Financial Planning - A Road to Life Management

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INTRODUCTION

Looking for the needs of the family are managed by proper planning. Financial backup holds a great importance in an individual's life. In India, saving for the needs of family has always been the biggest priority which was usually done in many ways like post office savings, insurance schemes, fixed deposits etc. Earlier people saved their funds through secured investment instruments due to lack of financial knowledge, but in present scenario people are much aware of different financial instruments *(Murphy & Yetmar, 2010)***.** Planning is a very well-versed instruction to view once future. To achieve something in future, proper planning and an adequate preparation is must. Financial planning is a way out to glance during emergencies, peep into the needs of future and many more unforeseen circumstances. Pre-requisite of monetary needs does not hold any schedule. This requirement enters the life without a knock at the door. Financial planning holds the position of emergency fund which is almost equivalent to the presence of god on Earth. Whenever a life is stuck in a situation, remembrance of the invisible power gives us strength to overcome the hardships. Similarly, planning to save emergency funds always strengthens to face the darkness, which comes without permission. When an individual experiences different phases of life, there comes the understanding of personal economic security as well as satisfaction *(Lai & Tan, 2009).*

PHASES OF LIFE

People always want to lead a life which is less stressful, as shortage of fund always leads to stress and tension. Financial Planning at every stage of life is needed to overcome the emergencies *(Murali & Subbakrishna, 2018)*. When an infant is born in a family, expenditure is borne during that procedure. Growth of a child and entering different milestones of life carries financial expenditure with it, which includes entering school, college, health care, personal needs etc. Every aspect of life has the involvement of finance. By the age of 25, an individual starts earning. Apprehends the importance of earning at every step head in the life. At every alteration, the understanding of money increases, which gives rise to saving and financial planning.

BENEFITS OF PERSONAL FINANCIAL PLANNING

By reducing uncertainty about your future needs and resources, a structured financial plan will improve the living conditions of the people and maximize your satisfaction. The basic benefits of personal financial planning are:

- Increased efficacy over your lifetime in receiving, using, and maintaining your financial capital.
- By avoiding undue debt, bankruptcy, and reliance on others for economic stability, improved control of your financial affairs.
- Enhanced interpersonal relations that result from financial decisions that are well prepared and communicated effectively.
- A degree of independence from financial problems that you achieve by planning to the future, predicting expenditures, and achieving your individual monetary objectives *(Financial Planning).*

FINANCIAL PLANNING PROCESS

Every day and at every point we make many financial decisions, all decisions do not weigh equally, they have variability in its weightage due to the need of the hour. Some may be difficult and have deep implications on our financial and personal circumstances. It is very important to make a proper plan to secure the urgent needs *(Cheng, 2020)*. Here are six steps which we can employ to define and fulfil our need.

1. **Setting up a working relationship and describing it**: In this process, the investment manager should determine the services to be given, report the details specified by statute, determine the contribution period, establish the responsibilities of both the customer and the money manager, define the manner of remuneration, identify relevant detail that clarifies the purpose of the service and register what has been determined.

2. **Collecting information and defining goals:** Two elements in this step help in describing their motive. The first is to obtain financial information related to the individual's personal situation, to sign a letter of authority granting access to personal financial information to the Financial Manager, and to remind the individual of the value of the completeness and quality of the information in relation to the nature of the negotiated service. The other explains the calculation of the potential financial targets of the individual. In the personal financial planning process, these priorities encourage the financial planner to be precise. These priorities need to be observable and applicable to the accepted scope and, if impractical, this should be discussed with the client by the financial planner.

3. **Review and appraisal of financial status**: The financial planner will assess whether the potential needs of the client can be fulfilled relative to their existing wealth and financial activities by reviewing the information obtained. As the financial planner may use projections about, but not limited to, potential retirement dates, income requirements, they should be agreed with the client and will include additional detail to complete the analysis

4. **Designing and making suggestions for financial planning**: To enhanced value for financial preparation and analyse them is the first step in planning. Secondly, creation of suggestions for financial planning. These should be aligned with the accepted scope, the potential financial targets, the individual's data presented and the financial planner's review. The third aspect is the introduction to the individual of the financial plan. The individual should be given a written report of the presentation, and a copy held by the financial planner.

