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Sanghi Consultancy Would Like To Understand How Financially Fit Are You?

Take this quiz to find out if your money habits will ensure a healthy financial life:

My emergency fund will cover expenses for:

- A) 6 months and more
- B) 3-5 months
- C) 1-2 months
- D) What is an emergency fund?

Answer:

I am able to save:

- A) More than 50% of my income
- B) 25-50% of my income
- C) 10-25% of my income
- D) I am just about making ends meet with my current income

Answer:

My monthly utility bills are:

- A) Automatically debited from my bank account
- B) Paid gradually at my discretion over the course of the month
- C) Paid at the last minute
- D) I usually miss payment dates

Answer:

I have a life cover of:

- A) More than 8 times my annual salary
- B) Around 1-2 times my annual salary
- C) Less than my annual salary
- D) I do not have life insurance cover

Answer:

My debt obligations require me to:

- A) Sorry, I am debt free
- B) Pay less than 30% of my monthly income towards repayment
- C) Pay more than 40-50% of my monthly income
- D) Forego any investments in favour of EMI payments

Answer:

My credit card bills are:

- A) Paid in full every month
- B) Rarely rolled over
- C) Rolled over 1-2 times a year
- D) Usually rolled over because I can't pay the full amount

Answer:

I invest a part of my monthly savings:

- A) Regularly
- B) Usually
- C) Sometimes
- D) Never, it lies idles in the bank

Answer:

In case of a medical emergency in the family, all costs will be met:

- A) Through a standalone health cover of Rs.5-10 lakh
- B) Through the employer-provided mediclaim cover
- C) Out of my emergency fund
- D) Don't know how as I have no financial buffer

Answer:

My investments mostly comprise:

- A) Automated investments in MFs through monthly, SIPs
- B) Investments in safe avenues like recurring deposits, FDs and Post Office Monthly Income Plans
- C) Direct investments in shares of companies
- D) End of the financial year scramble to same taxes

Answer:

My monthly spends are mostly on:

- A) Necessary expenses like utilities, food and rent
- B) Basic expenses and occasional splurging
- C) Entertainment, movies and dining out
- D) Anything that catches my fancy, why earn if you don't spend?

Answer:

I invest in the stock market:

- A) To build a corpus for my long-term goals
- B) Whenever I have surplus cash left after other investments
- C) Never; I avoid investing into such a high risk avenue altogether
- D) Only when the market is performing really well

Answer:

My family knows that my will:

- A) Is updated every five years, or after any major life changes
- B) Was written some years ago, so we don't worry anymore
- C) Will only be drawn when I am nearing retirement
- D) Reminds me of my own mortality, So I haven't thought about it yet

Answer

HOW TO ASSESS YOUR FINANCIAL HEALTH:

- A) 3 POINT
- B) 2 POINTS
- C) 1 POINTS
- D) 0 POINTS

Answer:

DO YOU NEED A FINANCE DOCTOR ?

In the past fifteen years, we have come across a rash of recurring financial ailments among our readers. While some have been cured with a few doses of Team Sanghi Wealth advice, others have required prolonged treatment. Here's a unique offer to undertake a quick financial check-up. Identify the symptoms for those common ills and follow the remedies. Any further delay could be injurious to your Financial Health, says Our MD, Mr. Niyesh Sanghi.

CASHOCOPIA

SYMPTOMS: Patient loves cash and suffer from withdrawal symptoms if he does not see large amounts idling in bank savings account, which pays a low rate of interest of 4-6%. Investing it in instruments that give higher returns triggers allergic reaction.

PROGNOSIS: Opportunity cost of holding cash is high and can impact goals. If you have Rs.5 lakh lying in your bank account, you will earn Rs.20,000 a year. If the same money is invested at 9% in an FD, it will fetch Rs.45,000. If you put it in a balanced fund that gives 12%, you will get Rs.60,000.

REMEDY: Retain only the average balance mandated by bank and put the rest in an instrument that pays a higher interest. Invest in debt or equity as per goals and time horizon.

INFLATIONITIS

SYMPTOMS: Patient suffers from amnesia during goal planning; forgets to factor in inflation while calculating corpus for long-term goals. Display high degree of agitation on realising the omission.

PROGNOSIS: Inflation erodes value of money and can result in a smaller corpus. Even 6% inflation can cut purchasing power of Rs.1 crore to Rs.40 lakh in 15 years. Plan may collapse, patient may suffer intense shock.

REMEDY: One tablespoon of information on average inflation figures every six months, especially while calculating money needed for goals.

