insured member gets their own personalised cover.

Comparatively higher premiums:

Since health premiums depend on the age of the insured, covering each member individually leads to higher overall premium payout.

For Example , person aged 42 years and 35 years may have different premium rates as they fall in different premium slab of 40-45 and 30-35 years. The Total premium shall be the total premium against these two ages adjusted against taxes and member discount, if applicable. Ideal for Pre-existing

Conditions:

Suitable for persons with pre-existing diseases. The Individual plan will offer the flexibility to focus on and adequately cover specific healthcare needs and treatments, ensuring individuals receive the necessary coverage.

FAMILY FLOATER HEALTH INSURANCE

A single policy that covers the entire family, providing sum insured on a floater basis for all family members.

A family floater is a health insurance plan that extends the coverage to the entire family rather than just an individual. Simply put, a floater brings all the members of the family under an umbrella cover. Being covered under a floater, every family member gets benefits under a larger common pool.

This policy allows any family member to avail the insurance coverage up to the specified policy limit. The premium for a family floater health insurance is calculated based on the age and health status of the

eldest family member, along with the chosen coverage.

Additionally, opting for comprehensive coverage for the entire family may prove more cost-effective than obtaining separate policies for each member. However, it's crucial to be aware that claims are subject to the terms and conditions outlined in the health insurance policy .

Example:

Mr. Kumar can opt for a family floater health insurance policy, which covers himself, his spouse, and their two children for a total sum insured of 10 lakhs. Under this policy, the 10 lakhs of coverage can be shared among any family member in case a claim arises. This family floater policy also offers a family discount when two or more family members are included, providing potential cost savings.

However, it's important to be aware of a potential drawback. If any insured family member makes a claim, it can impact the No Claim Bonus (NCB) for the entire policy.

HERE ARE SOME OF THE SALIENT FEATURES OF FAMILY FLOATER HEALTH INSURANCE:

Single coverage for Family:

The entire family is covered under a single health plan with a joint sum insured amount that can be used to cover medical costs incurred by any or all members covered. Since the sum insured is shared among all members, if one family member exhausts a significant portion of the sum insured, the coverage for the other family members may be affected until the policy is renewed.

Comparatively Lower premium:

By combining coverage limits into a shared pool, the overall premium cost is lower compared to individual plans. Age of the eldest member is considered a premium.

Shared sum insured:

The floater cover amount floats among the family, thereby allowing any member to make claims till the total cover is exhausted.

Floater plans offer a cost-effective way to cover your family with adequate health insurance. The single cover pool allows you to avail treatment for any member without worrying about per person limits. It works best for families where dependents are young adults with minimal health risks.

The compromise is in the lack of flexibility to customise covers and limited tax benefits. Still, with prudent sum insured selection, a floater plan provides an optimal balance of cost savings and adequate family health protection.

KEY DIFFERENCES BETWEEN THE INDIVIDUAL VS FAMILY FLOATER HEALTH INSURANCE

Coverage and Flexibility:

The key distinction between individual and family health insurance plans lies in their coverage and flexibility. In a family floater policy, the total coverage is shared among all family members. This means that if one family member utilises a significant portion of the coverage, it may affect the coverage available to other family members until the policy is renewed.

Conversely, individual health insurance provides separate coverage for each insured person, offering more flexibility in utilising the total coverage. Claims are subject to the terms and conditions outlined in the health insurance policy.

Premium Calculation:

The premium for a family floater policy is determined based on the age and health profile of the oldest member of the family.

In contrast, individual health insurance calculates the premium based on the age, health condition, and risk profile of each insured person.

Consequently, the premium for individual health insurance may vary for each family member, while the premium for a family floater policy remains the same for all members.

Coverage for Dependents:

Family floater health insurance provides coverage for the entire family, including the primary policyholder, spouse, and dependent children, and sometimes even dependent parents.

On the other hand, individual health insurance provides coverage solely for the insured individual,

requiring each family member to have their own separate policy to be covered.

Price:

If you have more than a couple of family members and desire coverage for each member, it's worth noting that the cost of including multiple members in a family floater plan may be slightly lower than purchasing individual plans for each family member. One must evaluate these options for respective policies for better understanding of these costs.

No Claim Bonus(NCB):

In an Individual policy, if a claim is made, the NCB is affected only for the individual who made the claim. Other individual policies within the family remain unaffected.

On the other hand, if any one member of the family makes a claim, it affects the NCB for the entire policy. This means that the bonus can be reduced or reset for the entire sum insured that covers all family members.

WHICH OPTION IS THE RIGHT FIT FOR YOU?

Individual health insurance is strongly advised for larger families or those with senior parents, as a family floater policy may not provide adequate coverage.

On the other hand, a family floater health insurance plan would be suitable for a young couple or small nuclear families.

CONCLUSION

Choosing the right health insurance policy requires careful consideration of your and your family's specific health needs, financial situation, and future plans. Whether it's the focused coverage of an individual policy or the encompassing safety of a family floater, the decision lies on your unique life situation. Remember, the best health insurance plan is the one that aligns seamlessly with your life's journey, offering you peace of mind and sense of security. Seeking guidance from a qualified financial advisor can further assist you in making informed decisions in this regard.

