

THE **ORANGE BOOK**

Leverage your **FINANCIAL QUOTIENT**



Attain

F.I.₹.E.

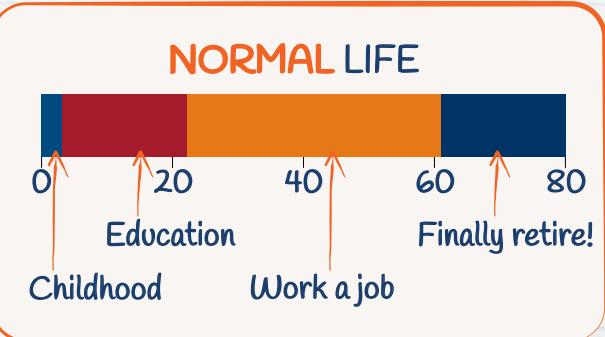
Financial Independence to Retire Early

Attaining the elusive financial freedom!

We all crave for financial freedom, the liberty to spend our time as we wish and to do things we love!

While there can be different paths to financial freedom, the basic mantra of Financial Independence to Retire Early (F.I.R.E.) remains same:

Earn more, spend less, invest the surplus and build a perpetual passive source of income so that you need not work a job just to earn money!

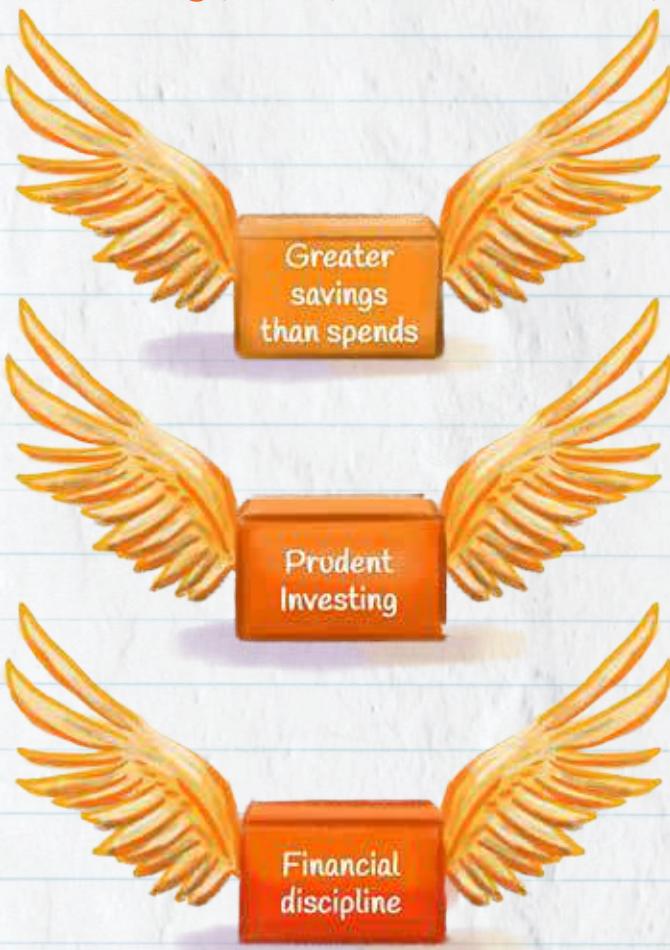


Financial freedom is **IMPORTANT** because...



.... it gives you back
CONTROL OF YOUR TIME
the most precious thing in the world!

The 3 key principles that can help you attain financial freedom are:



You should always aim to increase your income and savings because more the savings, greater is the freedom! So start saving early to retire early!

How you invest your savings is as important as saving money itself! Buying the right income generating instruments and appreciating assets is crucial to having a steady passive income!

Financial discipline enables you to utilise your money efficiently and spend it only when necessary. While it is important to cut costs, do not forget to enjoy the journey towards financial freedom, not just the destination!

Which stage of Financial Freedom are you at?

