

AN ANALYSIS OF DIFFERENT PREFERENCES OF FINANCIAL PLANNING AMONG DIFFERENT PEOPLE.

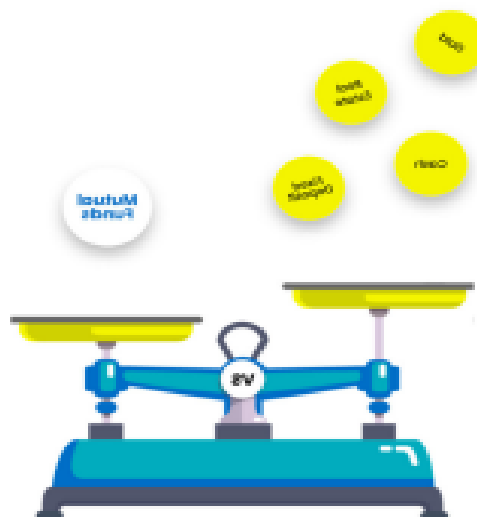
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ABSTRACT

The project “An analysis of different preferences of financial planning among different people.” is a detailed study on changing investment styles among a variety of people which in turn will focus on the traditional style of investment done by people earning and simultaneously saving money during that time and the newer or developed style of investments carried on by people. This research will try to capture how this process and mindset has progressed with the passage of time. It will try to encapsulate the changes that have occurred in different aspects regarding investment of money such as modes of investment, vehicles of investment, timing, proportion of income, reasons for investment, etc.

Compared to the options available for different investment vehicles in prior times, there have been a lot of additions as the time went by. There has been an incoming of different types of investment options that will cater to the needs of masses. As not every other person has the same motive of investment, the variety of options make it easy for people to achieve their objective with the investment that they make. The introduction of cryptocurrency which has been used for quick profits but can be used for long term profits, ESG Mutual Funds which values principles, Infrastructure Investment Trusts or InvITs, Real Estate Investment Trusts or REITs, exchange-traded funds or ETFs and others have introduced a new array of investors with a mindset that is vastly contradicting to the traditional approach of safe investing. These newer investments usually have a higher risk ratio than the conventional investment avenues but it also provides higher returns to balance out high risk. Traditional approach of investing included investing in stocks, real estate, gold, bonds, fixed deposits, etc. In this kind of investing a common trait was the safety of funds, as all these options kept the capital safe up to a certain extent. The main aim was to hold a diversified portfolio of investments to gain a steady profit over the long-term keeping the risk to reward ratio balanced. Stock trading was done through stock brokers, financial advisors or investment managers as well and they also helped in investment decisions. The traditional approach of investing is effective to investors, especially those who have a long-term horizon for capital appreciation for a certain amount of risk.



Investments has undergone a lot of different changes due to technology, economic conditions, and regulatory changes. Since the limitations of traditional investing have been straightened out, investing has become more accessible and convenient for individuals, allowing them to manage their portfolios and make investment decisions more easily.

Additionally, advancements in financial technology (FinTech) have brought new tools and services to the market, including robo-advisors, mobile trading applications, and digital wallets, among others. These technologies have further transformed the investment landscape, making it easier for individuals to invest, monitor their investments, and make informed decisions. Finally, regulatory changes and increased transparency in financial markets have also played a significant role in the evolution of investment over the years. Government and regulators have implemented measures to protect investors, promote fair and transparent markets, and ensure that financial markets operate in an ethical and responsible manner.

Investments have come a long way and will continue to evolve in response to changing conditions and advancements in technology. This research will highlight the impact of financial planning in different demographic of people. It will show how different age groups carry out their financial planning and what it means to different individuals. Financial planning is subjective and will differ from person to person based on their consumption and savings of income. For instance, the traditional approach of financial planning was to save whatever is left off the income but the modern way of doing it is to save majority of the income.

1. INTRODUCTION

Financial planning is the process whereby the life goals are met through the proper and an efficient management of finances. Financial planning is a process that a person goes through in order to find out where they are now in financial perspective, determine where they want to be in the future, and what are they going to do in order to get there. Financial planning thus provides direction and meaning to an individual or a group/family's financial decisions. It allows the understanding of how each financial decision a person makes affects other areas of their finances.

For instance, buying a particular investment product might help to pay the mortgage faster or it might even delay the retirement significantly. By viewing each and every financial decision as a part of the whole, one can take into consideration both its short term as well as long term

effects on their life goals. A person can also adapt more easily to life changes and feel more secure as compared to others as their life goals are on track.

Financial planning is a very significant aspect of one's life, be it a person of any age, managing financials is a tricky art. From a layman point of view, financial planning is the process of allocating an individual's income or the overall cash inflow of an individual into all the aspects that may require monetary consideration while keeping in mind a vital use of money and that is savings. Saving a portion of your income is a very healthy contingency planning step, in case a future need requires a huge sum of money, these savings can help an individual.

Financial planning in earlier days used to be more about investing whatever money is left at the end of the month with a man after executing all of his expenses, but as awareness is being made about the benefits of investing and its fruits in the future men have started investing a larger chunk of their income and spending less. Savings have increased over time and consumption has decreased.

Money can be invested in various avenues like equities, debt, real estate, gold, bonds, fixed deposits, mutual funds, currencies, commodities, derivatives, cryptocurrency, insurance, among others. As it may have been noticed, the first part of those avenues are traditional investment vehicles namely equities, debt, real estate, gold, bonds, fixed deposits and the later part are modern vehicles of investments namely mutual funds, currencies, commodities, derivatives, cryptocurrency and insurance. This list is not exhaustive, in fact this list of different options of investments keeps on increasing as time goes by.

Investment options have evolved a lot if compared to a few years ago, there has been a lot of development and evolution in the list of avenues available for investing. This change has been recognized because of growing awareness on the importance of investing among people. More and more people have started saving money and investing now which leads to various reasons and needs for investing.

For instance, a college going student will have no problem investing his allowance money in risky stocks but at the same time his parents will think twice or not invest in risky stocks at all because of the difference in the capacity to invest. Student's parents have to think of various household needs before using that money in a risky asset but the student only has to fend for himself as they will have the support of their parents if things go wrong.

There is also the case of what a person would have done a decade ago versus what a person would do now with extra money that they have for instance saved up. This again circles back to the awareness in their time regarding investments and development in the security market. A decade ago, this money would have been used to buy gold or either would have been lent to a relative or even just keep at home. Compared to ten years ago, this same money will most likely be invested in various securities available, a person with sufficient knowledge regarding the stock market might invest in stocks or would be lent out for an appropriate interest in return.

