What Money Can Actually Buy?

People have a varied range of opinions concerning money. Whilst few of them weighs down on the negative side, others do consider money to be important. There is also a crowd which is ignorant to this entire concept. Money is usually taken for granted in their minds. They do not necessarily think like that by choice but rather due to sheer lack of awareness. In my opinion when the realization dawns on the fact what money can buy something whose value they can't even comprehend, that's when things would change.

People are usually carefree on their early stages. If I ask someone in their 20s about their retirement planning, they will consider me to be a lunatic or an overthinking-freak.

“Dude! It’s time for me to enjoy life! Why would I bother about retirement? I have decades of **time** in my hand.” – the usual course of replies.

The very thing they can’t comprehend, and which money can buy them is **time.** They feel that they can always work and keep the flow of money intact. What they miss out is the fact that they are exchanging time for money; time which cannot be *purchased back* even with money. More precisely, they are exchanging time, energy, and skills for money. Unfortunately, all of them are limited.

IMAGES

We don’t realize the kind of exchange that goes on, neither do we see the obligations attached to such an exchange. For people who understand the transaction involved the next set of challenge is to grasp the fact that by buying time, money helps one to achieve a state of freedom. It must be kept in mind that money, buying time, is one of the factors that impacts our state of being free. Freedom is indeed quite subjective to individuals; it’s a state of mind. One can argue one that.

But imagine this situation:

You have a family to feed, your house is mortgaged against a huge loan, you need to pay for your son’s education, your daughter is getting married the next month and you need a huge sum for that, and as a cherry topping you have recently lost your job and are left without an emergency fund. No matter how optimistic, happy-go-lucky person you are, you can’t be free in such a situation. Money doesn’t solve every problem, but it is something that helps.

Now, some people tend to avoid all these money management things because they believe it to be very complicated and meaningful only to the rich. Let’s see through a simple example how easy it is to make a financial plan.

Take the following scenario –

You and your spouse are planning for a child in the next five years. During that period for a term of at least a year you must take care of yourself or your spouse. You want to drop from your job for a year (and you have some arrangements to bounce back after a year). During that period you won’t be getting any salary. How do you manage that?

Say, you consider your monthly expenses to be around INR 50,000 after 5 years.

Total corpus required = INR 50,000 x 12 = INR 6,00,000 = INR 6 Lakhs

Navigate to any site that helps you calculate the monthly SIP (Systematic Investment Plan) amount against a goal amount within a fixed tenure.

<IMAGE SCREENSHOT>

You can also confirm this by using a SIP calculator I designed, here.

Use the following parameters as inputs and click on Submit:

Initial Amount: 0

SIP Start Amount: 7347

Annual Step-Up %: 0

Number of Years: 5

SIP Start Year: (Fill the current year)

Expected Returns: 12

Currency: (default) INR

I know what you are thinking!  
“Aha! You are trying to pull the wool over my eyes! How will one even manage to get a 12% return?”

It is possible. An Index Fund have a great chance of providing it to you. However, we will keep that topic out of this discussion.