



Financial Planning

Notes



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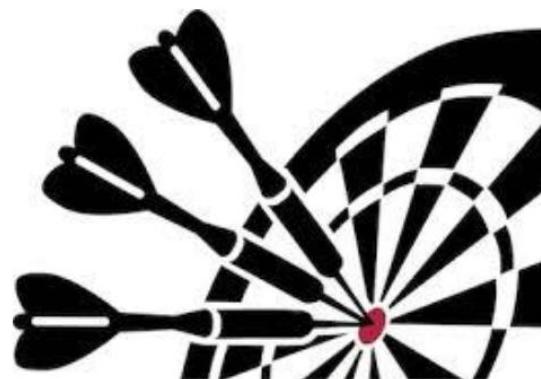
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Day 3 Module 1

By the end of the session, you will know:

- **Basics of Financial Planning, Risks and Investments**
- Wealth Management
- Asset Management



Notes

Contents

- Introduction
 - Planning
 - Financial Planning (FP)
 - FP Pyramid
- FP Process
- FP Concepts
- FP Misconceptions

Notes

Introduction

Planning





Introduction

Planning

Planning means looking ahead and chalking out future courses of action to be followed

Examples:

- Preparation for competitive exams
- Planning a vacation

Notes

Introduction

Financial Planning

Financial Planning is the process of meeting your life goals through the proper management of your finances.

Examples of goals:

- Buying a house
- Higher Education

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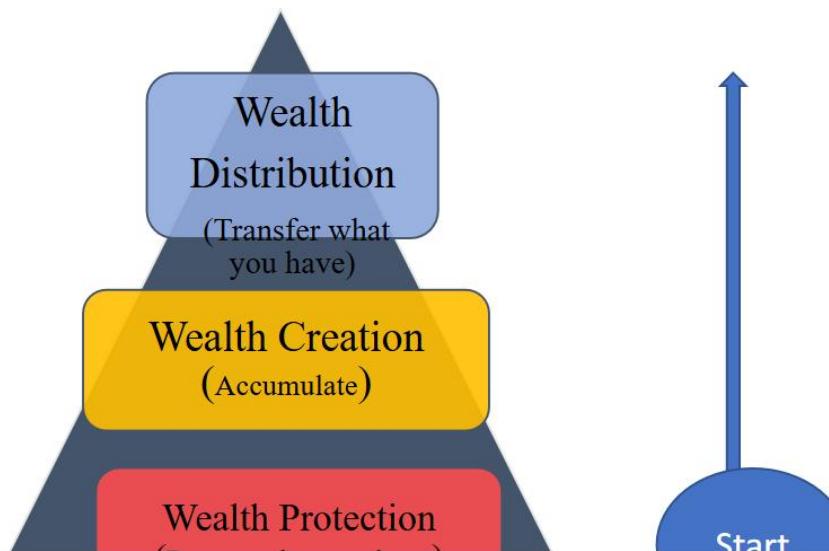