The age factor is very important amongst all others owing the fact that the risk appetite and the priorities in life would vary with the life stage. Twenty-five years is considered to be an ideal age to start saving and managing own's investments, where one can ideally invest 90 per cent in equity and 10 per cent in debt. Since the risk appetite is higher in youngster, investment in equity would be fine. ELSS (equity linked savings schemes) and a pension fund are also two good investment options. Include life insurance and health policy in your portfolio for protection and tax deduction benefits. A small portion of investment can be done in fixed deposits too. The main investment objective would be to clear off the one's own educational loan purchase of car, house, start off a business, marriage expense, etc. It's an ideal

time to go systematic investment plan (SIP) of mutual fund, recurring deposit. At 35 your priorities are different. Child's education expense would be the priority and to take care

of home/mortgage loan. Planning for tax could be another priority. The risk tolerance level would shift from high risk tolerance to average risk. Besides this, home loan and insurance are a must as they get you a tax deduction. At this age, one should be putting 75 per cent money in equity and 25 per cent in debt. Also start planning for retirement at this age and include a pension plan in the investment portfolio. 35 is also the right age for investment in ELSS. Insurance risk cover is felt to cover the liability burden like mortgage loan, education loan, etc. The influence of age factor also creates the need for insurance cover if the individual could be the single bread winner for the family. At 45 years of age, it is necessary to maintain the equity-debt ratio at 75:25. It is also time to invest in the child's higher education and Child wedding. The risk tolerance level would shift to below average depending on the individual's economic and financial status. Investment shifts to debt funds, deposits, PPF (Public Provident Fund) and equity fund. Five-year fixed deposits should also be ideal to add on to the portfolio. The need for family health policy would be felt. A 55-year-old should invest in debt and equity in equal proportion. Also, investment in NSC (National Savings Certificate) would be ideal, so that the cash flow is maintained after retirement. The plan for retirement would begin. The best strategy is to begin the investments at the start of the year and continue it throughout the year. The major expense would be towards health. Thus, investment pattern would change based on the age factor.

There are other factors that have increased the number of investing activities. Placement of strict regulations in the securities market has gained a lot of people's trust who considered investing or trading as gambling. Introduction of internet or mobile trading provided convenience and that in turn surged the investment activity. Easy availability of information on the internet regarding companies facilitated rapid investing. Availability of information removes doubt from one's mind regarding the decision of investing.

Due to competition among investment companies, trading charges are at a low cost. It is also possible to invest in various assets like real estate or commodities without actually buying them.

SCOPE OF FINANCIAL PLANNING

Financial planning is used by every person for every task/ event/ process that requires money. Where funds are present, it is necessary to plan the use of those funds. The littlest job requires financial planning, be it household to commercial.

Financial forecasting

Forecasting is a technique that uses past data to estimate future requirements. Allocation of funds help in planning future cash flows. An individual can predict his future cash flows that cater to his needs with financial planning done in the present. One can get better prepared for future requirements. Similarly, financial forecasting is done in firms using various financial techniques available to forecast future cash flows. This makes fulfilling future goals easier especially for bigger entities like companies, firms, etc.

Allocation of funds

When a person gets a fixed amount of money, the usual habit is to distribute it into various streams where money will be needed. This is called allocation of funds or capital structuring. An individual might have to distribute them between personal education, education of a child, upkeep of house, food, rent, medical bills, insurance, etc. Companies also allocate funds in a similar fashion. A reasonable proportion of debt and equity which ensures a trade-off between risk and return to shareholders has to be decided for an optimal capital structuring. The various factors that must be considered while designing a capital structure are profitability, liquidity, control, leverage, nature of industry, etc.

Application of funds

Financial planning not only estimates financial requirements and arranges for funds from various other sources, it also ensures its effective utilisation by investing it in outlets

which will give maximum returns to the firms. Financial planning will only be successful when the funds are invested appropriately in the various avenues that would have been pre-decided.

Strategic decision making

Choosing the right avenue to invest funds in can be complicated. These decisions should be taken keeping in mind the risk capacity. A fixed need of money in the future should be fulfilled with the help of safe investment options while a probable need of money can be fulfilled with the help of a somewhat risky investment. Decision making can also be vital in the aspect of the proportion of money to be allocated to different streams. Not allocating enough money to a need can be harmful if you do not have immediate money to fulfill that need when it arises.

Reduces uncertainties

Life can be unpredictable. So, one has to stay ready financially for future contingencies. An individual should be prepared to take out money from investments done prior in life if need be. By providing the appropriate quantity of money at the appropriate moment, it reduces the likelihood of business risks. A business's ability to develop and continue operating is not hampered by improper financial planning.

Retirement planning

Retirement planning is important because after a certain age as steady income stops, one only has invested income to rely on. Insurance, dividends, interest, capital gains are a credible source of income after retirement. Savings are also important to maintain upkeep. Due to inflation, prices will never decrease but the inflow of income will, at this time retirement planning done early on in life can help.

Estimation of funding sources, timeliness, and availability

According to the demands of the firm, the necessary money should be made accessible at the right periods. Estimating the amount of money needed for various company reasons is another aspect of it. The main way that financial planning is helpful is by identifying the most affordable sources of funding and guaranteeing their availability when needed.

2. LITERATURE REVIEW

INVESTMENT PATTERN AND THE FACTORS INFLUENCING THE INVESTMENT PREFERENCE AMONG DIFFERENT AGE GROUPS. (2020)

Ms. R. Suyam Praba and Dr. K. Malarmathi

The author believes that age is an important factor for investment. Since risk factor is closely associated with age and that determines the investment preferences of different age groups. Investment behavior is research that identifies the factors that lead individuals to invest, their general investing attitudes, the sources of their knowledge, how they evaluate various information sources, and the factors that affect their judgements. This behavior is influenced by a lot of factors like Age, Gender, Education, Marital status, Occupation, Religion, Mother tongue, Life stage, Family type, Work Experience, Income, Annual Savings, Net worth, Number of earning members, Financial dependents, Financial literacy, reference group, Family members, Learning, Memory, Perception, Attitude, Risk profile, Income-expenditure ratio, Borrowing habit, Perception on loan, Current financial stability, Risk- return associated to Investment avenue, Investment motive, Investment tenure, Preference towards Investment avenue etc. The author covered the age factor in this paper. With research done in a sample of 405 people, the author found that wealth maximization was the prior goal of age group below 30 and future of child for the age groups of 31 and above. A relationship between income expense ratio and age was also found. Age also increases the diversification of avenues invested in. hence, a difference is seen among different age groups.

INVESTMENT AVENUES IN INDIA AND THEIR EVALUATION (2018)

Dr. Parul Mittal

In this paper the author went through different investment avenues in India and how they have evaluated. There are a lot of different avenues for investors to invest their money according to their needs. The author describes investment as, "The sacrifice of present money or other resources for benefits in future is investment." Different investment avenues are categorized as non-marketable financial assets, equity shares, preference shares, private

equity, debentures/bonds, mutual funds, money market instruments (commercial papers, treasury bills, certificates of deposits), life insurance policies, real estate and derivatives. Among the various investment opportunities, it is difficult to evaluate an investment opportunity since it must take into account five factors: risk, return, marketability, tax shelter, and convenience. Investment plans are subjective according to the risk tolerance and expectations. In conclusion, critical evaluation should be done before investing.

A STUDY ON INVESTMENT PREFERENCES OF YOUNG INVESTORS IN THE CITY OF RAIPUR CHHATTISGARH, INDIA.

(2020)

Shinki K Pandey, Abhishek Vishwakarma

This study aimed to find preferences of the age group between 21-35 years. The author believes the most important reasons to invest is beat the cost of inflation. Traditional investment avenues used were mostly Bank Deposits, Post Office Deposits, LIC Scheme and Gold in India. But according to the author, with the growth of finance industry, the younger generation is shifting more towards equities, mutual funds, etc. With research done among 119 responses in the young generation of Raipur City, it was concluded that young generation are more likely to take risks with exception of some people opting for safe investments in order to earn good returns.

