

# Personal Finance

## **Personal financial planning may include:**

- Savings and Loans
- Investments
- Taxation
- Insurance
- Retirement

## **Effective money management starts with Goal Setting:**

- What are my goals?
  - Educational Goals (Timeframe – 2 years)
    - Complete my masters.
    - Do multiple courses to upskill.
  - Family Goals (Timeframe – 0)
    - None
  - Health & Fitness Goals (Timeframe – 2 years)
    - Get my weight to 75-80kg.
    - Gym daily
  - Social Goals (Timeframe – 2 years)
    - Make friends.
    - Make professional connections.
  - Recreational Goals (Timeframe - 0)
    - None
  - Financial Goals (Timeframe – 2 years)
    - Try to fund myself.
    - Create emergency funds.

## **Top Priority Goals**

- Educational Goals (Timeframe – 2 years)
  - Complete Masters
  - Immediate Steps:
    - Go to University.
- Family Goals (Timeframe - 0)
  - None
  - Immediate Steps:
    - None
- Health & Fitness Goals (Timeframe – 2 years)
  - Reduce weight to 75-80kg
  - Immediate Steps:
    - Join the gym and attend daily.
- Social Goals (Timeframe - 0)
  - None
  - Immediate Steps:
    - None
- Recreational Goals (Timeframe - 0)
  - None
  - Immediate Steps:

- Financial Goals (Timeframe – 2 years)
  - Create emergency fund for Australia.
  - Immediate Steps:
    - Start part time job.
    - Start saving.

**What can I be doing now to achieve this goal?**

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**What are the resources needed to achieve this goal?**

- Personal resources (Eg: Skills, education, time, etc.)
  -
- External resources (Eg: Money, tools, Equipment, etc.)

### **Budgeting**

- Create a realistic budget.
- Income (Where your money comes from?)
  - What are my current sources of income?
  - What are my expected future sources of income?
- Expenses (Where your money goes?)
  - Track your expenses for a minimum of 1 month.
  - Answer the following question:
    - Where does most of my money go?
    - Are there any patterns in my monthly spending?
    - How do I decide what to spend my money on?
    - What factors influence my purchasing decisions?
    - What percentage of my monthly spending would I consider to be unnecessary expenditure?
- Make sure your income > expenses

### **Personal Finance**

- **Personal Income Statement**
  - $Income - Expenses = Savings/Investments$
  - Expenses
    - Fixed Expenses (rent, school fees, etc.)
    - Varied Expenses (travelling, outings, food, etc.)
- **Personal Cash Flow Statement**
  - Tracks all cash inflows and outflows on a monthly basis.
- **Personal Net-worth Statement**
  - $Total Assets - Total Liabilities = Personal Networth$
  - Make a list of all your assets:
    - All accounts: savings, current, FDs, RDs.
    - Items of sellable value: jewellery, houses, etc.
    - Stocks, Investments, etc.
  - Make a list of all your liabilities:
    - Credit card debt
    - Student loans
    - Money borrowed from friends and family

### **Types of Costs associated with moving out**

- Fixed costs (Does not change in the short time and remains constant)
  - Example rent, subscriptions, college fees, repayments on loans, premiums for insurance.
- Variable costs (Changes according to frequency of usage, amount of usage and price)
  - Example utility bills, groceries, transport, entertainment, services, etc.
- One-time costs (Costs that occur on a one off basis)
  - Example deposits for rent, brokerage fees, etc.

### **Jobs!**

- Annual salary figure is NOT EQUAL to the monthly earnings you get in hand.
- Gross pay is the compensation before deductions and investments. Gross salary refers to this.
- Net salary is the actual cash in hand you will receive after all deductions.
- $\text{Gross Salary} = \text{Earnings} + \text{Deductions} + \text{Investments}$
- $\text{Earnings} = \text{Basic Pay (Fixed)} + \text{Allowances (Varies)} + \text{Bonuses (Varies)}$
- $\text{Deductions} = \text{Income Tax} + \text{Professional Tax}$
- $\text{Investments} = \text{Provident Funds} + \text{Gratuity}$
- $\text{Net Salary} = \text{Earnings} - \text{Deductions} - \text{Investments}$

### **Credit Cards**

- Annual Percentage Rate
- Late Payment Fees
- Annual Fees
- Foreign Transaction Fees
- Cash advance
- GST
- CREDIT SCORES! (CIBIL Scores)
  - Measures how trustworthy you are.
  - Ranges from 300 to 900.
    - 300-550 = Poor credit score
    - 550-650 = Average credit score
    - 650-750 = Good credit score
    - 750-900 = Excellent credit score
  - To obtain high credit score
    - Have a credit card.
    - Always pay your dues in full and on time.
    - Only use 30% of your credit card limit monthly.
    - Do not make any investments for which you can't repay comfortably.
    - If you have loans, pay back higher than you owed.

