

- **Financial education for middle income investors**

An initiative of SEBI & NISM



Agenda

- Importance of learning about money
- What is financial planning
- SMART goals
- Understanding net worth
- Protecting wealth
- Concepts of budgeting & saving
- Investment
- Some do's and don'ts

- Importance of learning about money
 - Enables us to take informed decisions about money

Money matters: What is wrong?

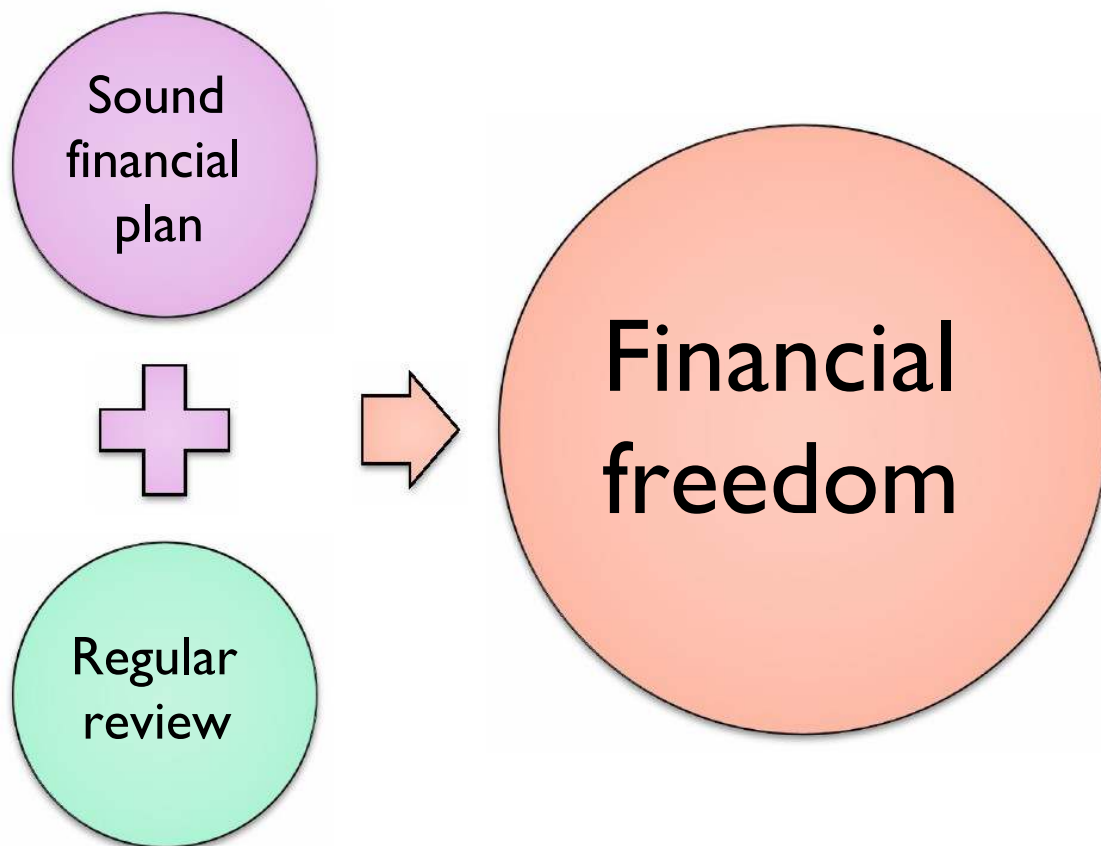
- Investment, insurance or tax planning?
- Peer advice
- Emotion driven
- Greed and fear
- Overspending



WHAT IS FINANCIAL PLANNING?