EFFECT OF GENDER, AGE AND INCOME ON INVESTORS' RISK PERCEPTION IN INVESTMENT DECISION: A SURVEY STUDY.

In this study, the author talks about the stereotypes that women are more risk averse than men and people of young age are more proactive in investments. Hence, we include behavioural science in financial decisions. The author seems to believe that this does not prevail. According to the research done, not gender, age or income have any impact on the differences between risk taking capacities. Individual investors' perceptions are conceptually quite similar. In practice though, personal risk varies depending on domain expertise and time frame uncertainty that may be present in different racial and socioeconomic groups.

FACTORS INFLUENCING INVESTMENT DECISIONS OF GENERATIONS IN INDIA: AN ECONOMETRIC STUDY.

(2010)

Manoj Kumar Dash

This paper tries to find factors that affect individual investment making decisions and differences in investor perceptions on the basis of age and gender. Through a survey, this research was carried out to prove the difference in investment decisions in different demographics. The author concluded, that modern investors are mature and knowledgeable regarding their investments. The investor will invest according to their risk preference. Risk averse people choose safe return giving investments. There may be a few hiccups in the investor's portfolios most investor use some sort of a source or reference group for taking decisions. Investors are most likely to obtain information from multiple resources before investing even when being in a cognitive illusion of overconfidence and narrow framing.

INFLUENCE OF FINANCIAL LITERACY AND RISK PERCEPTION ON CHOICE OF INVESTMENT.

(2016)

Selim Arena, Asiye Nur Zenginb

This study investigated the impact of different characteristics like level of financial literacy, personality characteristics and risk perception on deposits, foreign exchange, equities and portfolio that is the means of individual investments. The study proves that no relationship exists between personality traits and the choice of investment. It further states that risk tolerance level is the major influencer of investment avenue choices. It also states that investors with risk averse mindset are more likely to go forward with deposits and investors with a high propensity to take risks prefer risky investments like, equity stocks, foreign exchange in their portfolio. Another major indicator was financial literacy while deciding investments. If a person is more financially literate he will prefer to make a portfolio and maintain it. They also proved basic financial literacy does not change investment preferences according to gender but the same cannot be said for advanced financial knowledge. Men also tend to take more risks than women. In conclusion, risk and financial literacy are usually kept in mind of investors while investing in spite of being of any demographic.

A STUDY ON PEOPLE'S PREFERENCES IN INVESTMENT BEHAVIOUR.

(2011)

N. Geetha, Dr. M. Ramesh

Choosing between all the available options of investment present is a job that requires lots of research. It is important to select the most suitable one. Two different categories of investments available in India are either marketable and non-marketable or risky and risk less. Choosing the investment that cater to your specific needs is necessary. Different types of investments like equity, FI bonds, corporate debentures, debt, mutual funds, company fixed deposits, fixed deposits in bank, post office savings, life insurance policies, public provident funds, real estate, gold, silver, which are explained in the research are the options of an investor to choose from. The findings prove that different genders choose different investments, all age groups prefer safe investments. Hence, there isn't much similarities between age groups or gender and investment decisions. It is also noted that people of lower level income group exercise more safety in their investments. Investment options, annual income, and annual savings have no apparent relationship.

MANAGING INVESTMENT RISKS: MODERN V/S TRADITIONAL KNOWLEDGE AND PRACTICES.

(2019)

Rakesh Swami, Trilok Kumar Jain

This study that is based in Rajasthan, compares the traditional mode of investment to the newer ones. It elaborates on different characteristics of modern investment options like the risk-return trade-off, market risk, credit risk, inflation risk, interest rate risk and political/ government policy risk. It goes on to describe the advantages of modern financial institutions and why to choose them over traditional investments. Traditional knowledge and practices in Rajasthan are described which helps to prove the modern way of managing investment risk should be preferred over the traditional

way. Human beings evolve constantly and so should the practices related to investments for greater returns.

A STUDY ON INVESTMENT OPTIONS AVAILABLE IN THE MODERN ERA. (2018)

Madan Singh Panwar, Dr. Kavita Aggarwal

Investments are essential because they foster financial interdependence, income growth, the achievement of individual goals, and the reduction of future dangers. Investments are done for a basic few reasons everyone will agree with, family planning, returns, tax benefits, liquidity and retirement planning. This study had the main objective to recognize the various different investment avenues available in India and with that determine people invest in India. As already known, India being a developing economy has a lot of investment options for a number of needs shown by people while investing their money. On top of that, companies come out with attractive schemes for these investments so that people are tempted to invest with them. It was a common theme to be scared of investing in share market before but that should be rectified by awareness programmes and investing in share markets should be popularized. People usually tend to invest in safe options. In conclusion, everyone needs to invest and for that reason there are a lot of options available in India.

A COMPARATIVE STUDY ON THE INVESTORS PERCEPTION FOR FACTORS INFLUENCING CHOICE OF INVESTMENT TOWARDS MUTUAL FUND AND GOLD IN KERALA.

T.Radhakrishnan, Dr.Krishnan Namboothri

Investments are broadly classified in two categories traditional investments and modern investments. Mutual funds are pools of money collected from various investors and invested according to certain investment objectives. Mutual funds is a modern avenue of investment compared to gold. The rate of return for mutual funds is higher than gold yet people of Kerala prefer to invest in gold. This study aimed to determine the reason behind more gold investment rather than mutual funds. According to the study, people are not financially literate enough about mutual funds but gold has been prevalent there since a long time. There is a lack of proper information provided. The process of opting for mutual funds has to be made more convenient too. In conclusion, mutual fund schemes have to be more advertised over there and more information should be spread about them among the citizens of Kerala.

UNDERSTANDING THE CHANGING SCENARIO IN FINANCIAL PLANNING

The future is very uncertain. No matter how hard one tries, in the time that has to come, you cannot very well predict what's in store for a person. What one can do however, is to get ready for it with the best of your abilities. Like ants that prepare themselves for the winter in the summer itself, a person should be prepared for what is to come. Each person has their own aspirations, dreams and ambitions that they dream of accomplishing at some point in their lives. Without solid financial planning, those goals cannot be achieved. Financial planning is a strategy for attaining the goals of one's life through meticulous financial management. Financial planning is important to each and every one and people should take it more seriously to shape their future better and to safeguard their lifestyle. One should carefully select a financial planner that can recognize their needs and devise a plan that will bring them a decent financial plan for their retirement after their professional life. In order to implement financial planning, there is a process that should be followed.