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Introduction

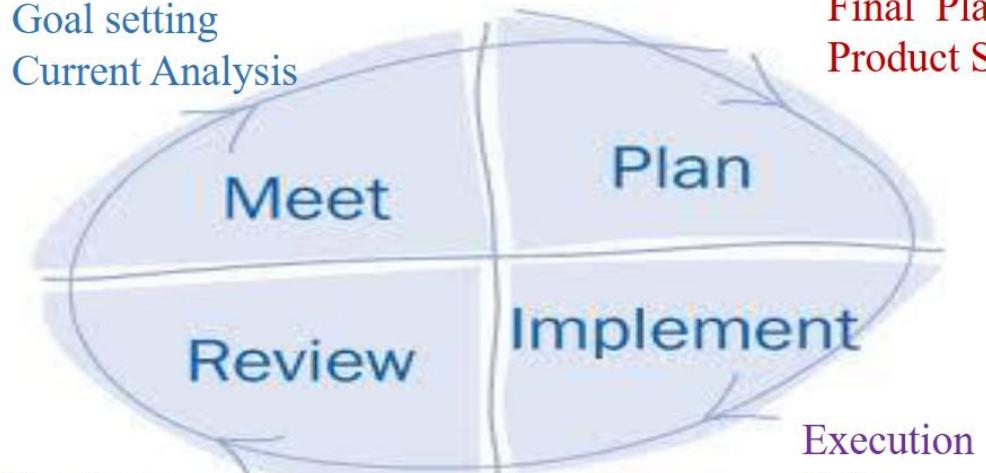
Financial Planning Pyramid



Notes

Financial Planning Process

Data Collection
Goal setting
Current Analysis



Monitoring
Follow ups
Query Solving

Draft Plan
Final Plan
Product Suggestions

Execution
Follow ups

Notes



Financial Planning Concepts

- a) Cash Flow Analysis (Current status)
- b) Current Asset Allocation & Networth (Current Status)
- c) Risk Profiling
- d) Emergency Fund Analysis
- e) Protection Planning
- f) Investment Planning for Goals
- g) Estate Planning
- h) Tax Planning
- i) Monitoring, Portfolio rebalancing &

Notes



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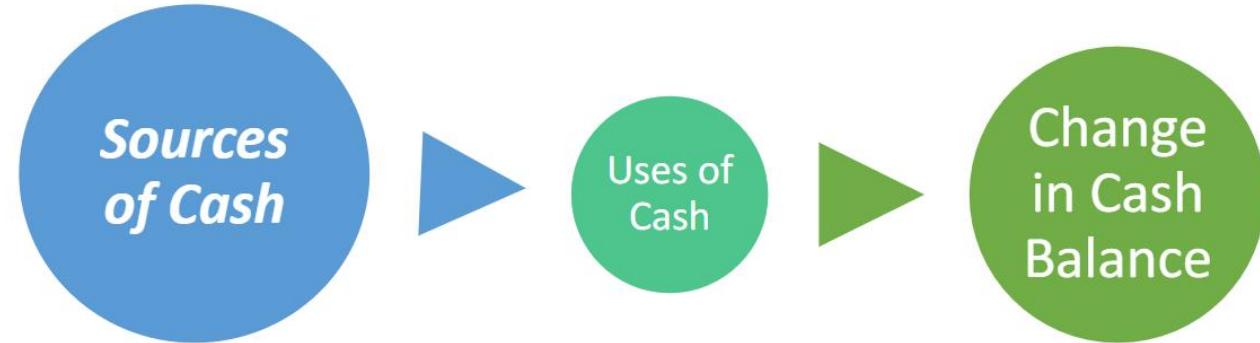