5. **Instituting the recommendations for tax planning**: The first is to negotiate on who will be responsible for carrying out any decisions or recommendations resulting from the method of financial planning. The second is to choose financial items that can meet the financial targets of the future. The requirement for the Financial Planner to investigate financial goods and show technological expertise and understanding of financial instrument is implicit in this.

6. **Measuring the recommendations for financial planning**: This step ensures that the financial plan of the individual remains current with personal and financial information by setting individual review dates, advising the individual that personal or financial information should be altered and explaining the scope of the review process should be notified to the financial planner.

OBJECTIVES

The purpose of the study is to know about the financial planning about the people in Delhi NCR.

RESEARCH METHODOLOGY

We have done a survey in Delhi NCR and collected data from 140 respondents. The data have been collected through primary and secondary sources. For primary data, a questionnaire was prepared using a five-point Likert scale *i.e.* Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. An online survey was done to collect the data from people. The study was conducted during October to December 2020. Google form was sent to 196 respondents but only 140 respondents filled the survey. The collected data have been analysed with the help of various descriptive techniques. The secondary data were collected from books, journals, newspapers, websites, etc.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Nearly 60 percent were males, 53 percent were unmarried and 57 percent were salaried. Of the respondents, 64 percent were in the age group of 21-30 years.

RESULTS AND DISCUSSIONS

Table – 1 shows that 47.1 percent of respondents have already taken life and health insurance. Its high time that people realise the importance of insurance plans as the future is uncertain and COVID-19 has affected the health of people so it is very important to take health insurance as if one gets admitted in hospital for any disease, they will get a bill of lakhs which the middle age group is not able to pay. The cost of treatment has gone up. Even if one is getting health cover from the employer, then also one should take an individual cover. A term insurance cover is a must. A cover of 8 to10 times of your annual income is highly recommended *(Singh, 2020)*.

Table-1

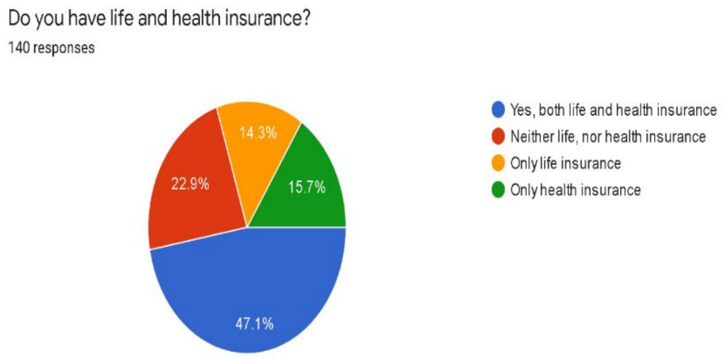


Table –2 shows that 42.9 percent has created an emergency fund of 6 to 8 months which is a good thing. People should realise the importance of emergency corpus specially in the time of pandemic. If you don't have an emergency fund then you must create it now. One should have at least three to six months of their expenses as an emergency fund *(Singh, 2020)*.

Table-2

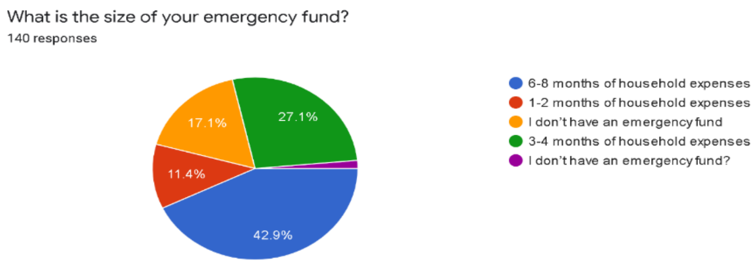


Table-3 shows that 37.1 percent said that they are around four to six years away from their financial goals. The goal has to be SMART i.e. specific, measurable, achievable, realistic and time bound. Financial goals can be classified as short term, medium term and long-term goals.