URL: <https://1finance.co.in/blog/how-to-do-tax-harvesting-for-mutual-fund-returns/>

TITLE: How to Do Tax Harvesting for Mutual Fund Returns

DATE: Date not found

AUTHOR: Author not found

CONTENT:

Tax harvesting is a strategy used by investors to minimize their tax liabilities by offsetting gains with losses. When it comes to mutual fund investments, this approach can be particularly beneficial in 2024.

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By realising capital losses on underperforming mutual funds, investors can use those losses to offset the taxes owed on capital gains from their profitable funds. This way, tax harvesting allows investors to potentially reduce their overall tax burden and keep more of their investment returns.

In this blog post, we'll explore tax harvesting and how it can be applied to mutual fund portfolios.

UNDERSTANDING TAX HARVESTING FOR MUTUAL FUNDS

Tax harvesting for mutual funds involves selling mutual funds at a loss to offset capital gains from other investments, thereby reducing the overall tax liability. This strategy takes advantage of specific tax provisions that permit the adjustment of losses against gains. Additionally, investors can employ a strategy of booking profits up to Rs. 1 lakh and buying back the same or similar investments. Since gains up to Rs. 1 lakh are exempt from taxes, this approach effectively makes profits tax-free, akin to the concept of wash sales.

COMMON TAX HARVESTING STRATEGIES IN MUTUAL FUNDS

SELLING UNDERPERFORMING MUTUAL FUNDS

One such easy way to harvest tax is selling mutual funds that have underperformed. By realising these losses, investors can counterbalance gains from other investments which in turn reduces their taxable income. This practice is often carried out towards the end of the financial year to reduce losses for tax purposes.

SWITCHING BETWEEN MUTUAL FUND SCHEMES

Another such method involves switching between mutual fund schemes within the same fund house. By moving from a scheme with long-term losses to another scheme, investors can realise these losses against other gains wherein the investor reduces his taxable income while also remaining invested.

UTILISING WASH SALES

A wash sale entails selling a mutual fund at a loss and then repurchasing it shortly after. This allows investors to book losses for tax purposes while also maintaining their investment position. Although effective, this strategy must be used cautiously to avoid unwarranted inspection from the tax authorities.

TAX LAWS GOVERNING HARVESTING IN INDIA

To implement tax harvesting within the legal framework, it's essential to understand the relevant income tax rules in India:

SECTION 112A

Section 112A deals with Long-Term Capital Gains (LTCG). If the LTCG exceeds Rs. 1 lakh from the sale of listed equity shares, equity-oriented mutual funds, or units of a business trust, a 10% tax is applied without indexation benefits. This tax applies only if the Securities Transaction Tax (STT) was paid during both the transfer and acquisition in specific scenarios. Adding on this is only applicable if the equity shares or funds are sold after being held for longer than a year

SECTION 111A

Section 111A covers Short-Term Capital Gains (STCG). Gains from transferring equity shares and equity-related instruments held for 12 months or less fall under this section. If the Securities Transaction Tax (STT) was paid during the transfer, these gains are taxed at a flat rate of 15%. If STT was not paid, the gains are taxed according to the individual's income tax slab rate.

For debt funds, this section is no longer applicable. Debt funds are now taxed at the individual's income tax slab rates, regardless of the holding period. This means that gains from debt funds will be taxed based on the investor's total income, rather than benefiting from a separate, potentially lower tax rate for short-term holdings.

SECTION 70 – SET OFF OF LOSSES

Section 70 of the Income Tax Act, of 1961, allows for the set-off of losses from one source against income from another within the same head. This is crucial for tax planning and tax-loss harvesting strategies. Key points include: Short-term capital losses can be set off against both short-term and long-term capital gains. Long-term capital losses can only be set off against long-term capital gains. Certain losses, like speculation losses, can only be set off against specific types of income. • Short-term capital losses can be set off against both short-term and long-term capital gains. • Long-term capital losses can only be set off against long-term capital gains. • Certain losses, like speculation losses, can only be set off against specific types of income.

SECTION 73-74 – LOSS CARRY FORWARD PROVISIONS

Sections 73-74 permit carrying forward capital losses for up to 8 assessment years to offset future capital gains. This extends the benefit period for tax advantages, allowing investors to utilise these losses against future gains.

PRACTICAL APPLICATION OF TAX HARVESTING

Investors should apply tax harvesting responsibly to avoid penalties. Here are some practical tips: Review Your Portfolio Regularly : Assess your mutual fund investments periodically to identify underperforming funds that could be sold for tax harvesting. Plan Ahead : Implement tax harvesting strategies towards the end of the financial year to maximise benefits. Understand the Rules : Familiarise yourself with the relevant tax laws to ensure compliance and avoid potential pitfalls. Consult a Financial Advisor : Professional advice can help tailor tax harvesting strategies to your specific financial situation and goals. • Review Your Portfolio Regularly : Assess your mutual fund investments periodically to identify underperforming funds that could be sold for tax harvesting. • Plan Ahead : Implement tax harvesting strategies towards the end of the financial year to maximise benefits. • Understand the Rules : Familiarise yourself with the relevant tax laws to ensure compliance and avoid potential pitfalls. • Consult a Financial Advisor : Professional advice can help tailor tax harvesting strategies to your specific financial situation and goals.