Stage	Condition	Borrowings	Key Ratios to monitor
I	Income < Expense	0	
II	Income > Expense	0	<ul style="list-style-type: none"> Savings Ratio = $\frac{\text{Total Savings}}{\text{Total Income}} > = 30\%$ Emergency Fund = 6 -12 months of expenses Insurance coverage Ratio = $\frac{\text{Life Insurance cover}}{\text{Gross Salary}} > 10$
III	Income >> Expense	> 0	<ul style="list-style-type: none"> Solvency Ratio = $\frac{\text{Total Liability}}{\text{Total Asset}} < 50\%$ Debt Servicing Ratio = $\frac{\text{EMI}}{\text{Total income}} < 40\%$
IV	Income >>> Expense	0	FINANCIAL FREEDOM

To know more about Financial Freedom,



Call your RM at 022 4440 0000 (Express Relationship Banking No.)

Helping YOuth manage money!

This International Youth Day (August 12) be well informed

Hey Aria! Salary is here!
What plans?



A big fat NOTHING.
Almost my entire salary
gets eaten up by rent,
house help, ordering in
food, shopping and
subscriptions.

Ouch! But I can understand. I live with my parents,
so I don't have as many expenses as yours. Thus,
a chunk of my salary stays in my Savings Account.



That's awesome! I feel very
guilty about some of
my...ahem...indulgences now.

You know what? I feel guilty too.
I feel like I shouldn't be letting my
savings sit idle, you know? I should
inculcate a habit of investing and
increasing my savings.



Hey Sid, Aria. Sorry, but I couldn't help overhearing what you guys were talking about. May I interrupt with some advice?

Of course, Reyaan! Once a senior, always a senior, right? You'd always helped us back in college too.



Haahahaha Sid's right! So tell us - I can hardly save any money while Sid doesn't know how and where to invest his savings. Two completely opposite problems, am I right?

No worries – both your problems can be solved by something I call LEAD.



- | | |
|--|---|
|  L | Learn the difference between expenses and investments
For example, buying a car might sound like an investment, but being a depreciating asset, a car is actually an expense. |
|  E | Ensure expenses are kept under control
Make a monthly budget and use budget tracking apps. |
|  A | Assign priorities and the funds required to your life goals
Do you want to bootstrap your own startup in 2 years? Fund your own destination wedding? Or save funds for your MBA abroad by age 28? |
|  D | Discuss with your family members, friends or even your bank to help you achieve your life goals
Family and friends who are 8-10 years older than you can be a great source of practical advice. You can also approach your bank and take help of a Relationship Manager to design a portfolio that suits your goals and your risk appetite. |

For any assistance with your Banking needs



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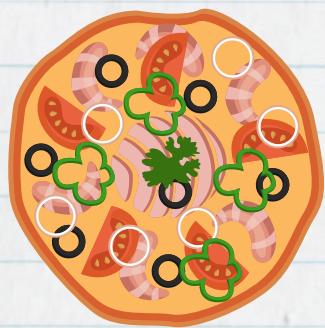


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Is your retirement pizza well rounded?

Get the recipe right!



So, what is common between a pizza and retirement planning? They both need a perfect recipe, a blend of ingredients and right timing. Let's get ready to make one.



1



Get your dough right for that perfect pizza base and estimate your retirement corpus required accurately, to give a perfect base to your retirement plan.



Calculate your post retirement expenses based on your lifestyle and inflation



Identify your and your family's retirement goals



Don't forget the emergency funds needed for contingencies

Tips to estimate the required retirement corpus:

Spin the dough in air for that perfectly rounded pizza base. Do a well-rounded 360-degree assessment of your assets and liabilities.

Tips to assess your finances:



Tag your current investments, for retirement and other goals



Estimate your employer retirement corpus



Calculate your current and future liabilities



2



3

The strongest flavour coming out of your pizza is the sauce! Preparing your own sauce will give you control on the aroma you desire. Likewise, customising your retirement plan will give you the control over your retirement life.

Tips to customise your plan:



Assess the gap in the retirement corpus



Optimise your EMIs and spends



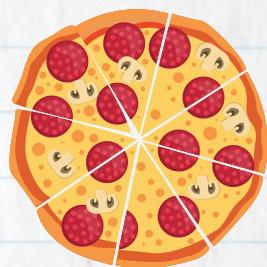
Do goal-based investments



Get an optimum insurance cover



Increase your contribution to the Voluntary Provident Fund (VPF)



As you choose toppings as per your taste, choose your investments as per your investment personality, and re-balance them periodically.