The process of financial planning is mentioned below. Six step process of Financial Planning are:

1. Self-assessment:

Clarify the current circumstances; this is a necessary first step before making any plans about their finances. Doing a self-assessment enables a person to understand regarding their present responsibilities, status and wealth. Self-assessment is knowing your personal wealth conditions. Self-assessment should contain following

- Prospective retirement age
- Main source of income
- Dependents in family
- Expenses and monthly savings
- Present investment holdings

2. Identify financial, personal goals and objectives:

Once the needs/ objectives have been identified, they need to be converted into financial goals. There are two components which go into converting the needs into financial goals. The first step is to assess each necessity or goal and decide when it is acceptable to make

withdrawals from investments. The person should next calculate how much money is required in today's value to fulfil the goal or fulfil the requirement. The amount of money required to achieve the goal—or, more broadly, to fulfil any specific needs—in the future may then be projected with the aid of an appropriate inflation factor. Similarly, one needs to estimate the amount of money needed to meet all such objectives/ needs. Once the person has all the values, they need to plot it against a timeline.

3. Identify financial problems or opportunities:

Goals and the existing state may be established, and then the shortfall needed to accomplish the objective can be evaluated. In order to meet various demands and necessities at various life phases, this shortfall needs to be made up throughout time. Since the future cannot be foretold, every possibility should be taken into account when financial planning, or more specifically, while creating a financial plan. A sound financial strategy should protect against many kinds of risk. To adapt to shifting demands, we should adopt a flexible strategy and periodically restructure our budget.

4. Determine recommendations and alternative solutions:

In essence, this entails examining a variety of investment choices, including mutual funds, equities, debt instruments like PPF, bonds, gift funds, fixed deposits, etc., to determine which instrument(s) or a combination of them best meets the requirement. Therefore, the time period for investment must coincide with the time period for goals.

5. Use the right tactics to attain your goals:

Until a person puts things into action everything is waste. Necessary steps are a must and is the need to be taken in order to achieve financial goals. This may include gathering necessary documents, open necessary bank, demat, trading account, liaise with brokers and obtain started. Start investing now and stick to your strategy, to put it simply.

6. Review and update plan periodically:

Financial planning is a continuous process. A solid commitment to the strategy and regular reviews are required for success (once in six months, or at a serious event like birth, death, inheritance). An individual should be ready to make modest or significant changes to their existing financial condition, goals, and investment timeframe backed by an evaluation of the performance of investments.

IMPORTANCE OF FINANCIAL PLANNING

Financial planning serves to achieve various purposes. Some of them are listed below:

- It helps in achieving its objectives by optimal use of resources.
- It helps in coordinating and controlling the efforts of the firm or an individual. · It helps in predicting the financial requirements well in advance.
- It helps financial managers in regulating the flow of funds.
- It helps in determining the optimum capital structure by raising funds from requisite sources at minimum cost.
- It helps in maintaining enough liquidity in the firms also at the same time thus, ensuring a balance between profitability and liquidity.
- It helps in facilitating financial controls and keeping them attuned to financial plans.

CONSTITUENTS OF A GOOD FINANCIAL PLAN

A good financial plan should be made considering the following points in mind

- Contingency planning

- Risk Planning (insurance)
- Retirement Planning
- Tax Planning Investment and Savings
- Contingency planning

A contingency is a provision made, typically in a plan or agreement, for an unforeseen event or circumstance. Contingency planning is the basic step to be taken and therefore the very first constituent to financial planning. It was found that a huge number of individuals have invested in financial planning instrument but have ignored their contingency planning. Why is it more important to possess a contingency plan?

Usually with financial planning, the future aspect is sorted out, meaning the future financial needs are planned out but there is an important point of view most tend to miss out on, having enough money for today and if any contingencies arise today. A sudden financial need cropping up today will lead to a person withdrawing money from any of the various investments done. This will affect the future returns as now less money is invested in to compound over time. Contingency situations are usually temporary but once the money is withdrawn, compounding stops and same amount again invested in no time will still not lead to the same effect it would have had otherwise. This leads to capital erosion. Financial plans go to waste, therefore with financial planning contingency planning is a must. There should be enough liquidity for present use. As a general guideline, one should have three times their monthly wage in liquid assets to cover emergencies.

- Risk planning

Risk management is essentially described as a procedure for preparing for unforeseeable events like impairment, serious disease, or even the bread earner's death.

Every individual is exposed to a certain type of risk whether it may be due to loss or damage of personal property, loss of pay due to disability or illness; or even due to death. Such type of risk cannot be determined, but on occurrence there may be a financial loss to the family or to the individual. Insurance is one major heading covered underneath the topic of risk planning. Insurance is basically stated as the means of protection from financial loss. It is basically a form of risk management which is primarily used to hedge against the risk of contingent or basically an uncertain loss. Insurance planning is essentially a critical component of a comprehensive budget which constitutes risk evaluation and also determining a particular coverage so as to mitigate those risks.

- Retirement Planning

Retirement planning is the process of determining retirement income goals and the decisions and the actions that are required in achieving those goals. Retirement planning also includes the identification of various sources of income, estimation of expenses, management of assets and risk and implementation of a savings program. There are various steps that are needed to be followed for retirement planning. These steps include:

- Understanding your time horizon
- Determining retirement spending needs
- Calculate after tax rate of investment returns
- Assess risk tolerance v/s investment goals
- Stay on top of estate planning

Retirement can be stated as a time of life that has grown even longer in the developing world, and the number of pensioners has increased accordingly and significantly, thus it is important to have a concrete plan ready of your own to secure your future needs. Financial Retirement Planning (FRP) consists of the series of activities involved in the accumulation of wealth in order to cover the needs and necessities in the post-retirement stage of life. The negative short-term, mid-term and the long-term consequences of inadequate Financial Planning for Retirement not only affects the individuals, but also their extended families, homes and eventually producing an unwanted impact on the entire society.

Retirement planning has to also consider the inflation aspect of financial goals. As time goes by, value of money decreases because of inflation. Therefore, what could be bought by a certain amount in today's time will have to be bought more expensive in the future. What this means for retirement planning is that a certain amount of money invested today may or may not be enough to sustain an individual's standard of living in a few years.

- Tax Planning

Tax planning in general is the legal way of reducing an individual's tax liabilities within a year. Tax planning helps utilising the tax exemptions, various deductions as well as benefits in the best possible way in order to minimise the tax burden. However, tax planning should be conducted in a legal manner.

In India, there are various tax saving options for all taxpayers. These various options allow a wide range of deductions as well as exemptions that help in order to limit the overall tax liability. Such deductions can be availed against the quantum of tax liabilities. Thus, tax planning is an integral part of financial planning which each and every individual and families must undertake keeping various objectives in mind.

These objectives must include:

- Reduction in overall tax liability
- Economic stability
- Growth of economy
- Litigation minimization
- Productive investment

RISK MANAGEMENT

Risk is a fundamental aspect of life. Every day we are faced with the threat of a loss or injury. Acknowledging this reality, our objective should be shifted from trying to avoid all risk exposures to positioning ourselves to retain only the level of risk that is appropriate. This process is referred to as "risk management," a fundamental aspect of comprehensive financial planning. The risk-management process comprises several discrete steps. The starting point in this process involves understanding a client's overall risk-management objectives and financial capacity to absorb the loss. Under this lens, the financial planner will seek to:

1. Identify the nature and causes of risk.
2. Assess the probability of loss and quantify the rupee value of the occurrences
3. Understand the weakness and gaps in the current risk-management plan.
4. Evaluate alternative methods for handling exposures.
5. Develop strategy and product recommendations.
6. Implement a risk-management plan.
7. Monitor the situation

Usually in order to create and implement a strong and an efficient financial plan, many individuals appoint IFAs (Integrated Financial Advisors). These IFAs help the clients in setting up their financial solutions or more precisely the financial goals. The goals should always be SMART. SMART stands for Specific, measurable, adjustable, realistic and time based.