CONCLUSION

Tax harvesting is a valuable tool for managing tax liabilities within a mutual fund portfolio. By understanding and applying the relevant tax provisions, investors can strategically manage their investments to optimise their tax outcomes. As with any financial strategy, it is crucial to execute tax harvesting responsibly and in compliance with the law to reap the full benefits without facing penalties.

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URL: <https://1finance.co.in/blog/how-to-restructure-your-loan-understating-loan-restructuring/>
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The devastating effects of the COVID-19 pandemic left a trail of financial turmoil in its wake. As incomes dwindled and expenses soared, the once-routine task of paying loan EMIs became an insurmountable challenge for a significant portion of the Indian population. Families found themselves teetering on the brink of financial ruin. Recognizing the gravity of the situation, the Reserve Bank of India (RBI) stepped in with a loan restructuring scheme – a solution to save people from defaulting on their current loans. But what exactly is loan restructuring, and what does it entail? We will uncover that in this blog.

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WHAT IS LOAN RESTRUCTURING?

Loan restructuring is a service offered by banks to avoid the risk of defaults on an existing loan. It provides a way for borrowers facing financial challenges or liquidity crunch to renegotiate the terms of their loan and make repayments more manageable. At times, borrowers themselves can initiate the restructuring process when they are unable to manage their repayments. This could involve reworking the loan with the existing lender or moving to a new lender, commonly known as a 'balance transfer.'

LET'S UNDERSTAND LOAN RESTRUCTURING WITH AN EXAMPLE :

Rahul, who had taken out a personal loan of Rs. 5 lakh a few years ago. He was comfortably paying the monthly EMI of Rs. 12,000 with his steady income. However, when the COVID-19 pandemic hit, Rahul's company implemented cost-cutting measures, and his salary was reduced by 40%.

With his income significantly reduced, Rahul found it challenging to continue paying the Rs. 12,000 EMI. He was at risk of defaulting on his loan repayments until he was saved by a loan restructuring scheme introduced by the RBI.

Rahul approached his lender and requested to restructure his loan. After evaluating his situation, the bank agreed to extend the loan tenure from 5 years to 7 years. This adjustment reduced his monthly EMI from Rs. 12,000 to Rs. 8,500, making it more manageable with his reduced income.

Additionally, the bank also allowed Rahul to convert a portion of his outstanding loan into a separate loan with a lower interest rate, further reducing his overall financial burden.

Through loan restructuring, Rahul could align his loan repayments with his current financial situation. Instead of defaulting and damaging his credit score, he could comfortably meet his obligations with the revised repayment terms.

This example demonstrates how loan restructuring can assist borrowers facing temporary financial difficulties. By renegotiating the loan terms, borrowers can avoid defaults and navigate challenging financial circumstances more effectively.

At times the borrower himself can initiate loan restructuring when he is unable to manage his repayments. When the borrower initiates it could be reworking of the existing loan with the same lender or he may choose to move to another lender. This is commonly known as 'balance transfer'.

HOW DOES LOAN RESTRUCTURING WORK?

The primary goal of loan restructuring is to provide relief to the borrower and increase the chances of repayment for the lender. Here's how the process of loan restructuring typically happens:

- Extending the loan term: This spreads out your total repayment over a longer period, resulting in lower monthly payments.
- Reducing the interest rate : This lowers the total amount of interest you pay over the life of the loan, again making the monthly payments more manageable.
- Deferring payments: You might be able to

temporarily postpone your loan payments altogether for a set period. Reducing the loan principal: In some cases, the lender might even agree to forgive a portion of the total amount you borrowed. • Extending the loan term: This spreads out your total repayment over a longer period, resulting in lower monthly payments. • Reducing the interest rate : This lowers the total amount of interest you pay over the life of the loan, again making the monthly payments more manageable. • Deferring payments: You might be able to temporarily postpone your loan payments altogether for a set period. • Reducing the loan principal: In some cases, the lender might even agree to forgive a portion of the total amount you borrowed.

WHEN TO GO FOR LOAN RESTRUCTURING?