Add The Toppings

4



The Cheese

5

Cheese is the glue that holds the pizza together. To get hold of your retirement plan, don't forget to consolidate your finances.

Tips to consolidate:



Consolidate your investments, transactions and spends with one bank



Limit your card usage to the top 2 Credit Cards that align with your post retirement lifestyle



Get one-view statement of your finances



Regularly track how you are progressing



Whether it's the spicy chilli flakes or a hint of oregano, these will elevate the taste of your pizza.



So here are some seasoning tips:



Add nominees, wherever required



Make your spouse/ family member, a second holder



Choose ICICI Bank's iLocker – to store all your financial details

The Seasoning Makes All The Difference

6

And with that, you've got all the ingredients to ensure that you enjoy good taste, in your golden years.

Let's meet Mr. Sharma & his retirement goals!



Mr. Sharma's retirement goals & objectives:

-  Kids' education
-  Kids' wedding
-  Sustain his current lifestyle post retirement
-  Continue travelling with wife



-  Stay healthy
-  Be able to give gifts to grandchildren
-  Give back to society
-  Align investments to generate a steady income after retirement

What Mr. Sharma has done for his retirement planning:

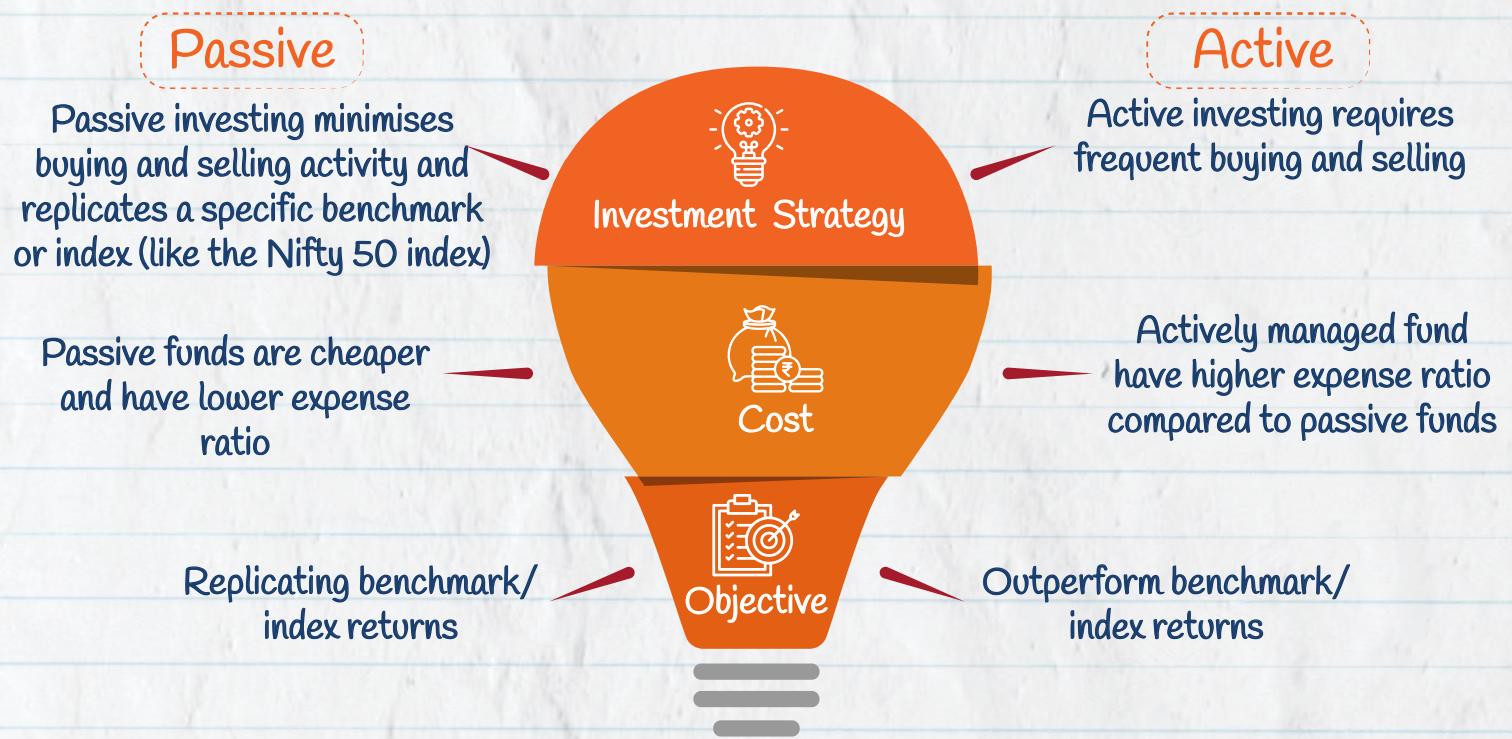
- Consolidated his assets and investments with the help of a financial advisor
- Kept his retirement corpus intact
- Realigned the portfolio
- Prepared a will and ensured nominee registration in all assets and investments
- Planned cash flows post retirement with the help of his financial advisor