### **SAVINGS**

- 50/30/20 rule
  - 50% of the net income in needs (rent, electricity, groceries, etc.)
  - 30% of the net income in wants (eating out, shopping, etc.)
  - 20% of the net income in savings.
- Increase ways to generate more income
  - Part time jobs

- Stock dividends
  - Commission based projects
  - Freelance works
- Savings roadmap
  - Build an emergency fund (atleast 6 months, worth of expenses and keep it separate liquid FD)
  - Clearing debt and avoiding debt (start with the highest interest first and clear out rest)
  - Saving up to achieve long term goals

## Insurance

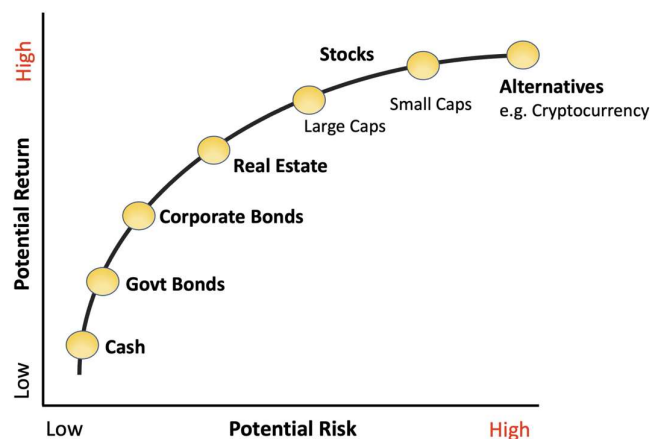
- Health insurance
  - Helps with medical expenses
- General Insurance
  - Protects valuable assets
- Life/Term insurance
  - Compensates dependants in case of death

Things to keep in mind when choosing an insurance:

- Coverage
  - Claim
  - Network hospitals
  - Deductible
  - Co-payment
  - Out of packet maximum
- Cost
- Terms and Conditions

## Investments

- Stocks and shares
- Bonds
- Real estate
- Commodities (gold, silver, etc.)
- Cash (bank accounts, FDs, etc.)
- Cryptocurrencies
- Alternative assets (Fine arts, luxury cars, collectibles, watches, etc.)




## Taxes

- Taxable income
  - Income from salary
  - Income from house property
  - Profits and Gains on Business
  - Capital gains income (Profit earned from selling assets)
  - Income from any other sources (Interests from Savings account, FDs, etc.)

### Income from Salary

#### DEDUCTIONS

> Standard deduction of **Rs.50,000** for salaried individuals / pensioners




**- Rs.50,000**

### Income from Salary

#### EXEMPTIONS

> HRA (House Rent Allowance)

- You can claim HRA only if you live in a rented property
- The maximum tax exemption under HRA is the lowest of the following amounts:
  - > Actual HRA received
  - > 50% of (Basic + DA) \* metro OR 40% of (Basic + DA) \* non-metros
  - > Actual Rent Paid + 10% of (Basic Pay + DA)





### Income from Salary

#### EXEMPTIONS

> LTA (Leave Travel Allowance)

- Procedure to claim LTA is employer-specific
- Can only be claimed on actual travel costs & limited to domestic travel
- **Claimable limit is LTA received**



## Deductions under Section 80C

### Deductions under Section 80

 Section 80C Investments	 Section 80CCC Insurance Premium	 Section 80CCD Pension Contribution	 Section 80TTA Interest on Savings Account	 Section 80GG House Rent Paid	 Section 80E Interest on Education Loan
 Section 80EE Interest on Home Loan	 Section 80D Medical Insurance	 Section 80DD Disabled Dependent	 Section 80DDB Medical Expenditure	 Section 80U Physical Disability	 Section 80G Donations
 Section 80GGB Company Contribution	 Section 80GGC Contribution to Political Parties	 Section 80RRB Royalty of a Patent	 Section 80TTB Interest Income	 Frequently Asked Questions	

- 1.5L of deductions on eligible investments (Example: PPF, ELSS, EPF, SSY, etc.)
- Repayment of home loans
- Term insurance and Life insurance premiums.
- On medical insurance amount based on the age of the individual and their insured family member.
- On educational loan. There is no tax benefits on principal amount.

### Legend

Time frame	Type goals
1-4 weeks	Short Term Goals
2-12 months	Medium Term Goals
1 year or longer	Long Term Goals

S	M	A	R	T
Specific	Measurable	Attainable	Relevant	Time-bound
What exactly do you want? How will you achieve it?	Have a figure to set it as a goal.	Make sure the goal is achievable and realistic.	Always keep goals which are relevant to you.	Keep a set time line defined.