

# Basics of Personal Finance

## 6 Pillars of Personal Finance



# Why Study Personal Finance?

Well, It is not technically difficult but considered as a taboo topic to discuss:

- Poorly covered in traditional education, even top tier universities doesn't teach about money.
- Money has Massive Impact on Life.
- Money is one of the top 3 reason for marital problems.
- To help you prepare for the future and choices to make decisions in life.

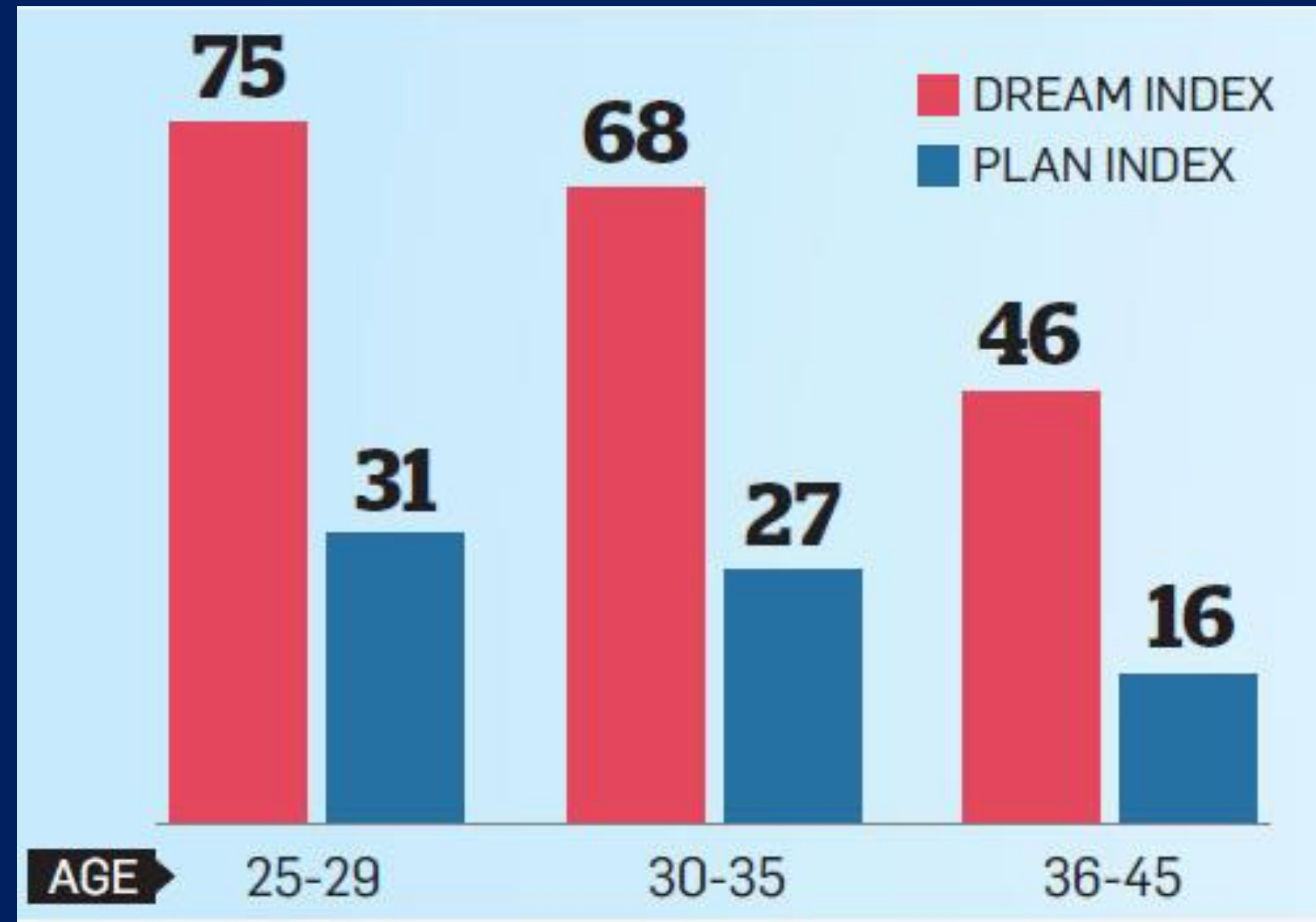


**According to a Customer Survey, roughly one-third (30%) of Indians fall short of money every now and then.**



# Dream Vs Planning

We are good at dreaming but when it comes to planning, we don't follow our Process and Planning.



