



MANAGEMENT OUTLOOK

CONTROLLING SPENDING, SAVING MONEY & INVESTING— VITAL ASPECTS OF FINANCIAL PLANNING



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Budgeting lies at the foundation of every financial plan. It doesn't matter if you're living paycheck to paycheck or earning six-figures a year, you need to know where your money is going if you want to have a handle on your finances. Unlike what you might believe, budgeting isn't all about restricting what you spend money on and cutting out all the fun in your life. It's really about understanding how much money you have, where it goes, and then planning how to best allocate those funds. The first step in personal financial planning is controlling your day-to-day financial affairs to enable you to do the things that bring you satisfaction and enjoyment. This is achieved by planning and following a budget.

The first step in personal financial planning is controlling your day-to-day financial affairs so that you can do the things that bring you satisfaction and help you reach your goals. This is achieved by

planning and following a budget. Controlling spending, saving money, and investing for the future are all important aspects of financial planning, but those things mean nothing if you don't have specific goals that you're trying to reach. In order to gauge your financial success, you need to have goals so that you can measure your success. The second step in personal financial planning is choosing and following a course toward long-term financial goals.

The four steps to setting financial goals:

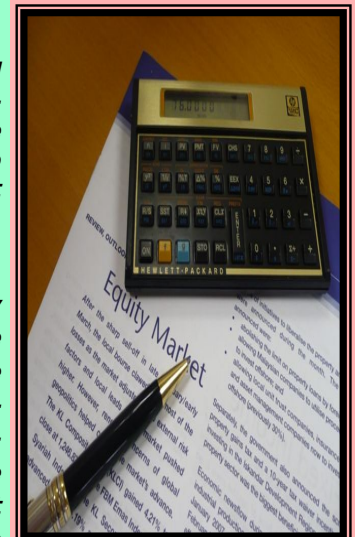
*Identify and write down your goals.
Break goals down into short-term and long-term goals.
Educate yourself.
Evaluate your progress.*

The second step in personal financial planning is choosing and following a course toward long-term financial goals. As with anything else in life, without financial goals and specific plans for meeting them, we drift

along and leave our future to chance. A wise man once said: "most people don't plan to fail; they just fail to plan." The end result is the same: failure to reach financial independence.

There are no hard and fast rules for implementing a financial plan. The important thing is to do SOMETHING, and to start NOW.

Long-term disability insurance helps replace your income if you are unable to work due to illness or injury. Many people consider this coverage a luxury, when in fact, it should be considered a necessity for those who don't have other financial resources they could tap in the event of an illness or injury. Even if you do have other financial resources, would you want to use them to pay your monthly bills? If you saved 5% of your income each year, a 6 month disability would eat up 10 years of savings!



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Don't think it could happen to you? Although your chances of having a disability increase as you get older, illness and injury can happen at any age. Car accidents, sports injuries, back injuries, pregnancy, and disease are just a few examples.

Ask yourself this question: could you live without your income for three months? Six months? A year? If the answer is no, you need disability insurance. Employers often offer this coverage via a payroll deduction, which may be tax-deductible.

Life insurance is necessary if you have dependents who will suffer financially if you die (children, for example). If you have no financial dependents, it's probably not necessary, although many people also use insurance as part of their estate planning and cash accumulation regardless of their dependent status.

If you plan to buy insurance other than term insurance provided by your employer, you should educate yourself about the pros and cons of term, whole life, and other types of insurance. You may also want to talk to an adviser about how much insurance is enough.

Financial advisors suggest having enough savings in an easily accessible account to cover your living expenses for six months in the event of illness, job loss, or other serious emergency. Once you've protected your income-generating ability with disability insurance, protected your dependents with life insurance, and protected your other assets by having a six

month emergency fund, your financial safety net is

in place and you're ready to turn to the task of accumulating wealth. The likelihood of being disabled is far greater for most people than the likelihood of dying during a given period of time, yet millions of people carry life insurance but no disability insurance. We insure our homes, our cars, and our lives, but sometimes we fail to insure our greatest asset: our ability to generate income.



FOUR SIMPLE STEPS FOR SETTING FINANCIAL GOALS

Step 1: Identify and write down your financial goals, whether they are saving to send your kids to college, buying a new car, saving for a down payment on a house, going on vacation, paying off credit card debt, or planning for retirement.

Step 2: Break each financial goal down into several short-term (less than 1 year), medium-term (1 to 3 years) and long-term (5 years or more) goals.

Step 3: Educate yourself! Read Money magazine, or a book about investing, or surf the Internet's investing web sites. The stock market is not voodoo. With a little effort you can learn enough to make educated decisions that will increase your net worth many times over. Then identify small, measurable steps you can take to achieve these goals, and put this action plan to work.

Step 4: Evaluate your progress. Review your progress monthly, quarterly, or at any other interval you feel comfortable with, but at least semi-annually, to determine if your program is working. If you're not making satisfactory progress on a particular goal, re-evaluate your approach and make changes as necessary.

INDIAN STOCK MARKETS CONTINUE TO RALLY- US & European Markets yet to recover from recession effect

The prevailing economic conditions, both domestic and global, suggest the Indian stock market is poised to continue to rally in 2010 even though US and European Markets have yet to recover from recession effect. Key factor remains the impact of Q4 results and strong GDP growth of around 8%. However point of caution needs to be the phase wise withdrawal of financial support given by Indian government to the market. So



far, the recovery in India has been driven by domestic consumption and government expenditure. However, corporate investment is expected to surge in 2010 due to the strong GDP growth which will increase capacity utilisation.



Stocks in the infrastructure and power sectors may be the front runners in 2010 as they receive strong policy support from the Indian government. But one must be cautious that the



interest rate cycle might start moving up with the strong GDP performance and relatively high inflation. If it does, banking stocks will be affected severely as was seen in the past. We have witnessed a global finan-



cial crisis in 2008-09 which is still very much an unforgettable incident and taught us good lessons.



During the bull rally (2003-2007) there was considerable exuberance. This was the time when interest rates were low. Credit was available and that too cheaply. Not just that, corporate profits were growing at a healthy rate. Stock markets were notching strong gains. But the global credit crisis changed all that. The abundant liquidity, not surprisingly, led to asset bubbles that finally burst.

So if one learned a good lesson should go for companies with less debt, enough cash and strong return ratios. These are the ones who will be able to tide over the crisis and generate strong returns to shareholders in the long term beyond 2010. Happy Investing!



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