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Financial Planning Concepts

a) Cash Flow Analysis



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Financial Planning Concepts

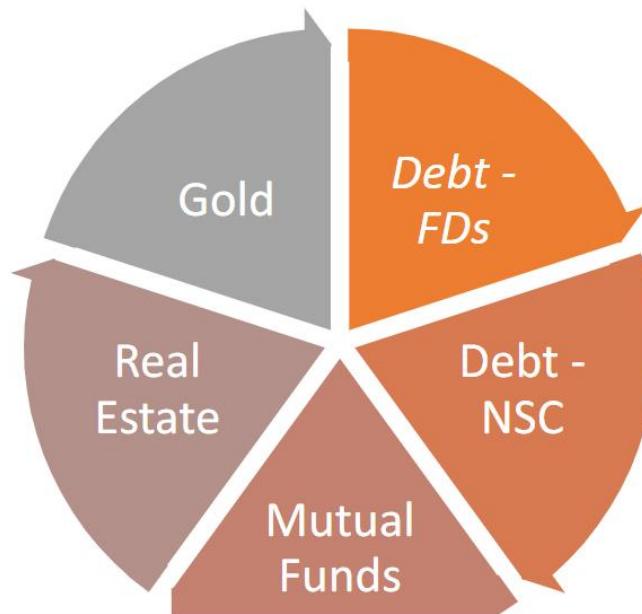
b) Networth & Current Asset Allocation



Notes

Financial Planning Concepts

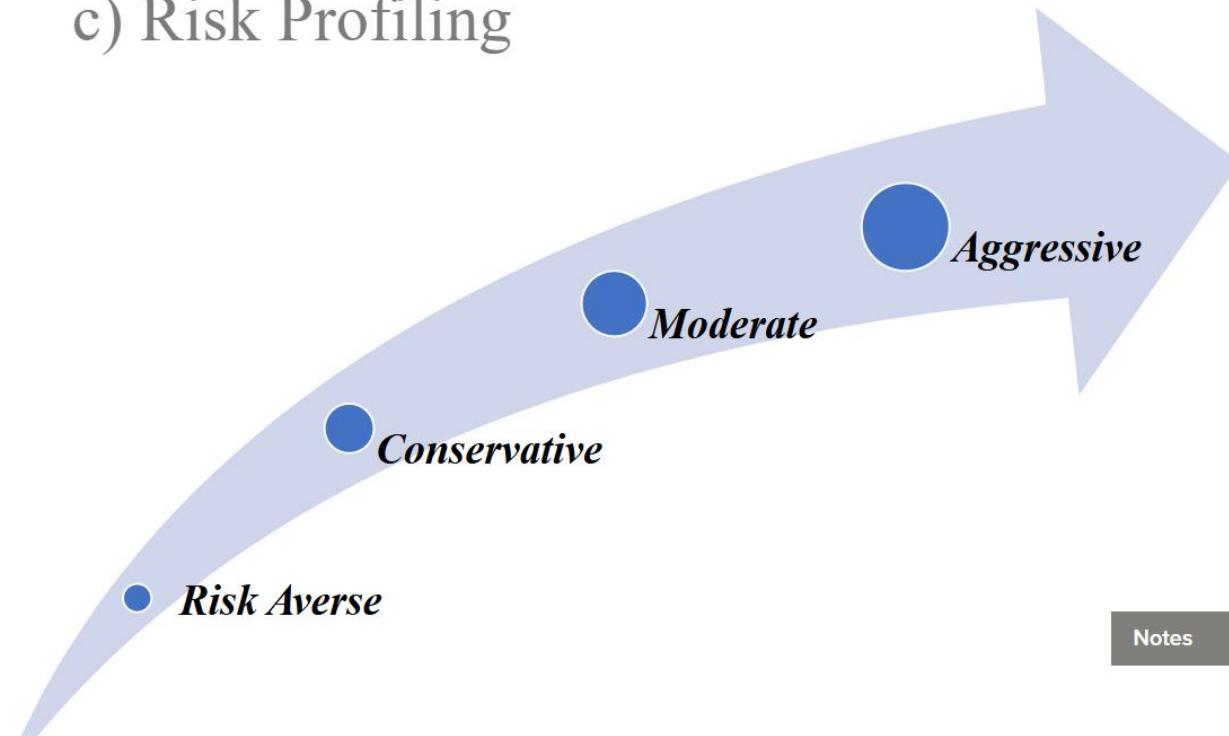
b) Current Asset Allocation Analysis



Notes

Financial Planning Concepts

c) Risk Profiling



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Financial Planning Concepts

d) Emergency Fund Analysis



Notes

Financial Planning Concepts

d) Emergency Fund Analysis

Maintain a Fund with 3 to 6 times of your monthly expenses in cash or near cash investments.

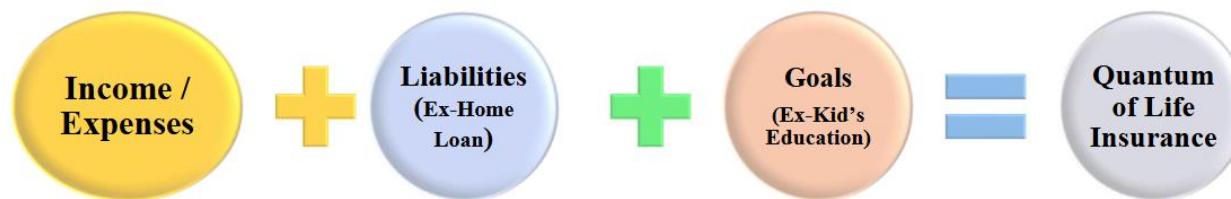
Suggested Products:

- Cash
- Short term Fixed Deposits
- Sweep-in accounts
- Savings A/c
- Short term Debt MF