# Most Asked Questions:

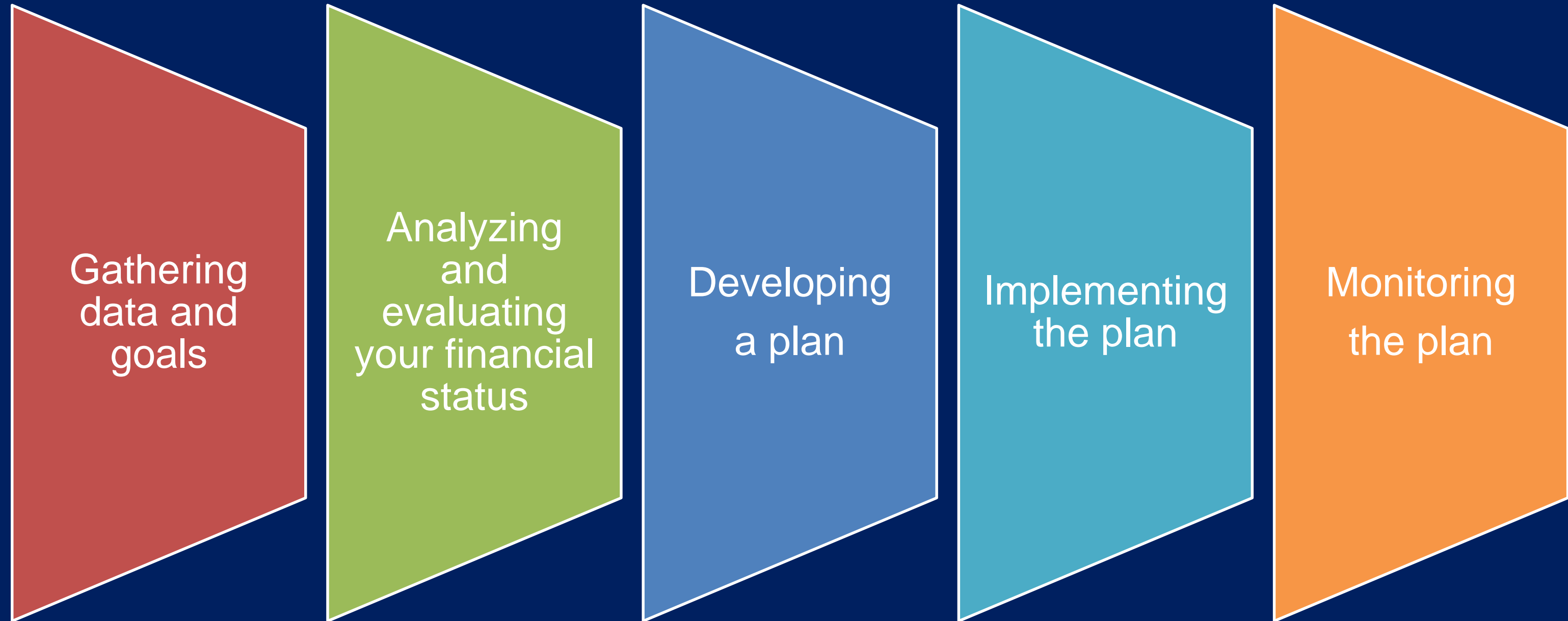
I have no idea where my money goes?

I have nothing left to save.

What investing plan – where is the money?



# The Process of Financial Planning:



# Bucket System:

**Income**



**Spend It**



**Invest It**



# Income Bucket:

**Income**



- Business Income
- Income from Salary
- Rental Income
- Bank Interest Income
- Income from Investments
- Pension Income
- Dividend Income