Delays in repayment: unable to repay on time Defaults are not able to pay the total outstanding on the credit card or the whole EMI Too many loans and hence cash flow issues Earlier borrowings at higher interest rates Loss of Employment which may cause financial distress Multiple Debts • Delays in repayment: unable to repay on time • Defaults are not able to pay the total outstanding on the credit card or the whole EMI • Too many loans and hence cash flow issues • Earlier borrowings at higher interest rates • Loss of Employment which may cause financial distress Multiple Debts

HERE'S A GENERAL IDEA OF HOW THE LOAN RESTRUCTURING WORKS:

Reach out to your lender: If you're struggling to make your loan payments, contact your lender as soon as possible. Explain your situation and your willingness to work with them on a solution. Discuss your options: The lender will walk you through the different loan restructuring options available and assess your eligibility. Negotiate the terms: This will involve finding a solution that works for both you and the lender. Be prepared to provide documentation to support your financial hardship. Formalise the agreement: Once you've reached an agreement, the lender will provide you with a new loan agreement outlining the revised terms. • Reach out to your lender: If you're struggling to make your loan payments, contact your lender as soon as possible. Explain your situation and your willingness to work with them on a solution. • Discuss your options: The lender will walk you through the different loan restructuring options available and assess your eligibility. • Negotiate the terms: This will involve finding a solution that works for both you and the lender. Be prepared to provide documentation to support your financial hardship. • Formalise the agreement: Once you've reached an agreement, the lender will provide you with a new loan agreement outlining the revised terms.

TYPES OF LOAN RESTRUCTURING?

When faced with financial difficulties, borrowers can explore various loan restructuring options to make their repayments more manageable. The two primary types of loan restructuring are:

LOAN MODIFICATION

A loan modification is a process in which the lender agrees to modify the terms of the existing loan agreement. This can involve reducing the interest rate, extending the loan tenure, or adjusting the payment schedule. By lowering the interest rate, the borrower's monthly instalments become more affordable, easing the financial burden. Extending the loan tenure spreads the outstanding balance over a longer period, resulting in smaller monthly payments. Lenders may also consider temporarily reducing or deferring payments for a specific period, providing the borrower with a much-needed respite during challenging times. Loan modifications aim to prevent defaults by restructuring the loan to align with the borrower's current financial situation. • A loan modification is a process in which the lender agrees to modify the terms of the existing loan agreement. This can involve reducing the interest rate, extending the loan tenure, or adjusting the payment schedule. • By lowering the interest rate, the borrower's monthly instalments become more affordable, easing the financial burden. • Extending the loan tenure spreads the outstanding balance over a longer period, resulting in smaller monthly payments. • Lenders may also consider temporarily reducing or deferring payments for a specific period, providing the borrower with a

much-needed respite during challenging times. • Loan modifications aim to prevent defaults by restructuring the loan to align with the borrower's current financial situation.

DEBT SETTLEMENT

In cases where the borrower is unable to repay the entire outstanding amount, the lender may agree to a debt settlement. A debt settlement involves the lender accepting a lump sum payment that is lower than the total outstanding balance. This option is typically explored when the borrower has exhausted all other restructuring possibilities and is facing imminent default. The settlement amount is negotiated between the borrower and the lender, and it is usually significantly lower than the actual outstanding amount. While debt settlement may provide immediate relief, it can have a negative impact on the borrower's credit score and future borrowing prospects. • In cases where the borrower is unable to repay the entire outstanding amount, the lender may agree to a debt settlement. • A debt settlement involves the lender accepting a lump sum payment that is lower than the total outstanding balance. • This option is typically explored when the borrower has exhausted all other restructuring possibilities and is facing imminent default. • The settlement amount is negotiated between the borrower and the lender, and it is usually significantly lower than the actual outstanding amount. • While debt settlement may provide immediate relief, it can have a negative impact on the borrower's credit score and future borrowing prospects. It's important to note that loan restructuring may come with additional charges, such as service fees or processing fees, which could further burden the financially stressed borrower. Additionally, loan restructuring may have an impact on the borrower's credit score, as it can be interpreted as a sign of financial distress.

While loan restructuring can provide relief and prevent defaults, it is not a guaranteed solution for everyone. Lenders carefully evaluate each borrower's circumstances and may reject restructuring requests if they deem the risk of default too high or the borrower's financial situation too precarious.

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WHAT IS BEHAVIOURAL FINANCE?

In the dynamic world of finance, understanding the psychology that drives our financial decisions can be a game-changer. Enter behavioural finance, a field that has revolutionised the way we perceive financial decision-making. Traditionally, finance theories posited a 'rational' approach to financial decisions, a perspective that was fundamentally challenged by the first generation of behavioural finance, which labelled these decisions as 'irrational'. However, as the field evolved, a second generation emerged, bringing a fresh perspective that recognised these decisions as 'normal', grounded in human psychology and inherent biases. This shift from 'irrational' to 'normal' is not just a change in terminology but a paradigm shift in understanding human behaviour in financial contexts. It acknowledges the complex interplay of emotions, experiences, and psychology that guide our financial choices, steering away from a one-size-fits-all 'rational' approach to a more nuanced, realistic, and empathetic understanding of financial behaviours.

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WHY IS UNDERSTANDING BEHAVIOURAL FINANCE IMPORTANT?

Understanding behavioural finance is pivotal as it permeates every facet of financial planning, from investment and retirement planning to loan management and expense planning. It offers a lens to view financial decisions not as black and white, but as a spectrum of 'normal' behaviours influenced by a myriad of factors, helping individuals and advisors navigate the financial landscape with a more grounded, realistic approach.