Notes

Financial Planning Concepts

e) Protection Planning (Life Insurance)



- Income replacement Method
- Expenses replacement Method

Notes

Recommended Product:

Financial Planning Concepts

e) Protection Planning (Non-Life Insurance)

Make sure you have -

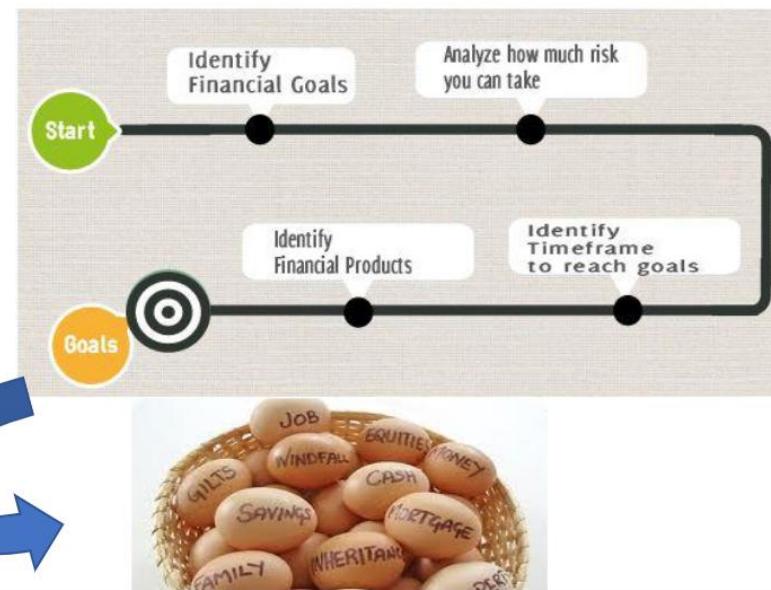
- *Medical Insurance*
- *Property Insurance*
- *Motor Insurance*
- *Keyman Insurance*
- *Professional Liability Insurance*
etc.,