# Expense Bucket:

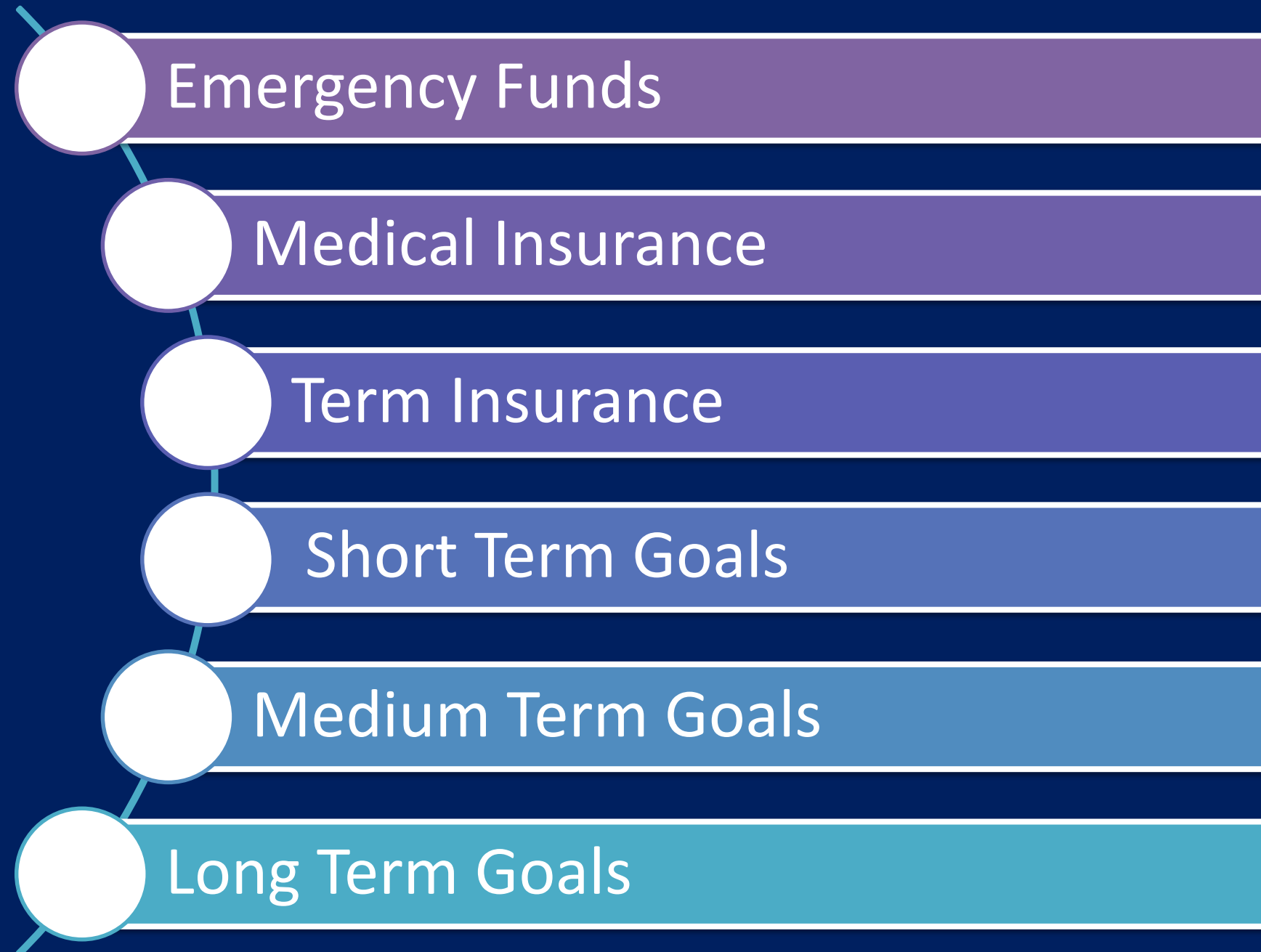
## Expenses



- Taxes
- Insurance
- Housing Loan, Auto Loan
- Rent, Utilities
- Food, Clothing, Furnishing
- Entertainment
- Travel, Vacation
- Child Care

# Invest It Bucket:

**Invest It**



# Thumb Rule:

Spending on living costs is no more than 45% – 50% of your take-home income.

EMI payouts are no more than 25% – 30% of your take-home income.

Savings are at least 15%–20% of your take-home income.



# Emergency Funds- Hacks:

Emergency fund is a pool of liquid money set aside for unforeseen expenses like a medical expense or a car repair.

Ideally Six months' living costs in an emergency fund.

Invest your emergency fund in ultra-short-term or Savings Bank account.

