

We all live in the world of fast bucks and plastic money. Lives transform at the bat of the eyelid. Living standards and inflation are going beyond one's comprehension. In such a dynamic scenario, you need to be extra-smart with your money. For fixed income earners like us, it becomes all the more imperative to plan our funds, invest smart and gain big. Here are a few tips to manage the future of your money.

Financial planning provides direction and meaning to your financial decisions. It allows you to understand how a financial decision taken by you affects other areas of your finances. By viewing each financial decision as part of the whole, you can consider its short and long-term implications on your life goals. You can also adapt more easily to life changes and feel more secure that your goals are on track.

To conclude financial planning is the process of meeting your aspirations through proper management of finances and it provides direction and meaning to your financial decisions. Financial planning is for not only the rich but also for the masses. It encompasses insurance planning, retirement planning, employee benefits planning, investment planning, income tax planning and estate planning.

And in the end - DO NOT DELAY - People, who invest small amounts of money early and regularly, tend to reap the benefits of power of compounding. Similarly, by developing good financial planning habits, you will be better prepared to meet life changes and handle emergencies.

Self vs. Financial Planner

Some websites, magazines or books can help you do your own financial planning but a professional financial planner will step in if:

- You do not have the time to spare for your financial planning
- You feel that a professional adviser can help you manage better
- You have come across an unexpected event like an inheritance or a lottery
- You need expertise you do not possess in certain areas of your finances
- You want to get a professional opinion about the financial plan developed by you
- You know that you need help but do not know where to start

The Financial Planning Process

1. Establishing and defining the client-planner relationship:

The Certified Financial Planner (CFP) should clearly explain or document the services to be provided and define both his and your responsibilities. He should explain how he will be paid and by whom. The CFP should also disclose any restrictions on his ability to give unbiased advice and disclose any conflicts of interests. You and the CFP should agree on how long the professional relationship should last and how decisions will be made.

2. Gathering client data, including goals:

The CFP will ask for information about your financial situation. You and the CFP should mutually define your personal and financial goals, understand your time frame for results and discuss your risk appetite. The CFP will gather all necessary data before carrying out any analysis.

3. Analyzing and evaluating your financial status:

The CFP will analyse information to assess your current situation and determine what you must do to meet your goals. Depending on what services you may have asked for, this could include analysing your assets,

liabilities, cash flow, current insurance coverage, investments or tax strategies.

4. Developing and presenting financial planning recommendations and/or alternatives:

The CFP will then offer financial planning recommendations that address your goals, based on the information you provide. The CFP should go over the recommendations with you to help you understand them so that you make informed decisions. The CFP should also listen to your concerns and revise the recommendations as appropriate.

5. Implementing the recommendations:

You and the CFP should agree on how to implement the recommendations. The CFP may implement them or serve as your 'coach', coordinating the whole process with you and other professionals.

6. Monitoring the financial planning recommendations:

You and the CFP should agree on who will monitor the progress towards your goals. If the CFP is in-charge of the process, he should report to you personally to review your situation and adjust the recommendations, if needed, as your life changes.

*What is financial planning?
It is the process of meeting your aspirations through proper management of your finances. The aspirations or goals can be - saving for your child's higher education, buying a house, planning for retirement and many more. The process broadly consists of taking a critical look at your finances - where are you now, where do you want to go in the future and how to reach there.*

Financial Planning: Common myths and mistakes

- Think that financial planning is only for the wealthy
- Believe that financial planning is primarily tax planning
- Think that financial planning is the same as retirement planning
- Think that financial planning is for when they get older
- Confuse financial planning with investing
- Setting unrealistic and non-measurable goals
- Expect unrealistic returns on investments
- Make financial decisions without understanding effect on other issues
- Wait until a money crisis to begin financial planning
- Neglect to re-evaluate their financial plan periodically
- Think that using a financial planner means losing control

You are the focus of the financial planning process. As such, the results you get from working with a financial planner are as much your responsibility as they are those of the planner. To achieve the best results from your financial planning engagement, you will need to be prepared to avoid some of the common mistakes shown above by considering the following advice:

process will be, financial planning is worthwhile at any age and may be necessitated by changing laws and circumstances.

❑ **Set measurable goals** – Set specific targets and time frame for each result. For example, instead of saying you want to be 'comfortable' when you retire or that you want your children to attend 'good' schools, you need to quantify what

retirement goals. Remember that all of your financial decisions are interrelated.

❑ **Re-evaluate your financial situation periodically** – Financial planning is a dynamic process. Your financial goals may change over the years due to changes in your lifestyle or circumstances, such as an inheritance, marriage, birth, house purchase or change of job status. Revisit and revise your financial plan as time goes by to reflect

How to make financial planning work for you...

❑ **Start planning as soon as you can** – Do not delay your financial planning. People, who invest small amounts of money early and regularly, tend to do better than those who wait until later in life. Similarly, by developing good financial planning habits such as budgeting and regularly reviewing your finances, you will be better prepared to meet life changes and handle emergencies. While it is true that the younger you start the more beneficial the

'comfortable' and 'good' mean.

❑ **Understand the effect of each financial decision** – Each financial decision made by you can affect several other areas of your life. For example, an investment decision may have tax consequences that are harmful to your estate plans. Alternatively, a decision about your child's education may affect when and how you meet your

these changes so that you stay on track with your long-term goals.

❑ **Be realistic in your expectations** – Financial planning is a common sense disciplined approach to managing your finances to reach life goals. It cannot change your situation overnight; it is a life long process. Remember that events beyond your control such as inflation or changes in the stock market or interest rates will affect your financial planning results.



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