- Specific

With the money that you save, be precise in what you wish to accomplish or wish to buy. One must think about this step as a "mission statement" for financial goal. Some points that have got to be considered are as follows:

Who: Who all need to be involved in order to achieve the goal? If the goal is to create a financial budget for either the individual or the family, one needs to involve everyone in the household.

What: Think about what exactly are you trying to achieve and don't be afraid to get very meticulous about the details.

When: You will get more specific about this question under the "time based" action, but you should at least set a general time frame at the beginning itself.

Where: This "W" question may not always apply, particularly if you are setting up a personal goal, but if there's a specific location or relevant event, categorize it here.

Which: Determine any related foreseeable prerequisites or obstacles. This question can be beneficial in helping you decide whether your goal is realistic or not.

Why: What is the true reason for the goal? How is that the financial goal getting to benefit your finances and ultimately your life?

- Measurable:

What metrics or data are you going to use in order to determine whether you have met your financial goal or not? This helps in making the financial goal more tangible as it provides a way to actually measure your progress and results. If it is a savings goal for

instance the goal is a long term goal which is going to take a few years to complete or a short term goal which is going to take several months to complete, then it is better to set some goal markers by considering detailed tasks to accomplish or an amount to reach at a certain month.

- Achievable:

This "achievable" section focuses on how important is the goal to you and what all can be done by you in order to make it achievable or attainable and whether will it require developing new skills and changing attitudes or bad spending

behaviours. This one is meant solely for motivation or inspiration, to keep you going in the right direction. Think about how to attain the goal and if you have then proper resources, skills, or tools needed to get there.

· Realistic:

Realistic means specialise in something that creates sense for your current financial situation. You can set the goal of saving 1 lakh in 3 months but if you only make 30000 a month, then the goal is not realistic at all. You are only going to set yourself up for failure and nothing else. One must just sit down and think about all that is going to take in order to reach this goal and if you have set the bar too high.

· Time Based:

Anyone can set a goal, but if it lacks any sort of real time frame then it is simply baseless. Chances are you are not going to succeed. Providing a target date or more specifically a deadline is very important. If a goal will take several months to achieve, it's helpful to define what should be attained halfway through the progression. Providing time constraints also creates a sense of urgency, and it can give some extra motivation to all those who need it.

It is also important for the goals to be classified into short term, medium term and long term goals.

TRADITIONAL APPROACH TO FINANCIAL PLANNING

It was around in the 19th century that investment first started in India. The investment banks started acting as intermediaries in India which traces back to when European merchant banks first established trading houses in the region in the 19th century. Since then, foreign banks have dominated merchant banking activities and investment in the country. Since the 19th century, there have been a number of investment alternatives with the help of which an individual can invest his money based on his/her preferences. These lists of investment alternatives include post office, fixed deposits, equity, and mutual funds, etc. Thus, there are a number of investment alternatives from a traditional approach. They are listed below:

· SENIOR CITIZENS SAVING SCHEME

Probably the primary choice of most retirees, the Senior Citizens' Saving Scheme (SCSS) may be a must-have in their investment portfolios. As the name suggests, the scheme is out there only to senior citizens or early retirees. SCSS are often availed from a post office or a bank by anyone above 60. Early retirees can invest in SCSS, provided they are doing so within one month of receiving their retirement funds. SCSS features a five-year tenure, which may be further extended by three years once the scheme matures.

· POST OFFICE

POMIS may be a five-year investment with a maximum cap of Rs9 lakh under joint ownership and Rs4.5 lakh under single ownership. The rate of interest is about each quarter and is currently at 7.8 per cent once a year, payable monthly. The investment in POMIS doesn't qualify for any tax break and therefore the interest is fully taxable.

· BANK FIXED DEPOSITS (FDS)

A bank fixed deposits (FD) is another popular choice with the retirees. The security and glued returns go well with the retirees, and therefore the simple operation makes it a

reliable avenue. However, rate of interest over the previous couple of years has been falling. Currently, it stands at around 7.25 per cent once a year for tenures starting from 1- 10 years. Senior citizens get an additional 0.25-0.5 per cent once a year, counting on the bank. Few banks offer around 7.75 per cent to seniors on deposits with longer tenure.

· TAX FREE BONDS

Tax-free bonds, although not currently available within the primary market, also can feature during a retiree's portfolio. The government issues tax-free bonds with the intention of raising money for various uses. It is the ideal low-risk investing option since it offers a set interest rate. The investor can invest a lump sum of money in a tax-free bond in exchange for a predetermined rate of interest, comparable to a fixed deposit. They're issued primarily by government-backed institutions like Indian Railway Finance Corporation Ltd (IRFC), Power Finance Corporation Ltd (PFC), National Highways Authority of India (NHAI), Housing and concrete Development Corporation Ltd (HUDCO), Rural Electrification Corporation Ltd (REC), NTPC Ltd and Indian Renewable Energy Development Agency.

· PUBLIC PROVIDENT FUND

The PPF account or Public Provident Fund scheme is one of the foremost popular long term saving-cum-investment products, mainly because of its combination of safety, returns and tax savings. The PPF was first offered to the general public within the year 1968 by the Finance Ministry's National Savings Institute. Since then, it's emerged as a strong tool to make long-term wealth for investors. Investors use the PPF as a tool to make a corpus for their retirement by putting aside sums of money regularly, over long periods of sometime (PPF features a 15-year maturity, and therefore the facility to increase the tenure). With its attractive interest rates and tax benefits, the PPF may be a big favourite

with a little saver.

MONEY LENDING

According to the Indian Contract Act 1872, an agreement between two people which is accepted by both the parties and enforceable within the court is valid. Therefore, any interest rates that are mutually agreed, regardless of the share of interest, are valid within the eye of law. The conditions mentioned below are some major cautions to be taken into notice while executing such contract/s.

1. Party to the contract shouldn't be a Minor (i.e. below 18 years aged or 21 year aged unless specified by court)
2. The conditions within the contract shouldn't be against the law.
3. The conditions within the contract shouldn't be against the Constitution.
4. The cash (read because the principal amount) or the interest thereon shouldn't be used as in illegal purpose like in speculative activities etc.
5. The contract shouldn't be under any influence or threat to any of the parties.

BUYING PRECIOUS METALS

Sensible investors evaluate bullion options by the worth and premium on the gold cash price. But the premium is merely one a part of the equation. It doesn't necessarily mean that you'll get that premium back upon the sale. Worse, there are unscrupulous dealers

out there. They're going to attempt to trick you into buying numismatics and other collectibles that have an enormous premium and won't retain their value over time. As a result, it's essential to urge an understanding of precious metals before dipping your toes into this market.

BUYING LAND

During the Mughal Empire, zamindars belonged to the nobility and formed the upper class. Emperor Akbar granted them mansabs and their ancestral domains were treated as jagirs. Under British colonial rule in India, the permanent settlement consolidated what became referred to as the zamindari system. These zamindars in the modern age term can also be called landlords. Landlords make two primary ways of earning money from

leases. Firstly, they are taking the deposit. Given that the landlord's costs are met by the monthly rent check, secondly, what's left in the jar gives them a return.