Suppose your monthly Income is 30,000 and Expenses are 15,000, then you must save:

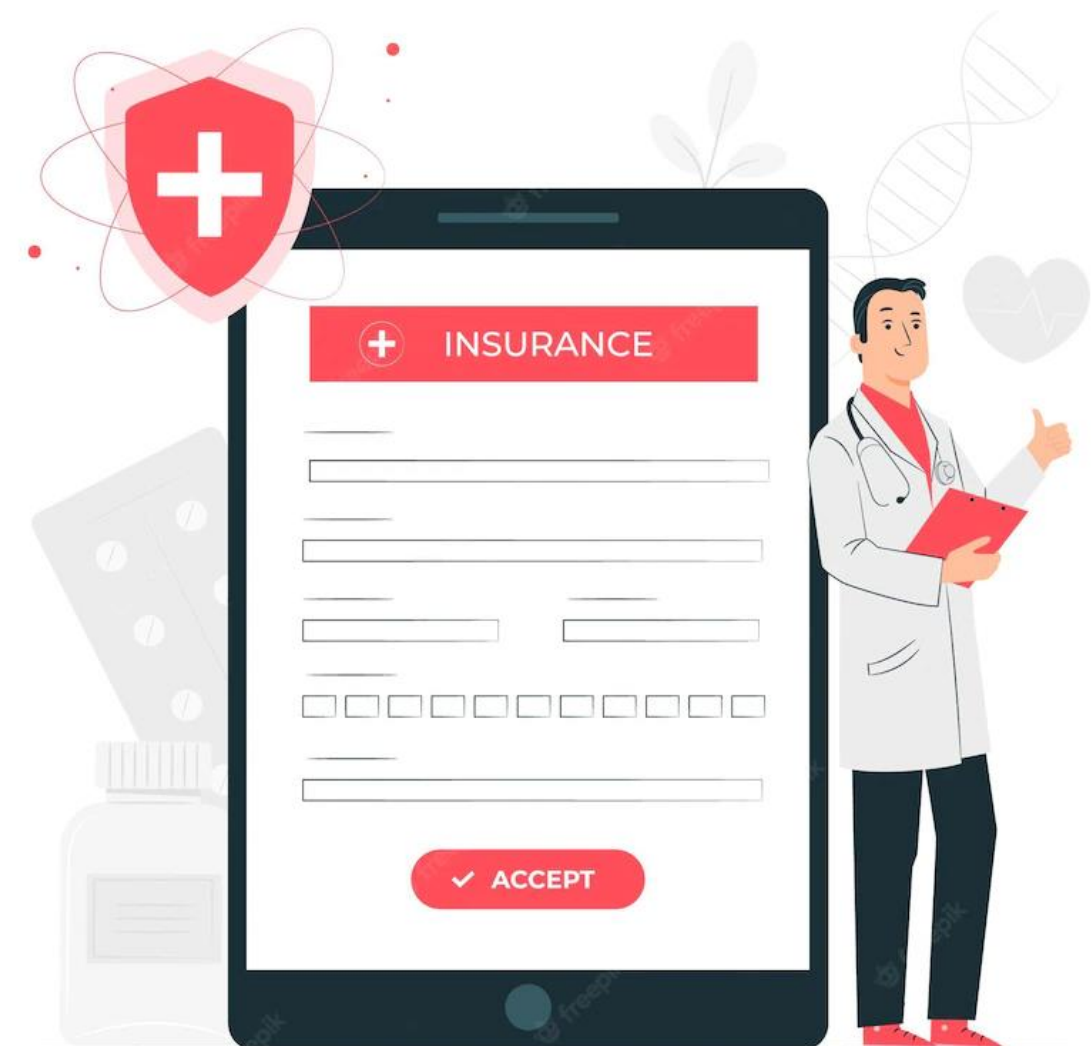
**$15,000 * 6 \text{ months} = 90,000$  as emergency fund.**

# Health Insurance:

As per WSJ, Average Cost of Hospitalization is INR 25,000 and can go upto INR 30,000 per day for ICU Admission in private hospital.

Good Medical cover is more important than life Insurance.