Like Mr. Sharma you can also start planning your retirement!

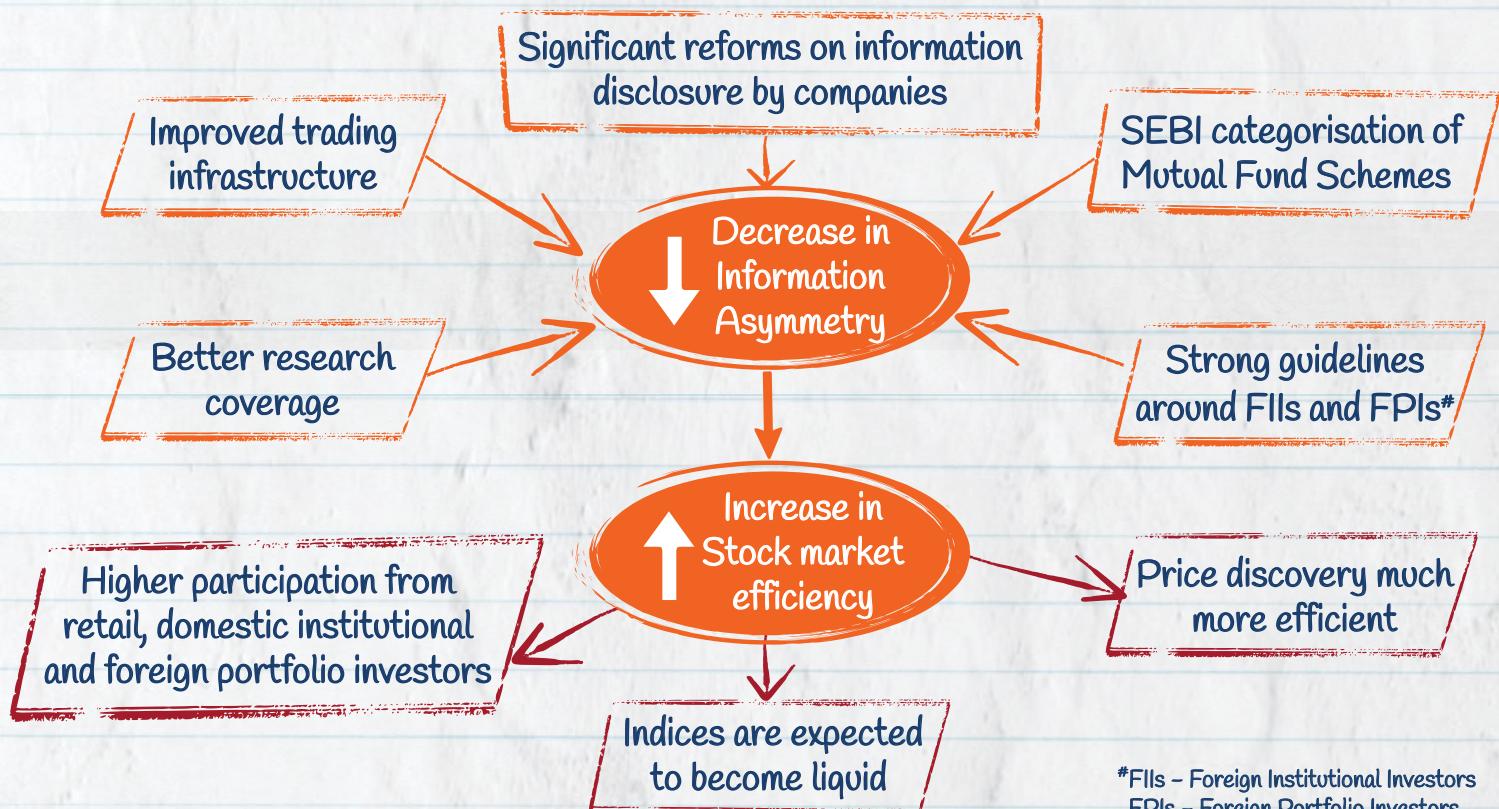
[START YOUR RETIREMENT PLANNING HERE](#)