INSURANCE

Most people overlook life insurance as a viable option when it comes to making a solid invest. They still regard it as something of a fund to save-it - for-a-rainy-day. What they don't realize, though, is that insurance policies today have so much more flexibility, and

that it's a worthy investment option. This is a much more lucrative option for many experienced investors as opposed to just paying the premiums, so to speak, that put your money to sleep. With an investment in insurance, the money remains available and movable without losing your policy's worth. You can further broaden and develop your investment portfolio with sound financial guidance, so that you can continue to accumulate capital.

MODERN APPROACH TO FINANCIAL PLANNING

With the advent of the Internet and several new investment vehicles, investing in the modern world is becoming increasingly simple. The truth is that modern investments often enable significantly better net returns than a traditional deposit with a bank. Savings accounts, time deposits, and similar instruments have fulfilled their purpose for many years but currently only provide little return, making it impossible to earn even an inflationary compensation.

EQUITY

Investing in stocks may not be the cup of tea for everyone, since it is a volatile asset class and there is no guarantee of returns. Furthermore, it is not only difficult to pick the right stock; it is also not easy to timetable your entry and exit. The only bright side is that equity has been ready to deliver above inflation-adjusted returns over long periods relative to all or any other asset classes. At the same time, there is a high risk of losing a significant portion of capital unless one opts for stop-loss method to curtail losses. In stop-loss, one places a forward order to sell a stock at a particular price. You could diversify across sectors and market capitalizations to some degree to reduce the risk. To invest in direct equity a Demat account must be opened.

EQUITY MUTUAL FUNDS

A mutual fund is a professionally managed investment fund which pools money to buy securities from many investors. These investors are potentially retail or institutional in nature. Mutual funds have advantages and drawbacks over investing directly in individual securities. The primary benefits of mutual funds are providing economies of scale, a better level of diversification, providing liquidity, and being managed by professional investors. On the negative side, the investors must pay different fees and expenses in a mutual fund. Mutual fund primary structures include open-ended

funds, unit investment trusts, and closed-end funds. Exchange-traded funds (ETFs) are open-end funds or trusts of investment units trading on an exchange. Some close-ended funds also resemble exchange traded funds, as they are traded on stock exchanges in order to improve

liquidity. Mutual funds are also classified as money market funds, bond or fixed income funds, stock or equity funds, hybrid funds or something else by their main investments.

DEBT MUTUAL FUNDS

Debt funds are perfect for borrowers wanting to achieve stable returns. They're less expensive and, thus, less costly than equity funds. Debt mutual funds invest mainly in fixed-interest bearing assets such as corporate bonds, government securities, treasury bills, commercial paper, and other instruments of the money market.

REAL ESTATE

Investing in real estate involves buying, holding, maintaining, renting and/or selling for profit immovable. Real estate may also be considered as a sort of assets with limited liquidity relative to other form of investments, but it's also capital-intensive (although capital is often gained through mortgage leverage) and highly dependent on cash flow. If the investor doesn't understand and manage these factors well, immovable property becomes a risky investment.

CRYPTO CURRENCY

A bitcoin (or crypto currency) is a digital asset designed to function as a trading mechanism that uses powerful cryptography to secure financial transactions, control additional unit production, and validate asset transfer. In contrast to the centralized digital currency and central banking systems, crypto currencies use decentralized control. Like centralized digital currency and central banking schemes, crypto currencies use decentralized regulation. That crypto currency's decentralized control works by distributed ledger technology, usually a block chain, which acts as the archive of public financial transactions.

BONDS AND DEBENTURES

Bonds are a kind of borrowing that consists in a creditor investing money in exchange for interest payments to the bond issuer. Bonds are one of the most significant investments open to those who pursue an income-investing strategy, expecting to live off the funds their portfolio produces. Gold bonds represent one of the best examples of investment in bonds. Debentures and fixed deposits are two different ways of using relatively low risk financial instruments to invest money. A debenture is a bond which is unsecured. Essentially, it is a bond that does not have the support of a physical asset or collateral.

COMMODITIES AND DERIVATIVES

The market for commodity derivatives is where you invest money directly and not in other businesses that deal in those commodities. It is easier to predict the price of those goods on the basis of demand and supply relative to a company's share price prediction. Most investors trading in the market for commodity derivatives don't need the commodity in its physical form. They simply speculate on the direction of the price of commodities, hoping to make money if the price of the commodity moves in their favour.

NUMISMATIC VALUE OBJECTS

These types of objects which have a certain numismatic value or basically these are the precious objects which are believed to be valuable in the future. Investing in such type of objects can be definitely termed as profitable because for example if we take an ancient coin, the value of the coin will keep on increasing over the years. Usually, examples of such types of objects are coins, paintings, or any such collectible items.



FINANCIAL PLANNING FROM A STUDENT'S POINT OF VIEW

In order to survive in today's world, financial planning is of utmost importance. One must be verse with the techniques or the ways of managing finance. Even students, not just college students but also school students must make a budget. Since going by the facts that financial planning isn't just something done by those wealthy, but individuals/families with any level of income can make a budget. Speaking of students above the legal age, since they do not have any considerable source of income, they should make financial plans with reference to their pin money.

School students should be put into a habit of saving since an early age so that they start valuing money and understand the meaning of efficient spending. The concept of 'Piggy Bank' among kids promotes saving and 'breaking the bank' teaches the kid of the importance of using money at the right place.

Therefore, it is often said that financial planning is extremely important for college kids and should also be taught from school level so as to make a robust base for the individual.

Since, everyone is not blessed with the luxury of having pin money, there's also a category of students who earn by working part time for compensation, they can have an honest budget and invest their hard-earned money rather than wasting on leisure activities.

Today, with the increase of accessibility of knowledge due to internet, students have started investing because of a genuine interest in investment market. This is a positive sign as students are investing not because it is preached to them but they find it actually engaging. Indian economy is a developing economy and because of young investors we can be a developed economy very soon.

Sometimes there are risks that this young generation may not be able to understand and for that parental or guardian supervision is advised. As investments are unpredictable, many people can get carried away with investing and forget their financial limits. One should have full knowledge of what they are investing in and shouldn't invest under influence.

INFLATION IN THE CHANGING SCENARIO OF FINANCIAL PLANNING

"20 years ago, we could get a sack of rice for the worth of 1 kg today" or "The capital for my business in 1975 was Rs. 500" Are you familiar with such remarks and exclamations from your parents and grandparents?

Living costs are constantly increasing. We call it price rise or inflation. So, inflation may be a crucial factor to believe when saving for future. In simple terms, inflation means the rise in cost of living over time or the decrease in the worth of currency. You can relate to this if you think about all the things you could buy with Rs. 50 when you were young versus what you can buy with it now. As an example, if the annual rate of inflation is 5%, what you buy today for Rs. 1000 will cost Rs. 1050 in next year.