Notes

Financial Planning Concepts

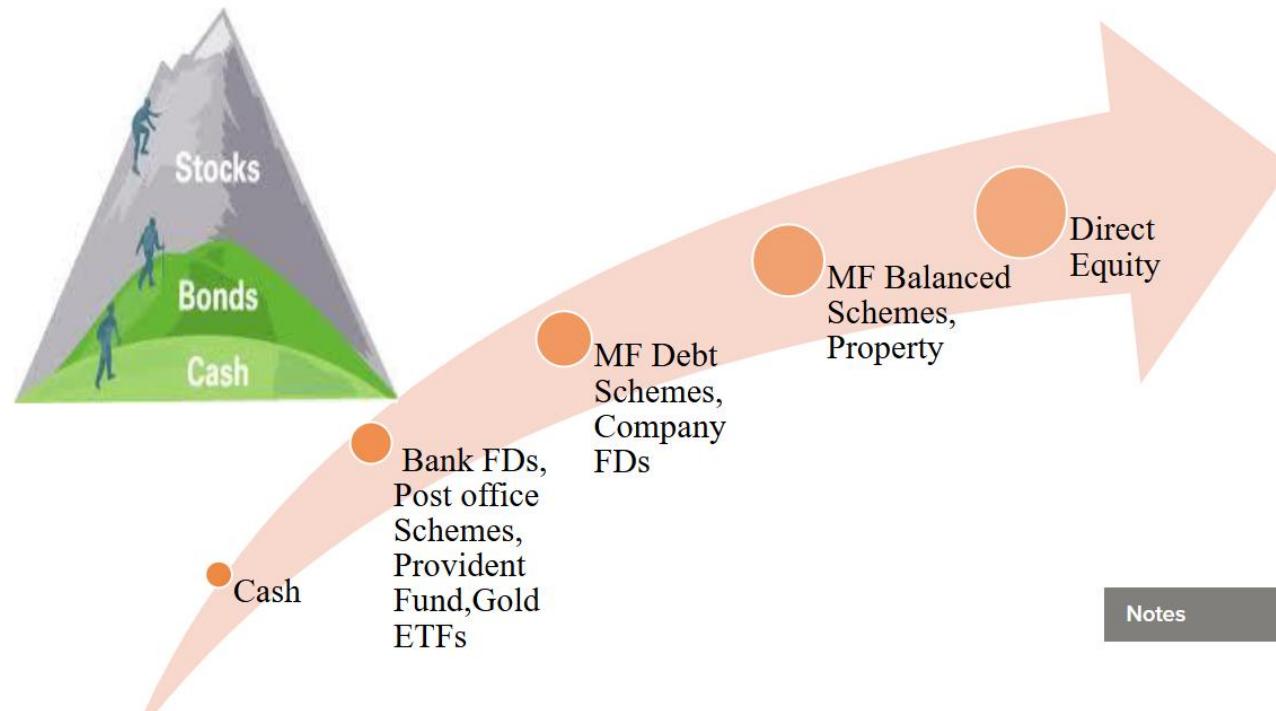
f) Investment Planning (IP) Process



Notes

Financial Planning Concepts

f) IP - Risk Vs Return Trade off - Products



Financial Planning Concepts

f) IP - Risk Vs Return Trade off - Products



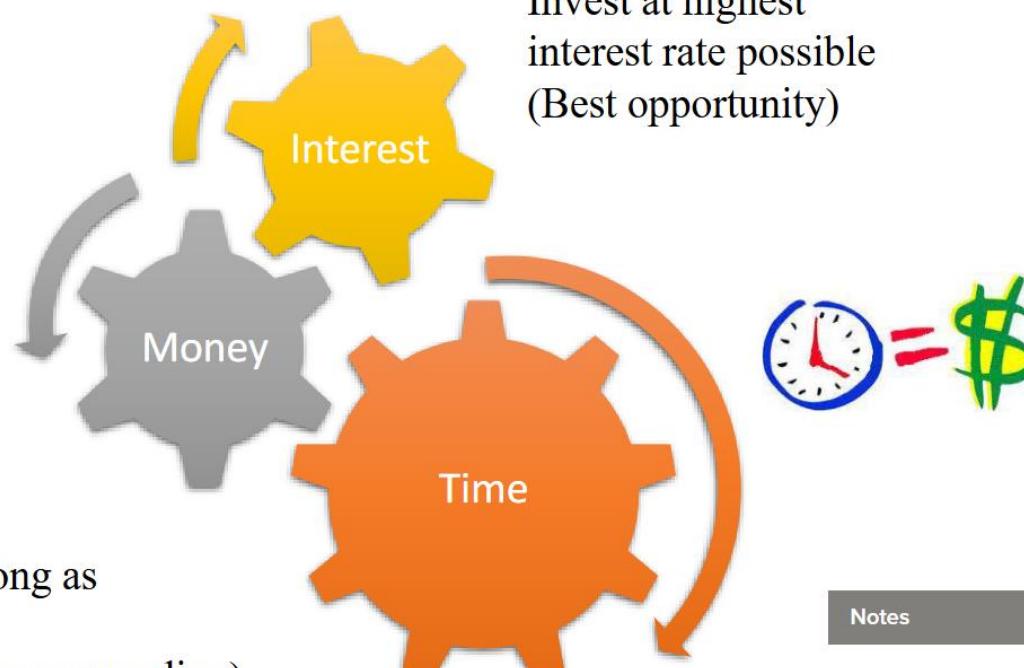
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Financial Planning Concepts

f) Investment Planning (Time Value of Money)

Invest as much as possible & as often as possible

Invest as long as possible
(Power of compounding)

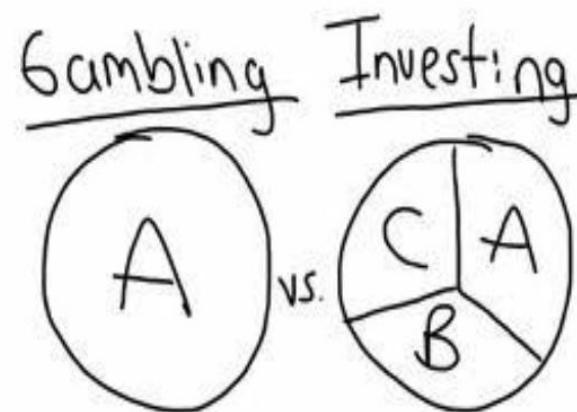


Invest at highest interest rate possible
(Best opportunity)

