



A Gameplan for the Future

One complaint I often hear is that an individual would like to invest but does not have any money or time for it. Financial planning will help many people to overcome this lack of ability to save and invest. With proper planning, you will be able to establish goals and save

money to meet these goals. While you can start this personal financial planning yourself, you may soon discover that it will pay you to find a financial planner to make the process more effective.

To begin financial planning, you need specific financial goals. For instance, everyone knows the child has to be admitted to a school in four years or college in 16 years, but they then get oblivious to setting aside funds to meet these expenses. Likewise, you should attempt attaching a financial value to all the big goals you have—buying a house, a second car, child's education and not to forget, your own retirement.

At first these goals may seem unobtainable but continuing the planning process will enable you to evaluate these goals and modify whenever needed. Assign goals with broad time frames and work out ways to invest in instruments that will help you meet these goals. It is almost certain that equity is for the long term; however, for the short term you can look for floater plans and equity-diversified mutual fund schemes that are doing well consistently.

Next you need to track your income and expenses until you can develop a yearly statement (cash-flow statement). This will help you to get a sense of where the money is coming from and, more importantly, where it is going. It does not mean you need to track it to the last paisa—if you can get a sense of the

broad heads, it will help you track what you are spending on. Thus, financial goals become the benchmark for tracking investment performance. You should re-assess your goals annually unless something dramatic necessitates a re-look before that. By re-look I mean that if your income streams grow, you can look at serving debts or increase the value that you have attached for a goal.

The beginning of the year will be a good time to see where you stand currently on finances. List the value of all your assets and look at what you owe. Subtract your

debts from your assets and you have your current net worth (balance sheet). You should update these statements yearly—if nothing else, it feels good to see how your wealth has appreciated. It also helps you monitor your goals and modify them if need be. Again, you must look at financial planning holistically, be it taxes, investment, retirement or insurance, and not go piecemeal by looking at one issue and missing out the big picture.

But the biggest advantage of financial planning is your ability to see the financial future more clearly. That makes decisions related to finance a lot easier and streamlined. More importantly by getting your finances in order you will enjoy peace of mind, which according to me will help you focus on other aspects in life with more concentration and improve your efficiency and productivity.



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