- The financial planning process





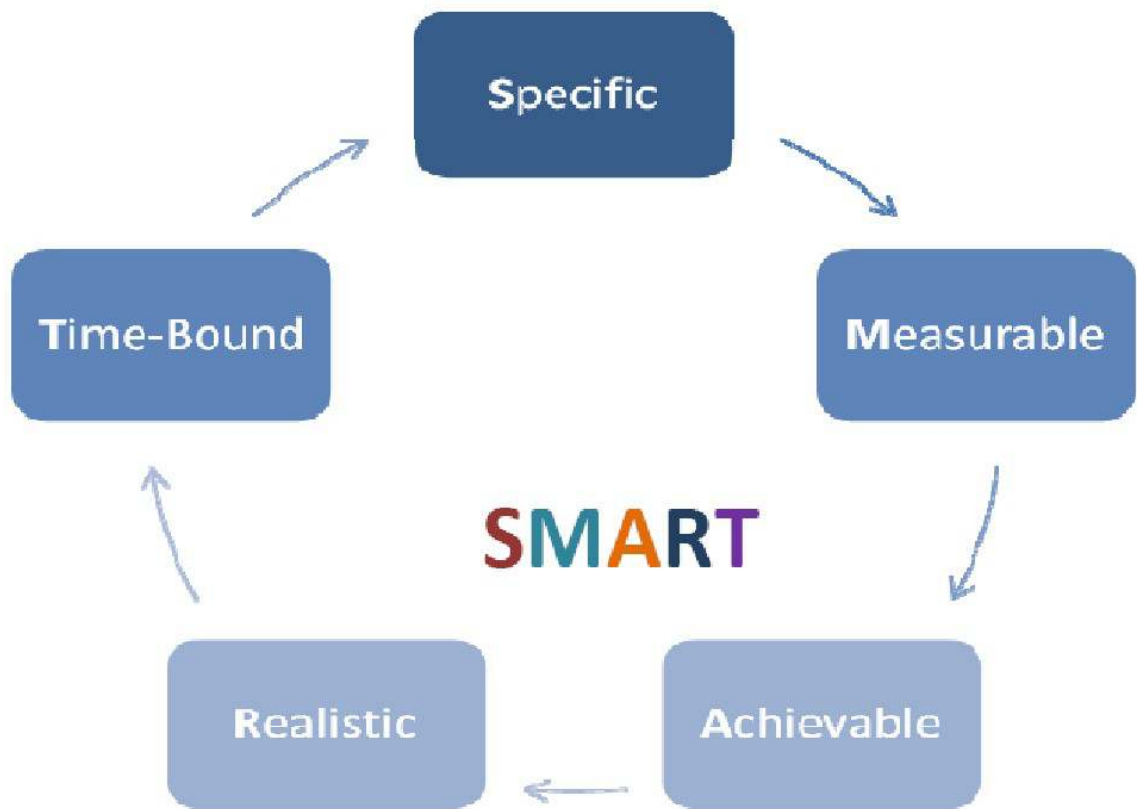
- What is a Goal?
 - Goals are statements about where we want to end up
 - They are what you want to achieve



- Are all goals achieved
 - No, Most of our Goals are not achieved

- What prevents you?
 - Are these goals clearly defined ?
 - The goals seem to be vague
 - They need to be clearly defined
 - Convert them in to SMART goals







Let us restate /revise your goals

1. _____
2. _____
3. _____
4. _____
5. _____



Steps to Achieve Goals

1. Understand Current Network
2. Protect Current Network
3. Manage Regular Expenses
4. Generate Surplus to Invest

- Exercise: Mr. Dipak Shah's family



What is your current net worth ?

Networth = Assets - Liabilities

Assets : All those you own

Liabilities : All those you owe

1. List down all those things you own
2. List down all those things you owe



Calculating your net worth

- Assets
 - Assets or possessions?
- Liabilities

- So, What is your net worth today ?
- Remember, your net worth can change every day, depending on the value of your assets

- Remember once again:
 - Net worth is your wealth
 - Net worth is the difference between your assets and liabilities

- Change in net worth
 - Change in value of assets
 - Change in liabilities
 - Savings / spendings



Protecting your wealth

- Personal risks
 - Life
 - Health
 - Liability
- Property
 - Home
 - Vehicles
- Liability



Quick Recap

- Importance of Setting Goals
- Steps to Achieve Goals
- Understanding net worth
- Protecting the net worth to ensure that our net worth is not eroded



BUDGETING

- Budget enables you to become aware of how money comes in and where it is spent

- Importance of budgeting
 - Managing regular and irregular expenses
 - Generating surplus for investments / savings



 **MAKING A BUDGET**

Mantras for success

- Prepare the budget
- Stick to the budget
 - Check out of budget expenses
- Ensure there is a surplus
 - If not, have a serious look at some of the expenses.



INVESTING THE MONEY



° SURPLUS → INVESTMENT

Investment mantras

- Understand the power of compounding
- Diversify your investments
- Do your own homework or hire wise experts
- Understand the fundamentals
- In case of doubt, ask. Do not sign the dotted line till you get satisfactory answer

Understand power of compounding

- If you save Rs 1000 a year for 10 years at a bank which gives you interest at 8% per year, how much money you will have at the end of 10 years?

Saving per year	Rs. 1,000
Rate of return (per year)	8%
No. of years	10
Wealth accumulated	Rs. 14,487

Understand power of compounding

- If you save Rs 1000 a year for 10 years at a bank which gives you interest at 8% per year, how much money you will have at the end of 10 years?
- If you save similar amount for 20 Years how much it will be ?

Saving per year	Rs. 1,000	Rs. 1,000
Rate of return (per year)	8%	8%
No. of years	10	20
Wealth accumulated	Rs. 14,487	

Saving per year	Rs. 1,000	Rs. 1,000
Rate of return (per year)	8%	8%
No. of years	10	20
Wealth accumulated	Rs. 14,487	Rs. 45,762



Understand power of compounding

- What do we understand from this ?
- Why is the difference between 10 Year investment and 20 Year investment so much ?



Remember inflation

- What is inflation?
- How does it impact us?



Steps to Wealth Creation

- Have a goal
- Start today
- Invest regularly



Be Careful before investing

- Do not believe if someone promises high returns.
- Do not get carried away by the commission agent promises
- Identify a trusted advisor
- Do reference check of the advisors
- Do your own research about the product before you buy,
- Learn Basics skills of Money Management
- Know the costs
- Only invest in regulated options through regulated intermediaries.



◦ Creating wealth is not difficult.

All you need is self discipline in your
spending and investing habits



THANK YOU!