REAL-WORLD IMPLICATIONS

Grasping the nuances of behavioural finance can significantly enhance financial planning and decision-making, helping individuals and financial advisors foster a more grounded and realistic approach to managing various financial aspects, from investments to retirement planning.

SECTION 1: WHAT IS BEHAVIOURAL FINANCE?

DEFINITION AND HISTORICAL BACKGROUND

Behavioural finance emerged in the late 1970s, challenging the traditional finance theories that championed 'rational' decision-making. It brought a fresh perspective, emphasising that the financial decisions people often make are 'normal,' stemming from inherent psychological biases.

THE SHIFT FROM TRADITIONAL FINANCE THEORIES

This field marked a significant shift from the traditional finance theories, introducing a more humane approach to understanding financial decisions, recognising the 'normalcy' in the behavioural patterns that were earlier labelled as 'irrational'.

KEY TAKEAWAYS FROM BEHAVIOURAL FINANCE STUDIES

Studies in this field have illuminated the complex interplay of psychology and finance, offering a more rounded understanding of financial markets and individual behaviour. Notable scholars like Daniel Kahneman have significantly contributed to this field, bringing to light the 'normal' patterns in financial decision-making (source).

SECTION 2: THE PSYCHOLOGICAL BIASES IN BEHAVIOURAL FINANCE

INTRODUCTION TO PSYCHOLOGICAL BIASES

Understanding the psychological biases that influence 'normal' financial decisions is central to behavioural finance. These biases, deeply rooted in human psychology, play a pivotal role in various financial planning components, including tax and retirement planning.

COMMON BIASES

Loss Aversion: A tendency to prefer avoiding losses over acquiring equivalent gains, a bias that significantly influences investment and expense planning.

Herd Behaviour: Following the crowd, a common phenomenon observed in investment markets and goal planning.

Emotional Gap: Emotional factors can sometimes overshadow logical analysis, influencing decisions in loan and liability management.

THE SCIENCE BEHIND BIASES

Delving deeper into these biases offers a richer understanding of the financial decisions one makes, helping to navigate the financial landscape more prudently and realistically.

SECTION 3: REAL-WORLD EXAMPLES

Reddit, Gamestop, Robinhood, and Melvin Capital The early 2021 saga involving Gamestop and Reddit offers a vivid illustration of herd behaviour, showcasing the substantial impact of collective 'normal' behavioural patterns on the financial markets.

OTHER EXAMPLES

Behavioural finance principles are not confined to investment planning but extend to broader financial spheres, influencing decisions in areas like expense planning and cash flow management.

The Housing Bubble The 2008 housing bubble is a testament to the role of behavioural finance in real estate and loan management, where 'normal' behaviours led to a significant economic event.

The Dot-Com Bubble The dot-com bubble of the late 1990s serves as another example, illustrating the influence of behavioural finance in investment planning and the broader economic landscape.

SECTION 4: HOW BEHAVIOURAL FINANCE AFFECTS YOU

IMPACT ON INDIVIDUAL INVESTORS

Understanding behavioural finance can aid individual investors in recognising their 'normal' biases, facilitating more grounded decisions in all aspects of financial planning, including tax and retirement planning.

TIPS FOR OVERCOMING BIASES

Navigating the financial landscape with awareness and prudence is essential. Here are some tips accompanied by real-life scenarios to help overcome the biases that often influence financial decisions:

Awareness of one's biases: Before making any financial decision, it is crucial to pause and reflect on the inherent biases that might be influencing your choices. For instance, if you find yourself wanting to invest in a trending stock because everyone else is doing it, you might be succumbing to herd behaviour.

Recognising this can help you make more informed decisions.

Seeking advice from a financial advisor: Sometimes, it is beneficial to seek a third-party perspective to avoid being swayed by emotions. For example, in the realm of retirement planning, an advisor can help you steer clear of over-optimism and set realistic savings goals.

Diversifying the investment portfolio to mitigate risks: Diversification is a well-trodden path to mitigating risks. For instance, if you are heavily invested in real estate, considering other avenues like mutual funds or bonds can be a wise decision to spread risk.

Regular reviews and adjustments of financial plans to stay aligned with one's goals: Life is dynamic, and so are financial goals. Regular reviews can help in staying aligned with your objectives. For instance, a change in marital status or the birth of a child would necessitate a review of your insurance coverage and investment plans.

Creating an emergency fund: Life is full of uncertainties. Having an emergency fund can prevent you from taking impulsive financial decisions driven by stress during unforeseen events.

Educational workshops and seminars: Engaging in workshops can enhance your understanding and awareness of the financial landscape, helping you to make informed decisions. For instance, understanding the tax implications of various investments can aid in better tax planning.

Mindful spending: Being conscious of your spending habits can prevent falling into the trap of over-consumption. For example, differentiating between 'wants' and 'needs' can be a simple yet effective strategy in expense planning.

PERSONAL FINANCE MANAGEMENT

Personal finance management tools that focus on understanding and guiding individuals in recognising their biases can be a great aid, helping to foster more realistic and grounded financial planning.