Passive Investing: A long term bet?

Investors have two main investment strategies to generate returns on their investment, passive investing and active investing.

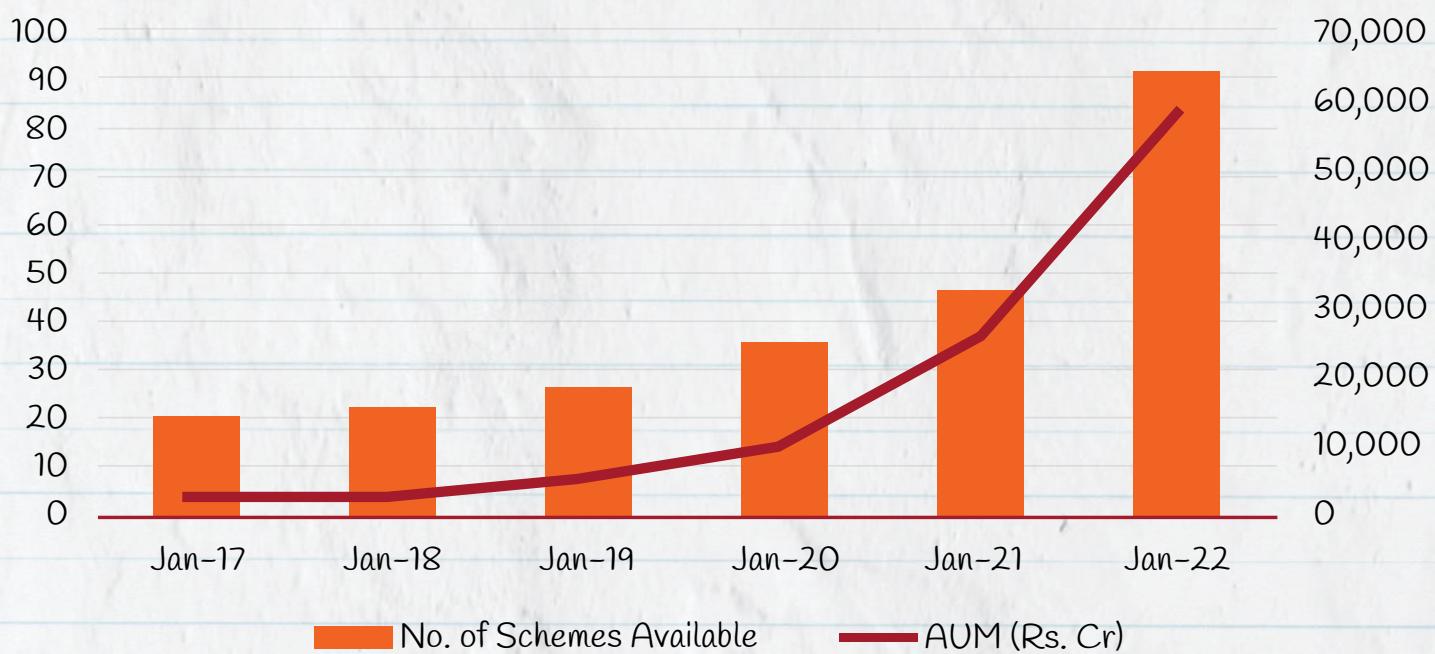


Why passive investing is on the rise?



