

Ten Resolutions for Financial Fitness

It wouldn't be a New Year without resolutions. Here are some to help you get started on the road to financial fitness and to maximise your wealth:

1. I will not let my cash lie in the bank:

The average inflation rate from 2012-15 is 8%. This means, if your money is not growing at least 8%, your savings are actually shrinking. So, it's time you move the cash lying in a 4% savings account invest it. The laziest thing you can do is book an FD that will give you 8% plus returns.

2. I will not invest in an instrument I do not understand:

It is important to invest, do not randomly pick any instrument, especially, those you not understand. The authorities are doing their bit to protect you. The Ministry of Finance came out with an extensive report on measures for curbing mis-selling and rationalising distribution incentives in financial products last August. Insurance regulator Irda has completely restructured Ulips and Mutual Fund houses raised the bar of investment for high-risk schemes to rs 1 lakh from rs 5,000. However, it is equally your duty as an investor to take precautions and not to buy a product you do not understand.

3. I will teach my children the basics of personal finance:

While you are educating yourself, make sure to impart a lesson or two to your child as well. After all, personal finance, although a life skill, is the only subject not taught in most of our schools yet. In October 2015, CBSE launched the School Bank Champs project that aims at educating students of class IX and X on managing finances and investments. Currently this is available only at select few schools and is a voluntary subject. In lieu of schools, the child depends on you for financial guidance. So, while teaching them about the birds and the bees, add SIPs and EMIs as well.

4. I will not be careless with credit:

Retail loans have been primarily responsible for driving credit growth of banks in 2015. Easy credit and swiping facility at shop can be a dangerous combination. Add to that the easy-to-use Wallets luring you with offers and online discounts. You need to be a yogi to resist such temptations. Make a budget, stick to it and make it a habit to pay back on time. Also, keep checking your credit score regularly, now that they are available for free on many websites.

5. I will update my knowledge on e-frauds:

Barring, may be, the house and your jewellery, all your assets can be accessed online. In 2014-15, as reported to RBI, cyber frauds relating to NEFT/RTGS transactions alone were worth 80 crore. So, if you do not know about the frauds and take necessary precautions, you probably are committing financial hara kiri.

6. I will not put off paperwork or planning:

Be it that mandatory KYC, filling the tax returns, renewing an insurance plan or FD or planning your goals, do not stall those tasks anymore.

7. I will plan my taxes starting April:

Instead of making hasty investments in January, start thinking about your tax bill at the beginning of the financial year. Also, mark the calendar for advance tax deadlines.

8. I will not ignore my insurance needs:

Life and health insurance are not enough, they should be adequate as well. The government has been promoting social security and it's time you upped your risk protection level. A personal accident cover and a critical illnesses plan has become absolutely necessary. Don't forget the travel insurance, especially on those international trips. Also, do not wait for a disaster like Chennai to buy that home insurance plan.

9. I will build an emergency fund:

Not all risks can be insured. Although all predictions for job and hiring prospects for 2018 are positive, you still need that emergency fund worth at least six months of your next salary. Moreover, stop accumulating the fund in your saving bank account. Move it to a liquid fund.

10. I will prepare a will:

All the planning and hard-earned saving will be useless if you forget estate planning. If you think it is a tedious legal task, you may be wrong. The exercise has actually become easy with banks and NBFCs offering will services online. Also, do not forget to specify a nominee when you make an investment or purchase insurance.

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