SECTION 5: FUTURE OF BEHAVIOURAL FINANCE

LIMITATIONS AND FUTURE SCOPE

While behavioural finance offers a rich perspective on financial decision-making, it is a field still evolving. It holds a promising future, with a growing emphasis on understanding and integrating 'normal' behavioural patterns in financial planning and advisory services.

GROWING IMPORTANCE

The field is gradually gaining prominence, with educational institutions and financial advisory firms increasingly focusing on behavioural finance to foster a more realistic and grounded approach to financial planning and advisory services.

CONCLUSION

Understanding behavioural finance allows you to navigate the financial landscape with a more grounded perspective, recognising the 'normal' patterns in financial decision-making. It empowers individuals to make informed decisions, fostering financial well-being.

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If you're in your 20s, you may think that financial planning is something you can put off until later in life. However, the reality is that the earlier you start developing sound financial strategies, the more successful you'll be in achieving your goals and building wealth. In this article, we'll go over some key financial strategies that those in their 20s can use to make the most of their money.

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UNDERSTANDING YOUR FINANCIAL SITUATION

The first step in developing a financial strategy is to understand your current financial situation. This includes assessing your income and expenses, as well as creating a personal balance sheet.

ASSESSING YOUR INCOME AND EXPENSES

To determine your current income, add up all the money you make from your job, as well as any side gigs or investments. Next, calculate your monthly expenses, including rent/mortgage, utilities, transportation, food, entertainment, and any other bills. Subtracting your expenses from your income will give you a clear picture of your disposable income.

CREATING A PERSONAL BALANCE SHEET

A personal balance sheet is a detailed accounting of all your assets, liabilities, and net worth. Your assets may include your savings, investments, and personal possessions, while your liabilities may include any debts you owe, such as student loans, credit card debt, or car payments. Calculating your net worth is as simple as subtracting your liabilities from your assets.

SETTING FINANCIAL GOALS

Once you have a solid understanding of your current financial situation, it's important to set some long-term financial goals. This might include saving for a down payment on a house, paying off your student loans, or building up your retirement savings. Whatever your goals may be, it's important to have a clear idea of what you're working towards.

BUILDING A SOLID FINANCIAL FOUNDATION

Building a solid financial foundation is crucial for achieving your long-term financial goals. It can help you weather unexpected expenses, save money on interest charges, and build a healthy retirement fund. Here are some steps you can take to build a solid financial foundation:

ESTABLISHING AN EMERGENCY FUND

One of the first steps in building a solid financial foundation is to establish an emergency fund. Having a

few months' worth of living expenses saved up can help you weather unexpected expenses, such as a car repair or medical bill, without having to resort to high-interest credit cards. It's important to keep your emergency fund in a separate account from your regular savings accounts. This can help you avoid the temptation to dip into your emergency fund for non-emergency expenses. You can also consider automating your emergency fund contributions. Set up an automatic transfer from your savings account to your emergency fund each month. This can help you build your emergency fund without having to think about it.

PAYING OFF HIGH-INTEREST DEBT

High-interest debt, such as credit card debt, can be a major drag on your finances. By prioritizing paying off high-interest debts, you can save money on interest charges and free up cash to put towards your savings goals.

One strategy for paying off high-interest debt is the debt snowball method. This involves paying off your smallest debt first, then using the money you were putting towards that debt to pay off the next smallest debt, and so on. This can help you build momentum and stay motivated as you pay off your debts. Another strategy is the debt avalanche method. This involves prioritizing your debts based on their interest rates, and paying off the debt with the highest interest rate first. This can help you save more money on interest charges in the long run.

SAVING FOR RETIREMENT

It may seem like retirement is a long way off, but the earlier you start saving, the easier it will be to build a healthy retirement fund. Consider opening up a NPS account and starting to put away a small percentage of each paycheck.

It's also important to regularly review and adjust your retirement savings strategy as your financial situation changes. Consider working with a financial advisor to help you make informed decisions about your retirement savings.

DEVELOPING A BUDGET AND SPENDING PLAN

A budget is a crucial tool for managing your finances and ensuring that you're making progress towards your goals.

It helps you keep track of your income and expenses, so you can make informed decisions about how to allocate your resources. By developing a budget and spending plan, you can take control of your financial future and achieve your goals.

CATEGORIZING YOUR EXPENSES

To create a budget, start by categorizing your expenses into fixed and variable categories. Fixed expenses are those that stay the same each month, such as rent or car payments. Variable expenses are those that can fluctuate from month to month, such as groceries or entertainment. By categorizing your expenses, you can get a clear picture of where your money is going each month and identify areas where you can cut back.

It's important to note that some expenses may fall into both categories. For example, your utility bill may be a fixed expense, but the amount you pay each month can vary depending on your usage. In this case, it's best to estimate the average amount you'll spend each month and include it in your budget as a variable expense.

ALLOCATING FUNDS FOR SAVINGS AND INVESTMENTS

Once you have a budget in place, it's important to set aside funds for savings and investments. This might include allocating a certain percentage of your income to your emergency fund, retirement account, or a long-term savings goal. By making savings and investments a priority, you can build a strong financial foundation and work towards achieving your long-term goals.