*FIIs - Foreign Institutional Investors
FPIs - Foreign Portfolio Investors

Growth in Passive Investing



Source: This data has been derived and compiled from ACE MF.
AUM and scheme count does not include ETFs.



Mid-Cap Index Funds

Midcaps can be volatile but can also give higher returns in the longer run. The options here are Nifty Midcap 150 and Nifty Midcap 50



Large Cap Index Funds

These would include Nifty 50, Sensex



International Index Funds

For most investors, having a US-based S&P500 index fund (or NASDAQ-based if you are willing to accept more risk and volatility) is sufficient and offers good exposure to developed markets



Sectoral Funds & Gold

Nifty IT, Nifty Bank, Nifty Healthcare, Nifty Auto, Nifty CPSE, Bharat 22 and Gold Funds are some of the thematic Funds



Smart beta Strategies

Nifty Alpha Low Volatility, Nifty Equal Weight

Advantages of Passive Investing



Lower fees and operating expenses than actively managed funds



Passive investing via indexing is an excellent way to achieve diversification



Passive investing is subject to total market risk Vs an individual portfolio manager risk



Simplicity: Owning an index, or group of indices is far easier to implement and comprehend than a dynamic strategy that requires regular monitoring and rebalancing



A little variation from traditional passive investing (Smart Beta Strategies) adds a pinch of active management in passive funds while keeping all advantages of passive funds intact

Disadvantages of Passive Investing



Lack of flexibility



Fully invested all the times (No cash calls)



There is no possibility of any alpha generation

Active vs. Passive Funds – Experience of last ten years

Annualised return for last ten years for Actively Managed Mutual Funds (Blended) is 13.73% while for Passively Managed Nifty 50 Index Fund (representative of Passive Funds) is 12.36% p.a.

However, each year, the experience can be different. Thus, Active Funds outperformed Passive Funds (Nifty 50 in this case) from 2012 to 2017 and then in last two years. But between mid 2017 to mid 2020, Active Funds underperformed Passive Funds. In last five years, on an overall basis, Passive Funds have marginally outperformed Active Funds.

Source: This data has been derived and compiled from ACE MF.

All returns are absolute. Actively Managed Mutual Funds (Blended) is an equal weight average of 10 Largecap MF Schemes and passive is a Passively Managed Nifty 50 Index Fund.

It is suffice to conclude that there are times when Passive Funds have outperformed actively managed funds and vice-a-versa. Hence, it needs to be carefully decided when and how much to invest in Passive Funds for which your investment advisor can help.

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When you SAVE, you EARN

Earning is usually referred to income whether from salary or business profit. Of that money, we spend some and save some. While the money saved is invested in a diverse portfolio, spending is pure expense. What if we could save while spending, wouldn't that be equal to earning as the amount was earmarked for expense!

The way to save while spending is looking for offers in the market. There are two kinds of offers:



Product Offers

Where merchants present offers on products sold during different seasons.



Bank Offers

Banks give additional offers on payment channels such as Credit Card/ Debit Card and Internet Banking.

Illustration*:

A 3 night stay at a 4 star hotel in Goa for the Independence Day weekend

Price: ₹35,000 on MakeMyTrip

Offer: Flat 15% off up to ₹5,000 on using ICICI Bank Credit Card and
promo code : ICICILUXURY

Savings: ₹5,000 = Interest on maintaining a balance of ₹1.43 lakh for
a year in Savings Account

OR

Interest on an FD of ₹2.66 lakh maintained for 6 months

Now check out all Monsoon Bonanza offers to see how much of Fixed Deposit earnings you will end up saving in a month.

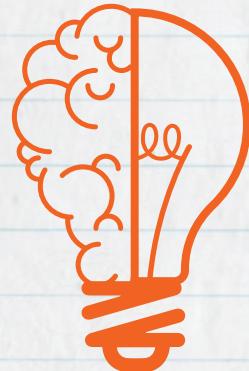


[CHECK OFFERS TO SAVE](#)

Quiz

It's time to test your knowledge now. Take a short and simple quiz based on what we have covered in The Orange Book, so far.

TEST YOUR KNOWLEDGE



We hope you liked this volume of



We would really appreciate your feedback.

CLICK HERE

to share your feedback and suggestions.

Thank you.

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