But does income increase as per inflation? This is often where mid-income people and low-income people struggle to require care of their standard of living. Inflation can indeed exacerbate the battle between income and expenditure against you. So, in the future, one should be thinking about schemes that are known to deliver inflation-beating returns. Some major causes of inflation include minting money, rising demand and insufficient supply. Inflation could also be a cause for concern among investors; especially those with less risk appetite (like pensioners) and survive a tough and fast income. Increase in price will inadvertently impact interest rates too. The effect of inflation on your investment portfolio is based on its underlying securities. Putting your money only or mostly in equities has historically succeeded in keeping up with the pace of inflation. This is often because the company's income and turnover tend to rise in tandem with inflation. So, the share value also increases accordingly.

Inflation may be a crucial parameter an investor should consider when they invest in any scheme. Low-risk investments like fixed deposits and PPF give returns from 7% to 9%, while with moderate to high-risk investments like mutual funds, they generate 14% to 20% returns.

Mutual funds like Equity Linked Saving Scheme (ELSS) provide you with inflation beating earning potential. Thus, you will be able to retain or boost your current standard of living.

Just saving money from your salary now won't be enough to satisfy your financial goals in 2030 after taking inflation into account. Investors need to make timely and informed decisions to make sure that inflation doesn't gobble up their savings.

INFLATION RATE THROUGH THE LAST TEN YEARS



PLANNING FOR INFLATION

Inflation is also a financial component of life that cannot be avoided. However, there are things which can be done to stay above inflation.

- Keep up with the monthly inflation rates and CPI, via the Bureau of Labour Statistics release schedule.
- If inflation goes above the three levels, it'd be an indicator of worse things on the horizon.
- Think about inflation when investment planning, especially with regards to fixed income investments.
- When planning for retirement, expect that the speed of inflation is going to be exponentially higher within the approaching decades, rather than decreasing.
- Also, calculate the market value of gold with a gold calculator, while buying gold.

All of these are good ways to protect your personal finances from the likelihood that the speed of inflation might increase.

HOW INFLATION AFFECTS YOUR SAVINGS AND INVESTMENTS

Every rise in prices affects your cost of living, leaving a dent in your savings and investments. The reason is, with the increase in inflation, the quantity you save or invest from your income monthly might not rise at an equivalent rate. Therefore, the increase in price puts extra pressure on your savings and investments. Due to the effect of inflation, after a few years, the amount you have saved will fetch you a lesser number of goods.

EXAMPLE OF IMPACT OF INFLATION ON SAVINGS AND INVESTMENTSS:

Suppose you have INR 1,000 in your savings account today. The interest you earn on your savings is say 5%. Therefore, after a year, you will have INR 1,050 in your account. Now let's say, during this period, the rate of inflation is 10%. This means that the price of a

particular commodity, which is INR 1,000 now, will be increased to INR 1,100 next year. Now, even if your investments will grow by 5%, but the commodity price will grow by 10%. This results in a negative rate of return, or we will say that you simply will need to distribute well what you will have at your disposal. Thus, inflation reduces your purchasing power and eats away your real return on savings and investments.

REAL INTEREST RATE IN INDIA



WHY IS ADOPTING THE CHANGING SCENARIO IN FINANCIAL PLANNING NECESSARY?

Change is the law of universe, as rightly said by someone. This line does apply in case of financial planning as well. There are so many things changing presently, have changed in the past and are also about to change in the future. But one thing which remains constant is change. One needs to adapt to these changes in case of financial planning over the time. If they fail to do so, then they are left behind financially. For example, the investments being such an integral part of financial planning also change. The investment methods or more particularly the investment alternatives that were available in the past have undergone so many changes. In the past there were investment alternatives such as post office, savings schemes, etc, and no doubt that they are still in existence but they have been almost completely overtaken by the new and modern means of investments such as equity, bonds, mutual funds, etc.

There has not only been a change in investment alternatives but there are several other factors too which have changed over the course of time which link either directly or indirectly to financial planning. The rate of inflation, interest rates, income levels, income savings ratio of an individual, all of these have changed significantly. In fact, the level of financial planning before is completely different to the level of financial planning today.

Changes happen as a country, economy, people or principle updates or is not the same anymore, so what used to work for an individual in the past would not give the same results anymore. Changing needs should be tended to with the help of changing tools. As the investment style changes, one should move along it for their own benefit. It is crucial to always be updated if you want the highest returns.

Financial Planning is a very fluid subject, meaning, a plan already devised can suddenly change due to any uncontrollable or macro factor. As new investment avenues are introduced, one should keep on revisiting the previously made financial plan and try to accommodate it to the new changes. There is always room for improvement and some critical analysis can help you gain much better returns or manage your risks more efficiently than going along with the old plan.

Another factor about not staying up to date with the economy is that, if someone is not moving along with the economy, new entrants that opt for modified investment avenues may earn more than them while being in the economy for lesser time.

For instance, a man that is used to investing in money in fixed deposits won't be able to manage his expenses properly with the same income after a wife and children. He will have to update his financial planning somehow to accommodate all the new expenses cropping up. But a man moving on to equities, mutual funds, etc., from fixed deposits will generate passive income which will help him in managing his expenses. This is called efficient financial planning.

Most of the newer investment avenues are all about higher risk but with greater returns. If one can manage these risks by balancing them out with safe investments or diversifying the portfolio than they are on the right track of choosing investments.

WHAT CHANGES SHOULD YOU MAKE IN YOUR FINANCIAL PLAN TO COMPLY WITH THE MODERN APPROACH

Never take a loan to take a position. Don't borrow more than you can repay. Spend but when you earn. It's often said that if you stick with these simple rules, you won't ever fail in money matters. In financial planning too, there are several thumb rules that function broad guidelines for formulating strategies.

Financial planners believe that significant changes within the past few years have rendered some time-tested tenets obsolete. While these canons of monetary planning are still very useful, they have to be updated and aligned with the new realities.

For instance, a 25-year old may have a life assurance cover of quite the recommended 10 times his annual income. Within the following pages, we glance at a number of the principles that require to be tweaked given the new financial landscape and explain the explanations for the change.

There must be several steps to be followed in order to junk your previous rule and follow your new rule. Some of these rules in order to comply with the modern scenario are as follows:

1. Rule to junk: Saving 10% of your salary for retirement

Rule to follow: Increase the savings rate by 10% i.e., 20%

There was a time when 10% of your monthly income was enough to make a corpus for sustaining a cushy retirement. But gone are those days of low inflation and defined pension. If you stick with the ten percent rule, your retirement corpus might not be enough to hide rising lifestyle and medical inflation. "Considering the upper anticipation rates, you ought to save a minimum of 20% of your income for retirement."

2. Rule to junk: 100 minus age formula should be followed for equity exposure **Rule to follow:** 110-120 minus age should be the equity exposure

Financial planners argue that the 100-minus your age rule not holds true as lifespans are for much longer now. Rather than 15-20 years in retirement, people must save to sustain 20-25 years of retired life. This, in turn, means the equity allocation must be higher across ages, particularly for younger individuals, provided one has the danger appetite.

3. Rule to junk: The 50-20-30 budgeting rule for necessities, savings and needs **Rule to follow:** Save a minimum of 30% of your income monthly

The 50-20-30 rule recommends an allocation of fifty of your post-tax monthly income towards basic needs, 20% towards goal-oriented investments and therefore the balance 30% towards your discretionary expenses but a minimum of 30% of your income should be saved and the rest can go to various expenses.