When deciding how much to allocate towards savings and investments, it's important to consider your current financial situation and your future goals. If you're just starting out, you may want to focus on building up your emergency fund before investing in long-term goals. On the other hand, if you're closer to retirement, you may want to focus on maximizing your contributions to your retirement account.

TRACKING YOUR SPENDING AND ADJUSTING AS NEEDED

Finally, it's important to track your spending each month and adjust your budget as needed. This might mean cutting back on discretionary expenses or finding ways to increase your income. By tracking your spending, you can identify areas where you may be overspending and make adjustments to stay on track with your goals.

One way to track your spending is to use a budgeting app or spreadsheet. This can help you see where your money is going and make adjustments as needed. It's also important to review your budget regularly and make changes as your financial situation changes. For example, if you get a raise at work, you may want to adjust your budget to allocate more towards savings and investments.

Developing a budget and spending plan takes time and effort, but it's an important step towards achieving your financial goals. By taking control of your finances and making informed decisions about your money, you can build a strong financial future and achieve the life you want.

INVESTING IN YOUR FUTURE

Investing is an important part of building wealth and achieving your long-term financial goals.

It allows you to grow your money over time and potentially earn a higher return than you would with a traditional savings account.

However, before you start investing, it's important to have a basic understanding of how the stock market works. The stock market is a complex system where shares of publicly traded companies are bought and sold. The price of these shares can fluctuate based on a variety of factors, including company performance, economic conditions, and investor sentiment.

There are also different types of investment vehicles available, each with their own risks and potential rewards. Some common types of investments include stocks, bonds, mutual funds, and exchange-traded funds (ETFs).

UNDERSTANDING INVESTMENT BASICS

Stocks represent ownership in a company, and their value can increase or decrease depending on the company's financial performance. Bonds, on the other hand, are debt securities that pay a fixed rate of interest. Mutual funds and ETFs are investment vehicles that allow you to invest in a diversified portfolio of stocks and bonds.

It's important to understand the risks associated with each type of investment, as well as the potential returns. Generally, investments with higher potential returns also come with higher risks.

CHOOSING THE RIGHT INVESTMENT ACCOUNTS

In addition to understanding investment basics, it's important to choose the right investment accounts for

your individual financial situation. Finally, it's important to diversify your investment portfolio to minimize risk and maximize returns. This might include investing in a mix of stocks, bonds, and other assets, as well as rebalancing your portfolio on a regular basis to stay aligned with your financial goals. Diversification can help protect your investments from market volatility, as well as ensure that you are not overly exposed to any single company or industry. It's important to regularly review your portfolio to ensure that it is still in line with your investment goals and risk tolerance. In summary, investing can be a powerful tool for building wealth and achieving your financial goals. By understanding investment basics, choosing the right investment accounts, and diversifying your portfolio, you can set yourself up for long-term financial success.

CONCLUSION

Building a solid financial foundation takes time and effort, but the benefits are well worth the effort. By assessing your current financial situation, setting clear goals, and implementing a comprehensive financial strategy, you can take control of your finances and build the wealth and financial security you need to achieve your dreams.

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URL: <https://1finance.co.in/blog/what-are-top-financial-challenges-indias-face-in-todays-world/>
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Financial security has become a common concern for many in a world where economic uncertainty is the norm. The latest survey from Finsafe India for FY 2023-2024 sheds light on the key financial challenges that corporate employees face today, emphasising the importance of careful planning and informed decisions.

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1. PRIORITISING LONG-TERM GOALS (67.34%)

The most significant financial challenge identified is the need to prioritise long-term goals, with 67.34% of respondents highlighting this as their primary concern. Long-term goals often include retirement planning, funding education, or purchasing a home. These goals require disciplined saving and investing, balancing immediate needs and future aspirations. A strategic approach, including diversified investments and regular financial reviews, can help in achieving these long-term objectives.

2. WORRY ABOUT JOB LOSS PREPAREDNESS (52.67%)

The uncertainty surrounding job security is a major concern for 52.67% of people. Job loss preparedness is crucial in today's volatile job market, where economic downturns, technological disruptions, and shifting market demands can lead to sudden unemployment. Building a robust emergency fund that can cover three to six months of living expenses is vital. Additionally, developing new skills and networking can enhance job security and preparedness.

3. DEBT REPAYMENT (28.52%)

Debt repayment is another pressing concern for 28.52% of respondents. Managing debt effectively is essential for maintaining financial health. High-interest debt, such as credit cards or personal loans, can quickly spiral out of control if not managed properly. Prioritising debt repayment by focusing on high-interest debts first and exploring debt consolidation options can help alleviate this financial burden. Creating a structured repayment plan and avoiding unnecessary borrowing are crucial steps in managing and reducing debt.

4. SUPPORTING ELDERLY PARENTS (26.11%)

With 26.11% of individuals worried about supporting elderly parents, this issue highlights the growing financial responsibilities faced by the sandwich generation. This demographic is caught between supporting aging parents and raising their children. Rising healthcare costs and the need for long-term care can strain financial resources. To address this challenge, individuals should consider purchasing insurance for their parents, exploring government aid programs, and creating a family financial plan that includes provisions for elder care.