Notes

Financial Planning Concepts

f) IP – Diversification & Asset Allocation



Notes

Financial Planning Concepts

g) Estate Planning

Estate planning involves making plans for the transfer of your estate after death. Your estate is all the property that you own. It can include cash, jewelry, cars, houses, land, retirement, investment and savings accounts, etc.

Nominations

Wills

Trust

Notes



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Financial Planning Concepts

h) Tax Planning

Nothing is certain but *death and taxes*

Tax Saving Products :

- ***Sec 80C:*** ELSS, Life Insurance, NSC, PPF, EPF, 5 year FD, Home loan Principal repayment, SrCSS, NPS
- ***Sec 80D:*** Mediclaim
- ***Sec 24 (b):*** Home loan Interest



Notes

Financial Planning Concepts

i) Monitoring, Portfolio rebalancing & Review

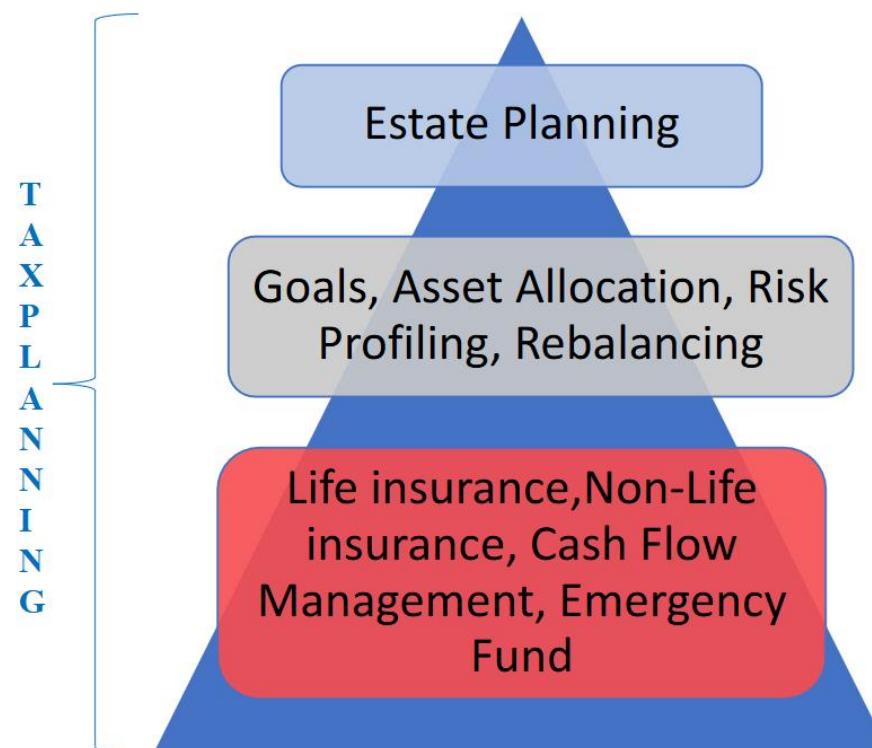
Why they are required?

- Financial goals keep changing
- Changes in your economic profile
- Financial Market Conditions



