INVESTING/FINANCIAL PLANNING

Concept of saving is well known to majority of us in India. Question is do we know, how to get best out of this money? From our earned money we spend some of this money for our daily needs and some is saved for the future requirements. To get the best out of this money, we must know what our possible future requirements are, what are various avenues available for investing this money, what are pros and cons of these investment avenues, what are various concerns and how to address these concerns while investing. In this article I shall try to address these issues and show you how a Certified Financial planner is the best person to help you achieve your financial needs, Goals, and Aspirations.

- **EARN**
- **SPEND**
- **SAVE**

FUTURE REQUIREMENTS

Some of the future requirements cannot be anticipated like sudden health problem, accidents, Natural calamities etc. These emergencies require sudden unexpected cash out flow, which we must prepare ourselves for. Other future requirements like, children's education, their marriage, buying a house, buying a car, preparing for retirement and certain financial aspirations like club life, world tour, charity etc. can be anticipated. What majority of us would find difficult is to quantifying these requirements into money terms, and aligning investment of our saved money to fulfill these financial needs, goals and aspiration. It is here you would find the usefulness of a Certified Financial Planner in helping you to find your future financial needs, goals and aspirations and help you to calculate the future money value of your financial goals.

AVENUES FOR SAVED MONEY

Let us consider various possible places we can park our saved money.

a) **CASH:** Money in cash form is most useful in emergencies because of easy access; however it tends to loose its value because of inflation. Over a period of time purchasing power of cash money would considerably reduce. Cash money could be hard cash kept in house or locker, money in savings account, fixed deposit less than one year, or investment in money market Mutual Funds.

b) **DEBT INSTRUMENTS:** It's like lending money to third party who is going to use your money and earn Some of his earning he passes on to you in the form of Interest. Various Debt instruments are FD's More Than 1 Year, in BANK, Post Office, or COMPANIES, Monthly Income scheme PO, Kissan Vikas Patra, NSC, Senior Citizen Saving Scheme, PPF, BONDS, Debt Oriented Mutual Funds. These instruments do cover up to some extent for inflation however taxation remains an issue.

c) **EQUITY:** Its like using your money yourself to create more money either by investing in your own business or investing into businesses run by others, like buying shares of various companies traded at exchanges. One could enter equity either directly if he has the expertise and required knowledge or he could enter through equity oriented mutual funds where it is managed by the experts. In this asset the rewards are more however risk also increases.

d) VALUABLES: These are also called nonfinancial instruments or Commodities. Buying of property, Gold, Jewelry, and Art etc. shall fall in this category. This category tends to beat the inflation however liquidity is the problem.

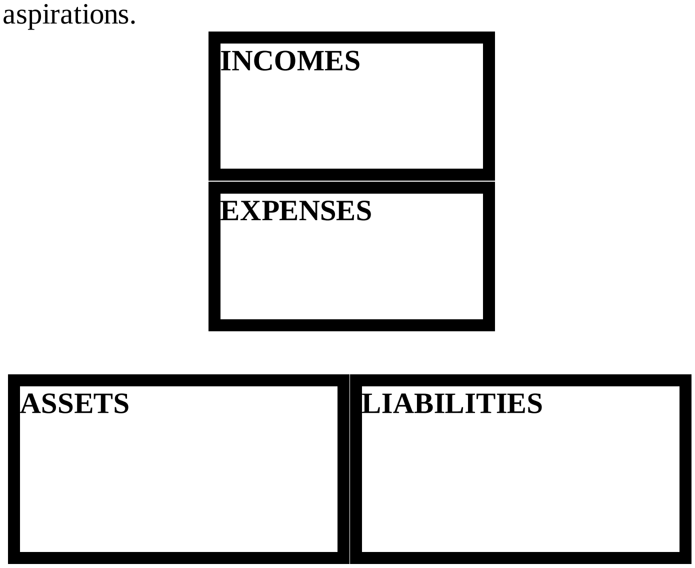
CONCERNS:

Depending on ones requirement and time horizon for each requirement, a combination of the above assets can be very useful in achieving the financial Goals. One must ensure following concerns are addressed while investing and choosing the assets:

i) **Returns in the form of Capital Gains or Cash flow.**
ii) **Protection/Risk of losing capital.**
iii) **Inflation**
iv) **Taxation**
v) **Liquidity – That is availability of money as and when required.**
vi) **Divisibility – It is taking out part of the money on requirement without liquidating whole of the asset.**

ROLE OF CERTIFIED FINANCIAL PLANNER:

In these days of global turmoil and recession and complicating financial assets, it is very difficult for most of the individuals to be able to plan and manage their saved money so as to achieve their financial goals and aspirations.



A Certified Financial Planner has been trained to help you to assess your present financial situation from your income, expenses, assets and liabilities. He also helps you to find your Financial Goals, needs and aspirations and aligns your investments to meet your short term, medium term and long term financial goals. Allocation of Assets, Implementing these agreed upon allocation and monitoring are the mainstay of methodology. A Certified Financial Planner is like a Financial Doctor who is a trained person in Risk management, investment planning, Retirement planning, Tax planning and estate planning.

BY

Dr.(Col.) KK Goel
Certified Financial Planner CFP^{CM}
PRESIDENT ASSOCIATION OF PROFESSIONAL FINANCIAL PLANNERS
Director
UNIQUE HEALTH & WEALTH CONSULTANTS PRIVATE LTD.