**8-10x Take Home annual income**  
**Or**  
**15-20x your annualized monthly expenditure**



# Health Insurance- Checklist:

Price

Co-Pay

Pre-Existing  
Disease

Waiting  
Period

Sub Limits

Exclusions

Hospitalization  
Cost

Day Care

No Claim  
Bonus








# Term Insurance:

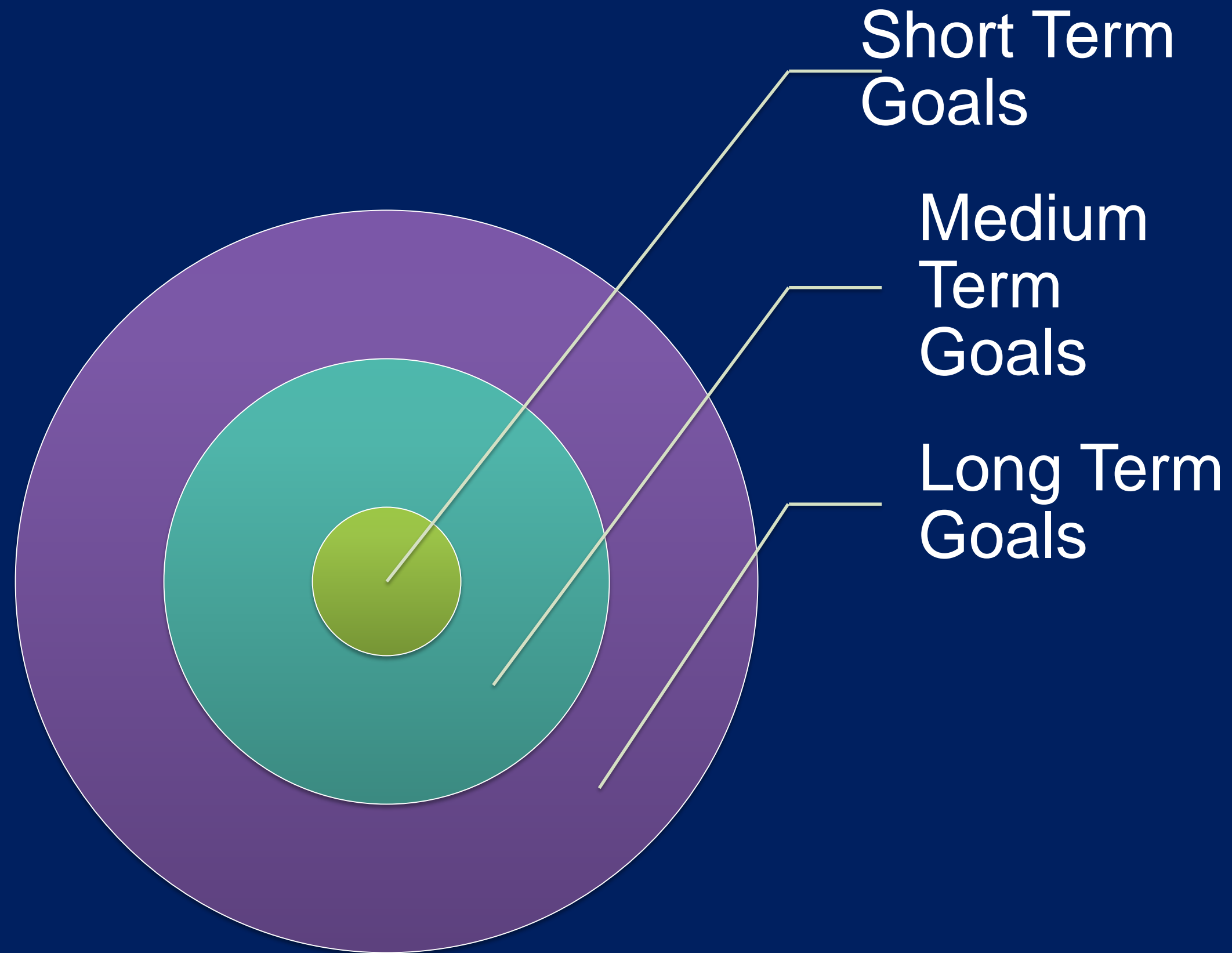
Type of life insurance where the insurer provides coverage for a certain 'term' in exchange for a specific premium paid over a period.

If insured dies during the term period specified in the policy, a death benefit is paid to the family of the insured.

**Term plans are very cheap**  
The annual premium is a tiny fraction of the cover they offer

AGE (YEARS)					
TENURE (YEARS)	30	25	20	15	10
COVER	ANNUAL PREMIUM (₹)				
₹1 cr	8,378	10,384	12,995	17,365	23,575
₹1.5 cr	12,567	15,576	19,493	26,048	35,363
₹2 cr	16,756	20,768	25,990	34,730	47,150





# Short Term Investment:



Short-term Goals can be accomplished within 1-3 years period.