PAPYRUSPHOBIA

SYMPTOMS: Mention of financial paper-work –filing up forms, reading documents, filing tax returns, renewing insurance policies, updating information, making a will, causes palpitation, hypertension and surge in blood pressure.

PROGNOSIS: Triggers monetary losses miss-selling, causes inconvenience.

REMEDY: Swallow the bitter pill and fix one day of month or any day SOS to complete necessary paperwork.

HOMERIA/MIDAS MANIA

SYMPTOMS: Patient suffers cravings when it comes to choosing assets and binges on gold and estate without concern for financial health.

PROGNOSIS: These asset classes have been feverish in the past and face an uncertain future. They are also illiquid and an obese portfolio is likely to impinge on investment for other goals.

REMEDY: Balanced portfolio crucial for financial health. Suggested dosage as per asset allocation suitable to age, risk appetite and goal horizon.

DEBTOLYSIS

SYMPTOMS: Bloating of credit and constipated cash flow due to too many loans, like credit card debt, personal loan, vehicle loan and home loan.

PROGNOSIS: Budget can suffer severe financial dehydration due to income-expense imbalance. Goal may have to be aborted due to lack of funds.

REMEDY: Take debt in moderation, not more than 40% of income. Follow credit card diet chart, using them sparingly, if at all.

INSURANCERRHOEA

SYMPTOMS: Patient itches to buy expensive traditional insurance policies, especially because he thinks of these as investment. Using these to fund goals, he ignores low returns and insufficient cover that these provide.

PROGNOSIS: Family and finances susceptible due to low cover. Meeting goals can be problematic since funds that could have been used to invest in high-return instruments are tied up in these plans.

REMEDY: Start an insurance diet instantly. Buy term plan to cover life. For investment, use debt or equity instruments as per goal requirements.

CAREERONAMA STALLIS

SYMPTOMS: Not paying attention to upgrading and learning new skills or exploring opportunities for higher salary.

PROGNOSIS: Painfully stagnant income and stalled progression of career. Low funds to fulfil goals.

REMEDY: Proactively seek new course to enhance skills and increases salary.

TAXOCHONDRIA

SYMPTOMS: Patient constantly worries about paying taxes and filling tax returns and, yet, fails to calculate and perform these tasks on time.

PROGNOSIS: Penalties and tax notices are likely, but return can be filed later if the taxes have been paid before 31st March.

REMEDY: To pay taxes, set a reminder and do it two months in advance or by deploying a professional.

HOW TO CHOOSE A FINANCIAL PLANNER?

Before you entrust your money to a planner, here are a few things you should know.

QUALIFICATION:-

A certified financial planner affiliated with an established organisation is best equipped to give you advice on how to manage your finances. Check his certification before signing the agreement. However, the certification is only an indicator of credibility, not a guarantee.

REPUTATION:-

There are enough quacks in this field. If a planner is knowledgeable and good at his work, he will have an impeccable reputation. Find out by asking him for references and speaking to his clients. You should have this feedback before you sign the contract.

STRATEGY OVER PRODUCT:-

Financial planning is 95% strategy and 5% product choice. The planner should work out the investment and saving strategy and leave choice of products to individual. If he starts by offering products, stay away from him.

MULTI-FACTED APPROACH:-

The advice should not be confined to only a particular aspect of your finances. The planner should look at all the facets, including goals, risk appetite and long-term requirements, as well as tax implications.

INDEPENDENT FUNCTIONING:-

An adviser working for a financial services company might not be able to give you objective advice. Go for an independent adviser who does not have a vested interest in pushing products of a certain company.

RESEARCH AND SUPPORT SERVICES:-

The right advice is backed by adequate research. Your financial adviser should have such capabilities and should have access to the best technology and financial tools to select the appropriate product for you.

EIGHT HABITS OF FINANCIALLY SUCCESSFUL PEOPLE

FIND OUT HOW TO IMBIBE THESE AND SECURE YOUR FUTURE.

THEY DON'T REACT IMPULSIVELY:-

Wait before taking action and avoid 'attractive' options.

THEY ARE PROACTIVE:-

Make sure that you research before making an investment choice and keep track of regulatory changes to avoid losses and scams.

THEY DON'T PUT OFF DECISIONS:-

Delay can not only result in monetary losses but also lead to avoidable confusion and legal hassles.

THEY MAKE A PLAN:-

Making a budget, sticking to it and framing goals are the essential components of formulating a plan.

THEY REVIEW THEIR PORTFOLIO:-

Monitoring is critical to know if you are on course..

THEY DIVERSIFY THEIR INVESTMENT:-

Follow this golden rule of investment to avoid the risks of concentration.

THEY AVOID BAD DEBTS:-

To plug a hole in your savings, beware of these loans.