Table-3

Table-4 shows that 51.4 percent of resondents have invested in fixed deposits followed by mutual funds (31.4 percent), gold (30.7 percent), shares (27.1 percent) and other tax savings instruments (20.7 percent).

Table-4

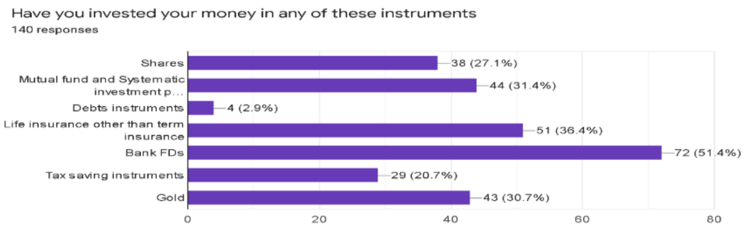
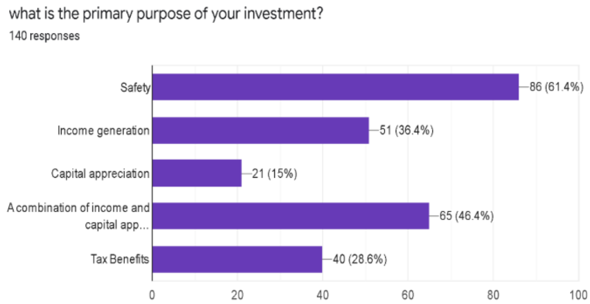


Table-5 shows the purpose of investment of people in any financial instrument which is safety of funds followed by income generation, capital appreciation and tax benefits. At the time of pandemic, people want that their money mst be in safe place.

Table-5



FINANCIAL PLANNING TIPS

Creating an additional income source can also be helpful, having adequate health insurance is more important than ever. *(Chakraborty, 2020).*

❖ **Start saving**

Few people do not want to save as they think that the future will be same as present situation. But COVID-19 has taught us that future is very uncertain. It is very important to save. Now the question comes in mind that how much one should save? There is no hard and fast rule for this. Any saving is better than no saving. The more you save, better it is. One can start saving from as minimum as 10% and this can be increased every year. The savings should be increased as there is increase in the income.

❖ **Create an Emergency Fund**

Considering the current situation, it is essential to build up an emergency fund. One must be prepared for future uncertainties., like pay cuts, job loss, delay in salaries, etc. The size of this fund depends on your salary and your ability to set aside money every month. One should have at least three to six months of their expenses as an emergency fund *(Singh, 2020)*. You can keep the emergency fund in a savings account or FDs. One should not expect any great returns on their emergency fund. You should be able to access the funds instantly when required.

❖ **Buy life insurance**

People should realise the need of insurance plans as the future is uncertain. A term insurance cover is a must. How much cover to take is another question that comes in mind. The amount should be sufficient to meet the needs of your dependents. But a cover of 8 to10 times of your annual income is highly recommended *(Singh, 2020)*. One should not mix the insurance with the investment.

❖ **Buy health insurance**

COVID-19 has affected the health of people so it is very important to take health insurance. The cost of treatment has gone up. One should have health insurance for self as well as for their dependents like spouse, parents, children etc. Now it is easy to pay premium now as per IRDAI, one can pay health insurance premiums in installments. Even if one is getting health cover from the employer, then also one should take an individual cover.

- **Keep Investing Regularly**

If it is possible do not stop investing and continue to invest in SIPs, recurring deposits, etc. Continuance is a must. One must not panic and withdraw all the investments

- **Financial Documents**

One must keep the financial documents like investment certificates, insurance policies, FDs at home, or at a safe place. All the investments and bank accounts should have a nominee and they are updated. One can write all the details of investments at one place. It is also suggested that one should tell all the details to the spouse or parents or any person.

CONCLUSION

To conclude, these are very uncertain times and it is natural to be worried about your finances. Emergency savings have become the biggest reason for saving. There is increased focus on long-term planning for retirement. Specially learning from the ongoing crisis, one should have an emergency fund, spend only on what is absolutely needed, ensure that you have insurance to protect your family from any unexpected event and finally, keep investing regularly to build your long- term savings *(Singh, 2020).*

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