Paying for the expenses you anticipate in the next few years, requires a cautious plan.

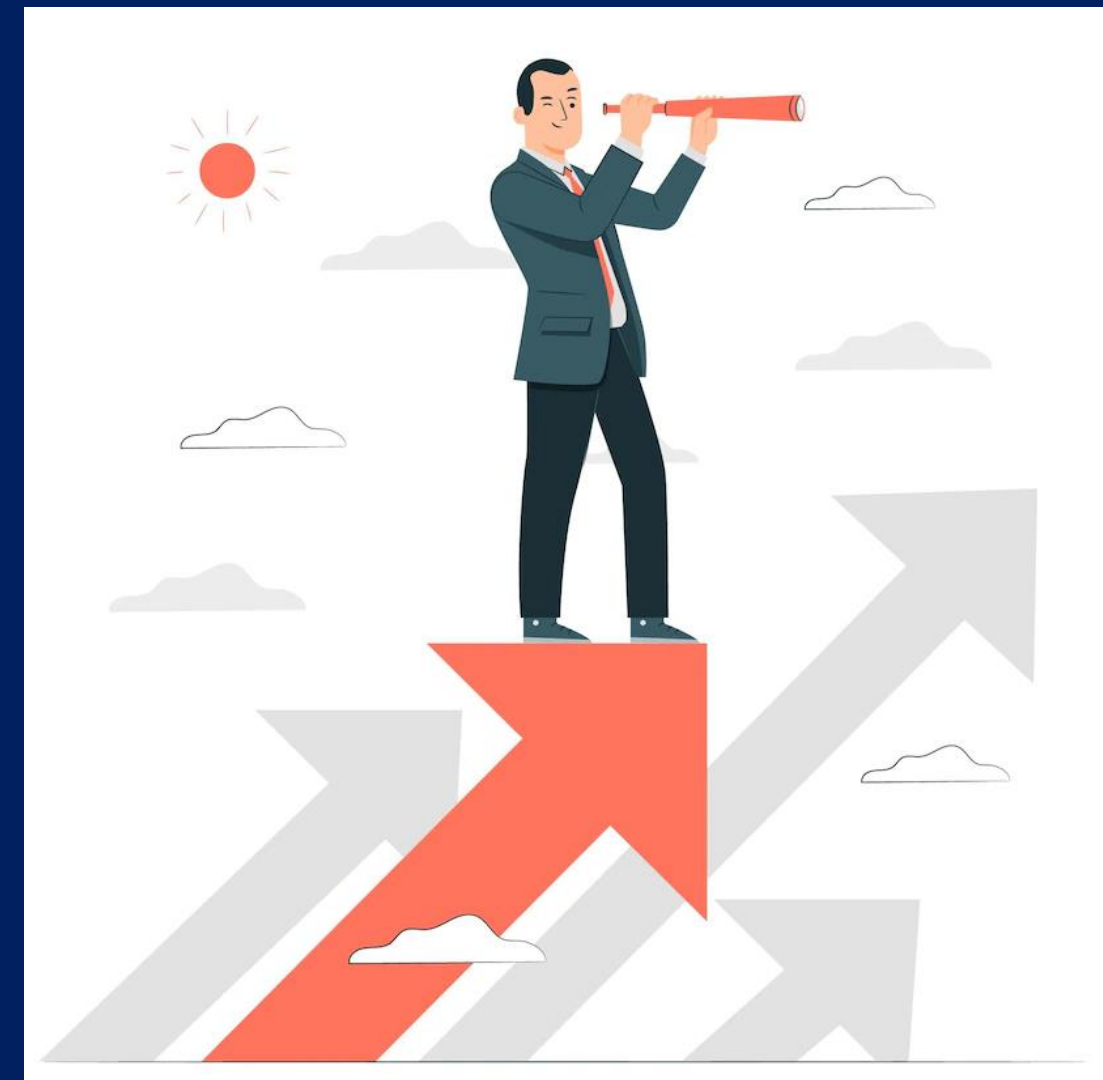
You should focus on minimizing the risk to your assets and preserving your wealth.

Make sure the money you'll need in the near future, is both secure and accessible.