Notes

Financial Planning Pyramid



Notes



Financial Planning

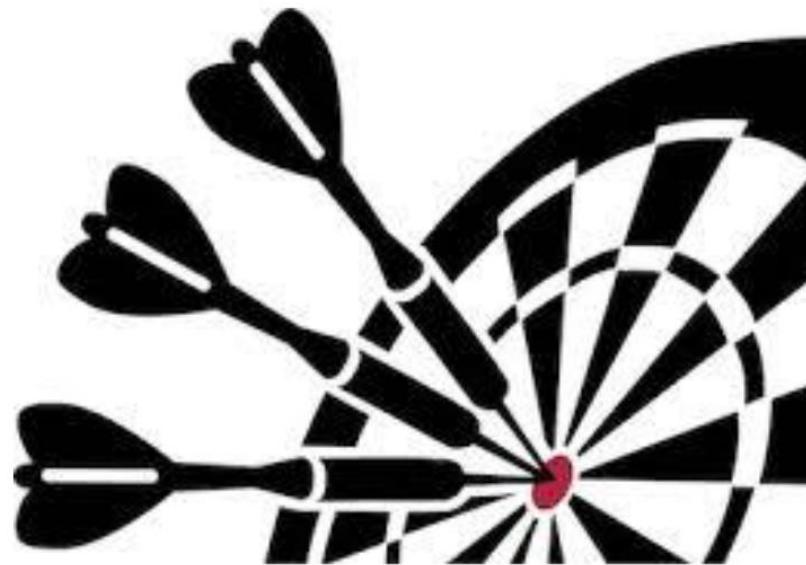
Common Misconceptions

- Financial Planning is for the Rich
- Insurance Planning is Financial Planning
- Tax Planning is Financial Planning
- I am young to think about Financial Planning
- Confuse Financial Planning with investing

Notes

Day 3 Module 2

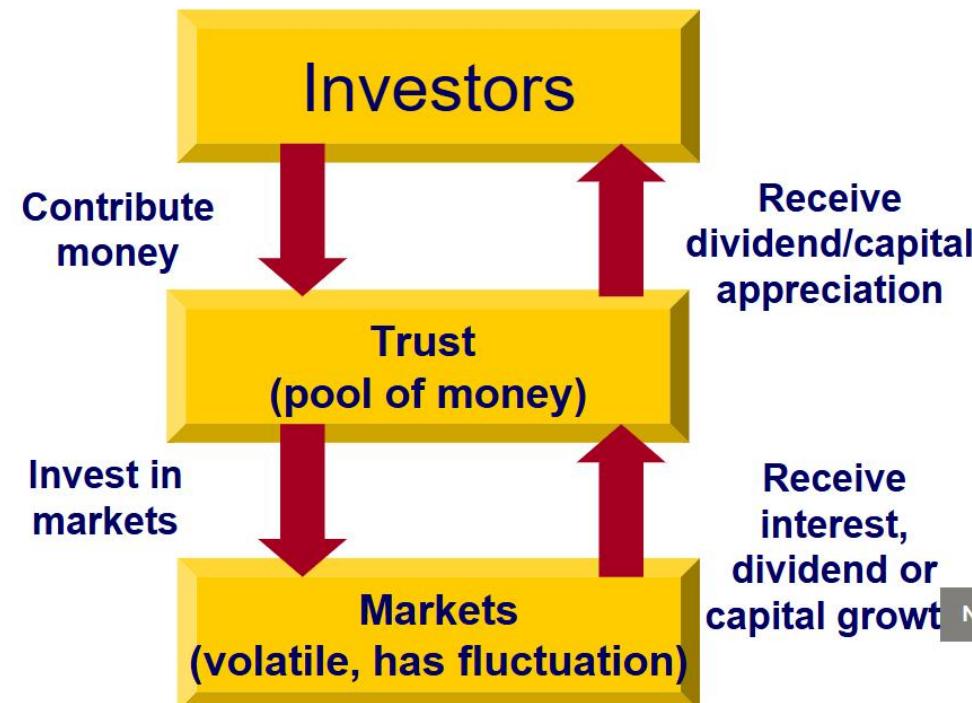
- By the end of the session, you will know:
- Basics of Financial Planning, Risks and Investments
- Wealth Management
- Asset Management



Notes

Mutual Fund

What is a Mutual Fund?