THEY COVER RISKS:-

By securing insurance, they make sure that their dependants and investments are protected.

HOW TO CONTROL SPENDING AND START SAVING

One of the challenges for young investors is their inability to control spending. Here are eight ways that can transform a spender into a saver.

You are in a good job, earn a fat salary and have a bright future. Yet, none of this is evident from your savings. Young people often find it difficult to save in the initial years of their careers. Here are eight mantras to turn a spendthrift into a saver.

SAVE BEFORE YOU SPEND:-

For many, the financial equation is: $\text{Income} - \text{Expenses} = \text{Savings}$. Legendary investor Warren Buffet offers a simple solution. He says the equation should be $\text{Income} - \text{Savings} = \text{Expenses}$. Instead of saving what is left after expenses, spend what is left after you are done with your savings for the month.

WAIT BEFORE YOU SPLURGE:-

Whenever you want to buy something expensive but not essential, follow the 30 day rule. Postpone the purchase by 30 days. During that period, think whether you really want the item. At the end of the month, if you still want to, go ahead and purchase it.

AVOID USING PLASTIC MONEY:-

Studies show that even normal people tend to overspend if they use a credit card. If they make the payment in cash, they will feel the pinch more. Since the credit card user only signs on the slip, the full impact of the purchase is not felt. To suppress the shopaholic in you, leave your debit and credit cards behind when you go to the mall. Take cash

START SMALL TO SAVE BIG:-

At the beginning of a career, income is low and there is very little left to invest. Don't let that stop you from saving. Start small and gradually increase the amount as your income goes up. The magic of compounding ensures that even a small sum grows into a gargantuan amount over the long term.

DON'T BE PRESSURED TO SPEND :-

Just because your colleague has bought a new car or booked a flat in a fancy location does not mean you should follow suit. When it comes to big-ticket items, do the math carefully before committing expenses.

LEVY LUXURY TAX ON YOURSELF:-

Don't completely deny yourself the very luxuries that you have worked hard to attain. Every time you indulge in discretionary spending, put an equal amount in your savings. If a dinner with the family costs you Rs.2000 into savings.

DON'T SPEND TO DE-STRESS:-

For many people, spending can be therapeutic. But the after math of this de-stressing can be even more stressful on your wallet. Get a grip on the situation and look for less costlier alternatives to unwinding. Go for a scroll or do some light exercise. This will act as a distraction and ease the urge to spend.

FIX A BUDGET AND STICK TO IT:-

Setting up a budget is the first step towards prudent financial planning. Set a limit for how much you can spend on clothes, travel and movies and stick to it. Budgeting also helps you to keep tabs on itsy-bitsy expenses.

YOUR FINANCIAL CHECKLIST

Take a little time out in the coming holidays to complete all the pending financial chores and paperwork that may have piled up.

MUTUAL FUNDS:-

Update KYC. Complete nomination formalities. Consolidate your holdings and sign up with a portfolio tracker. Apply for online facility, signing cheques is passé.

BANKS:-

Complete nomination formalities to avoid legal problems later. Operate the bank locker. Close down unused accounts. Apply for net banking to make your financial life far more organised.

LOANS:-

Keep an eye on the rate of interest you are being charged on your home loan. Make a prepayment to bring down tenure. Get your credit score. Remove car hypothecation.

INSURANCE:-

Nominate a beneficiary when you buy a life insurance policy. If you married after buying the policy, change the nomination to include spouse. Give an ECS mandate for premiums. Revive lapsed policies.

DEMAT ACCOUNT:-

A demat account is necessary if you want to invest in stocks, bonds and gold ETFs. However, it costs about Rs.300-800 a year, and if you have more than one demat account, you pay extra for no additional benefit. Many investors think that more demat accounts can help them submit multiple IPO applications. This is not true. Consolidate your holding into a single account and close down the others.

UTILITIES:-

If you are an LPG consumer, and more than one family is staying at the same address, contact your distributor for physical verification. If your telecom service provider is folding up, switch to a new company right away.

ESTATE PLANNING:-

Last, but not the least, write a will. This document helps avoid ugly legal disputes between heirs after the individual passes away. The registration of a will removes any ambiguity.

SCORE CARD

16 OR LESS POINTS:

- ✓ You could really struggle to give your family a secure financial future; a drastic change in approach toward money matters is needed

BETWEEN 16-24:

- ✓ Your financial fitness is passable, through some of your money habits stand to put your financial health at risk over time

BETWEEN 24-30:

- ✓ Your financial fitness is good, though there is scope for further improvement

MORE THAN 30:

- ✓ Your financial health is in great shape; keep on track for a secure future

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