# Medium Term Investment:

An intermediate-term goal may take from 3-7 years to accomplish

Planning for mid-term goals means carefully balancing investment growth and financial security.



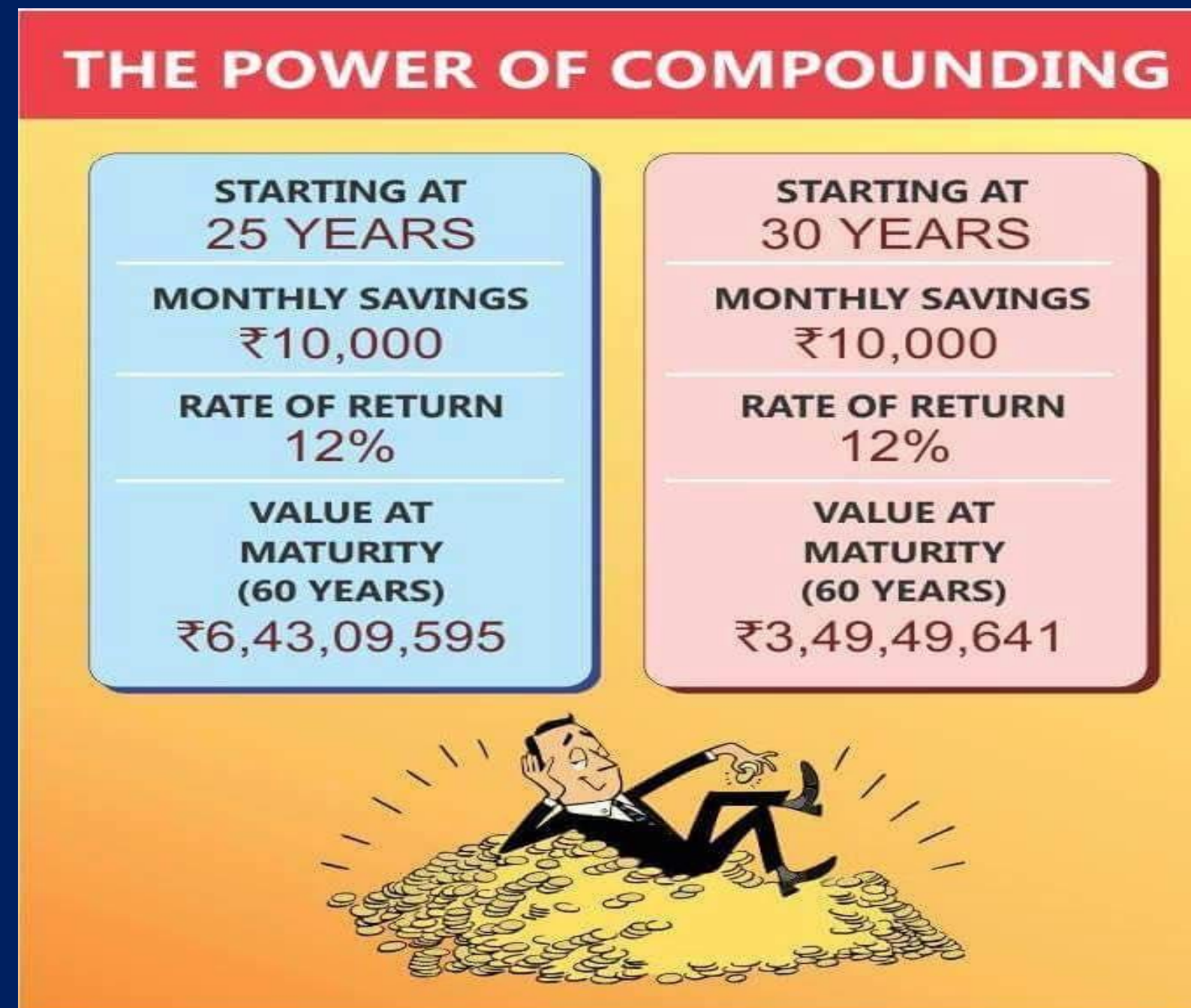
# Long Term Investment:

A long-term goal is one for which it takes more than 7 years, to accumulate the money.

Realizing your hopes and dreams for the future calls for a persistent and growth-oriented investment strategy.



# Compounding Wonder:



# Contact Us

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