

NIKHIL: It is possible provided you select gifts that are reasonable enough to fit in our budget. It is important to always make sure that you always have an idea of the funds available before making plans. A play station sounds good but it might cost us more than what we can spend right now. We might instead buy a gift that is more reasonable. You might gift some branded clothes that he might like.

SHANTANU: That would be a good idea. The nearest gift items store has all kinds of gifts at attractive prices from where we can get the souvenirs too. It might cost us around Rs 2500.

NIKHIL: This would leave us with Rs 590. Do you wish to have any extras like games?

SHANTANU: I think we should have games. We might use the rest of the funds for it and I can buy chocolates for all of us.

NIKHIL: Then I think we have made a plan for the party. Now all you need to do is place the snack order well in advance and buy the gifts a day before to avoid last minute hassles.

SHANTANU: Thank you so much. Now I am sure I will be able to arrange for the event.

NIKHIL: Always remember that whenever you need to carry out a task you always need to plan for it before.

EXERCISE:

Observe how Shantanu writes down the plan for the party. If he had not declared the amount of funds he had collected, planning for the event would have been tough. If Nikhil would not have asked him about this initially Shantanu could have ended up buying expensive gifts and would have no funds left for the snacks. Also note that Nikhil advises him to plan in advance so that he avoids making errors and last-minute rush.

You can plan your finances in the same way as Nikhil helped Shantanu plan for the party except that you need to be extremely careful about where we invest our money to make optimal usage of funds. Financial planning involves various aspects like goal identification, asset allocation, portfolio management, etc., which helps an investor to organize his finances. The following conversation between Shantanu and his brother Nikhil would help you get a better insight into financial planning.

Activity 1: Prepare your monthly budget by specifying your pocket money, monthly expenses and savings for the month. You can look at the above example where Shantanu prepares a plan for his friend's birthday party to make your monthly budget. You can use the following box shown below to list out your budget items.

YOUR MONTHLY BUDGET	
A: Income	
• Pocket money	
• Part-time assignment	
• Prize	
• Stipend	
• Cash gifts, if any	
B: Expenses	
• College fees	
• Party	
• Gift	
• EMI, if any	
• Lunch	
• Traveling Expenses	
• Others	
C: Balance (A-B)	