5. MEDICAL EXPENSES (20.1%)

Finally, medical expenses are a concern for 20.1% of respondents. Unforeseen medical emergencies can lead to substantial financial strain, especially without adequate insurance coverage. Investing in a comprehensive health insurance plan and maintaining a separate medical emergency fund can provide a safety net against high medical costs. Additionally, engaging in a healthy lifestyle can help mitigate future medical expenses.

CONCLUSION

The top financial challenges identified—prioritising long-term goals, job loss preparedness, debt repayment, supporting elderly parents, and managing medical expenses—are interconnected and require a comprehensive approach to financial planning . By understanding these challenges and proactively planning for them, individuals can navigate their financial journeys more confidently and secure a more stable and prosperous future.

Remember, the key to overcoming these financial hurdles is consistent planning, disciplined saving, and making informed financial decisions. Whether it's creating a budget, investing wisely, or seeking professional financial advice, taking the right steps today can lead to a more secure and stress-free tomorrow.

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The popular belief is that buying early means saving more, but is that always the case? Let's dive into the pros and cons.

Imagine this: Meera and Sanjay, two college friends, are celebrating their first paycheck. Both are excited about their newfound financial independence. While discussing their future plans, Sanjay proudly mentions buying term life insurance, citing how early purchase means lower premiums. Meera, on the other hand, feels unsure—she's single, has no dependents, and wonders if it's really necessary for her to lock in a policy right now. Does she need it, or should she wait?

This scenario is common for young professionals just starting their careers. While it's popular to believe that buying term life insurance early helps you save more, is it always the best move? Let's explore the pros and cons to help you make an informed decision.

WHY EARLY IS OFTEN BETTER

Lower Premiums Younger individuals typically enjoy lower premiums due to their lower risk profile. **Locking in Rates** Buying early can help you lock in rates before potential health issues or lifestyle changes could increase your premiums.

Peace of Mind: Knowing you have coverage can provide peace of mind, especially if you have financial dependents.

WHEN IT MIGHT NOT BE THE BEST TIME

No Financial Dependents: If you're single and without dependents, your need for term insurance might not be urgent.

Limited Financial Resources: If you're struggling to make ends meet, prioritising term insurance might not be the best financial decision at the moment.

No Outstanding liabilities: If you don't have any outstanding liabilities such as home loans, personal loans, etc.

Accumulated Enough Corpus: You have accumulated the value of corpus which aligns with your financial needs

APPROACHES TO BUY TERM INSURANCE:

When deciding to buy term insurance, there are two primary approaches that individuals can consider based on their financial objectives:

COVERING DEBTS OR LIABILITIES

For individuals looking to use term insurance to protect against liabilities such as loans or mortgages, the policy tenure should typically cover them until the age of 60-65. The formula to determine the tenure is: $\text{Policy Tenure} = 65 \text{ years} - \text{Current Age}$

The rationale behind this approach is that most individuals stop earning a regular income by this age, and their financial obligations, including debt, tend to be aligned with their working years. The goal here is to ensure that debts are paid off if something happens during the primary income-earning period.

CREATING A FINANCIAL LEGACY FOR LOVED ONES

If the objective is to leave behind a financial estate for family members, it's advisable to choose a longer policy term—usually until the age of 75-85. $\text{Policy Tenure} = 85 \text{ years} - \text{Current Age}$

This longer tenure takes into account life expectancy and focuses on securing the family's financial future, ensuring they can maintain the same standard of living in the policyholder's absence. It helps create a financial cushion or estate that family members can rely on for independence and long-term security. Key Consideration: Liability Management for Financial Freedom • Key Consideration: Liability Management for Financial Freedom

Once a significant financial corpus has been built to meet your family's future needs, including the ability to maintain their standard of living in your absence, the need for term insurance

CASE STUDY: RAHUL AND NILESH

Let's take the example of two individuals, Rahul and Nilesh, both 28 years old but in different life stages. Rahul, recently married with retired parents, felt the need for term insurance to protect his dependents. Nilesh, on the other hand, was single and financially independent, giving him the flexibility to wait until it became a more pressing need.

KEY TAKEAWAYS:

Prioritise Needs: The decision to buy term insurance should be based on your financial needs and circumstances.

Consider Age and Health: Younger, healthier individuals generally get better rates.

Don't Rush: If you're not financially ready or don't have dependents, it's okay to wait.

ADDITIONAL CONSIDERATIONS:

Coverage Needs: Evaluate your financial obligations to determine the appropriate coverage amount.

Policy Term: Consider your life expectancy and choose a policy term that aligns with your needs.

Riders: Explore additional riders like Waiver of premium on critical illness and disability benefit rider to enhance your coverage.

CONCLUSION:

Much like Meera and Sanjay, everyone's situation is unique. While purchasing early can offer advantages, it's essential to assess your personal needs and financial readiness before making a decision.

Explore our Term Insurance Scoring and Ranking Model page to Decipher the Term Insurance Plans.

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