Notes

Investment Products – Mutual Funds

- Trust that invests funds in money market instruments such as shares, debentures and other securities
- It is a pool of savings collected from investors with a common financial goal
- The capital appreciations and income earned from these investments are shared with its unit holders



Notes

Investment Products – Mutual Funds

Advantages - Mutual Funds

- Diversification
- Professional Management
- Less Risk
- Low Transaction Cost
- Liquidity
- Choice of Schemes
- Transparency
- Flexibility
- Safety – Regulated by SEBI



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Types of Funds

Based on Asset Class
Equity – Debt – Balance – Money Market

Based on Investment Objectives
Growth Fund – Income Fund – Hybrid Fund

Based on Structure
Open Ended – Close Ended - Interval

Based on Taxation
Equity (more than 65% in domestic equity)
Other than Equity (<65%)

Notes

Investment Products – Mutual Funds



As per Investment Objectives

Growth/Equity Oriented Scheme

- Capital appreciation over medium to long-term.
- invest a major part of their corpus in equities
- comparatively high-risk schemes
- When stock market falls or rises, the growth fund's earning falls & rises even faster

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Investment Products – Mutual Funds



As per Investment Objectives

Income/Debt Oriented Scheme

- to provide regular income to investors
- invest major part in fixed income securities
- less risky compared to equity schemes
- capital appreciation is limited in such funds.
- If interest rates in the country fall, such funds are likely to increase in the short run and vice versa.

Notes

Investment Products – Mutual Funds

As per Investment Objectives

Balanced Fund

- invests both in equities and fixed income securities
- appropriate for investors looking for moderate growth
- Fluctuations in the stock markets affect since they invest in equities also. However, NAVs less volatile compared to pure equity funds.



Notes

Investment Products – Insurance



- Risk management against the uncertain loss of many people for a small sum of money paid “premium”.
- An assurance of compensation in return for a periodic payment.
- Insurance is designed to protect the financial well-being in the case of unexpected loss.

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Investment Products – Life Insurance

Life Insurance

- Covers an individual or a group of individuals in case of death.
- Legal contract that ensures payment of an amount to the person assured (or his nominee) on the occurring of the event
- Contract between Insurer and the Insured
- Life insurance company receives premium by the insured to create a pool of money.



Notes

Investment Products – Life Insurance

Types of Life Insurance

- Term Life Insurance
- Whole Life Insurance
- Second-to-Die or Last Survivor Life Insurance
- Endowment Plan
- Money Back
- Unit Linked Insurance Plan



Notes

Investment Products – General Insurance

General Insurance

- Insurance other than 'Life Insurance'
- It comprises of insurance of property against fire, and allied risks, natural disasters like floods and earthquakes, burglary, theft, personal insurance such as accident and Health Insurance



Notes

Investment Products – General Insurance

Health Insurance

- Covers expenses due to hospitalization & medical emergencies.
- Insurance companies provide cashless facility at selected hospitals
- The required claim is directly taken by the hospital from the insurance company



Notes

Investment Products – General Insurance

Taxation Benefits

- Deduction under Section 80C:
 - Premium paid on your own life spouse/child
 - Exemption under section 10(10D) on Maturity amount received
- Deduction under Section 80 D:
 - Medical insurance premium paid for you and your family members



Notes

Investment Products

How banks make money from TPP

- 
- TPPs are not deposits or loans. Banks don't have to provide capital to earn income from selling these products.
 - This is fee-based (as opposed to fund-based) income for the bank.
 - The bank earns a substantial amount of fees by way of commission

Notes



Net Asset Value (NAV)

NAV = [Market value of investments +
(current assets and other assets- current liabilities
and other liabilities
+ (accrued income - accrued expenses)]
/Number of units

Notes



How do we evaluate fund performance?



- Underlying Risk
 - Asset Allocation
- Performance against Benchmark
 - This is done across time horizons- 1 month, 2 months, 3 months, 6 months, 12 months, return since inception, annualized basis
 - The funds are evaluated against the respective benchmarks

Notes

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A standard Windows taskbar showing various pinned and running applications, including File Explorer, Microsoft Edge, and several system icons like battery level and network status.



Benchmarks

- Relative returns rather than absolute returns are more important for mutual funds
- Comparable passive portfolio is used as a benchmark
- Usually a market index is used
- Compare both risk and return over the same period for the fund as well as the benchmark.

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Benchmarks

- Benchmarks help to gauge
 - how well the markets are performing
 - How well our investment portfolio / fund is performing when compared to the markets
- Indices of stock market are commonly used as benchmarks like SENSEX, NIFTY

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