4. Rule to junk: Contingency fund should be adequate to 3-6 months' expenses **Rule to follow:** Nine months' expenses should be covered in the corpus

A contingency fund is supposed to cushion the impact of any financial or medical emergency. Setting aside funds worth 3-6 months of your household expenses during a liquid fund or a hard and fast deposit is typically the primary step towards building an emergency corpus. However, the quantum may have a relook, say financial planners.

5. Rule to junk: life assurance cover should be 10 times your annual income **Rule to follow:** Hike cover to 15-20 times your annual income if you're under 40

An insurance cover of 10 times your annual income seems quite sufficient for the typical person. But not once you have just started your career and income is low. At that age, the life assurance cover should be much higher. Insurance cover should be 20 times the annual income if you're buying at a younger age because your income tends to rise faster within the initial years and you can't increase your life cover per annum.

6. Rule to junk: For metro dwellers, a health cover of Rs 3-5-lakh is adequate **Rule to follow:** check out a complete health cover of a minimum of Rs 10 lakh

Advancements within the field of drugs are curing many life-threatening illnesses, but have also pushed up costs. Healthcare inflation in India is estimated to be around 15%. An Rs 3 lakh or an Rs 5-lakh cover is not any longer sufficient for a family based in a metro city.

HOW IS MODERN SCENARIO DIFFERENT FROM TRADITIONAL SCENARIO OF FINANCIAL PLANNING

Modern Financial Planning is different than Traditional Financial Planning because the focus is more about who you are and who you want to be than it is about money. Unlike people engaged in the traditional planning process, people engaged in the life planning process don't look ahead in an effort to figure out how to maintain their current lifestyles in retirement. Instead, they look at how to change their current lifestyle to achieve the lifestyle of their dreams. Financial Planning is the process of meeting your life goals through the proper management of your finances. Life goals can include buying a house, saving for your child's higher education or planning for retirement.

In the past, individuals and households working with an advisor could only see their accounts in person or their advisor would need to email it to them or call over the phone.

Now, things look much different. You can access and for the most part manage their accounts from anywhere in the world thanks to technological advances. You can even make changes to your account settings directly on your phone or laptop, within minutes.

This also provides a lot of flexibility when it comes to customizing your account and your financial plan. One of the biggest areas that technology benefits financial planning is the data (information) management, all of which can be updated, displayed, and updated again in just minutes.

As a quick example, meeting with an advisor would historically take a few hours, and then several additional hours for them to work with your numbers and determine your next moves. Between taxes, income, savings, debts, insurance coverage, there is a lot to process. Thanks to technology and algorithms, all of this information can be entered, analysed, reviewed, and compiled into a personal financial plan with actionable next steps in minutes.

The same rings true when it comes to updating information critical to your plan. Things such as an increase in income, eliminating your debts, etc. Typically, this has once again taken

several hours through a traditional advisor to make these updates—With technology, this only takes minutes.

DIFFERENCE BETWEEN OLD AND NEW APPROACHES

OLD APPROACH

- A focus on selling products
- Advisers paid commission by investment product providers

- Very low levels of education required
- No mandated 'best interest duty', advisers not bound by law to act in the client's best interests
- Very little transparency regarding fees, clients rarely knew what they were actually being charged
- Little to no obligation to provide ongoing service
- Varying commission rates between investment products, advisers incentivised to recommend one product over another
- The adviser recommends what suits them i.e., cookie cutter approach, all clients go into the same product
- Transactional advice without needing to consider the clients greater needs

NEW APPROACH

- A focus on delivering a service
- Advisers paid a fee for service by the client
- University degree required plus post graduate study
- Legislated best interest duty, advisors must be able to clearly demonstrate that advice is in the best interest of the client
- Very high transparency regarding fees, clients know exactly what they are being charged
- Legislated requirement to provide ongoing service and regular reviews, otherwise fees cease being payable
- No commissions payable, adviser has no financial incentive to recommend one investment product over another
- Tailored advice considering each client's individual circumstances, goals and objectives
- The adviser must consider all aspects of a client's situation and how the advice can impact the client not only today but into the future

CHANGING GOALS OF PEOPLE

Travelling, investing in health, buying expensive gadgets, luxury cars and club memberships, entrepreneurship and early retirement have emerged as some goals Indians wish to pursue. The absolute increase in discretionary expenses over 10 years would be 100%. The share in household budget has gone up from 20-25% to a minimum of 40%.

Rising lifestyle inflation is the new reality. Frequent gadget upgrades, purchase of fitness devices, private cab rides, gated housing complex charges, salon and spa expenses, pet-related spends have pushed up the share of discretionary expenses. The goals that were in the past decade or basically the previous times differ completely from the one's in the present such as in the past decades, people used to save to buy a house which is even prevalent today but in the present people save for goals such as foreign trip, luxury, etc.

These newer expenses and goals involve tweaking the financial planning approach to avoid the danger of overspending and a debt trap, say experts. Unfettered use of credit cards, taking personal loans to shop for gadgets and travel and falling prey to cash back offers are key mistakes that individuals make today. These could lead on them into a cesspool of debt.

The other strategy is to acquaint yourself with the gravity of challenges that wait after retirement; to assist put a lid on discretionary expenses. One should help clients draw up a budget with a projected cash flow statement till retirement which shows the annual savings available for important goals. This helps decide the limit on discretionary spending.

Underestimation of retirement needs and lack of patience in the face of market turbulence or short term needs figure prominently within the list of mistakes that many individuals commit today. Remember, indiscriminate or impulsive spends can either reduce your wealth as you'd need to use past savings or create obstacles to future goals if you're borrowing to finance such expenses.

HOW FUTURE FINANCIAL GOALS WILL LOOK LIKE

Clearly, in the last decade, the composition of household finances and goals has seen various changes. Subsequent 10 years are unlikely to defy the 'change is the only constant' adage. Consistent with financial planners, some expenses that don't weigh heavily on your finances today and appear like luxuries could become must-haves in future. These include cost of hospitalisation with single occupancy, inflated water bills, senior living expenses, thanks to paucity, high-end security systems, regular up skilling, gadgets, pet-related expenses, installing air purification plants reception, then on.

Rank	Expenses
1	Health

2	Higher Retirement Corpus
3	Gadget-Driven Lifestyle
4	Education
5	Inflated Water Bills
6	Upskilling
7	Senior Care
8	Travel
9	Entertainment
10	Pet Care Expenses

FACTORS DECIDING BETWEEN THE TWO APPROACHES

It turns out to be a very debatable topic on which of the two approaches i.e., modern approach or traditional approach with respect to the changing scenario in financial planning is better. Although a major population prefer the modern approach to financial planning in the changing scenario of financial planning but there is some population too which prefers the traditional approach to financial planning based on several factors.

Some of these factors which make people choose one approach over the other are as follows:

1. Age

Planning your finances well and beforehand is the path to attaining financial security and freedom. However, the investment plan and therefore the portfolio may be a dynamic process and will suit your various life-stages since your risk factor varies with age. The risk-taking ability as an individual would differ at different ages, from the moment one has a family to once they are nearing their retirement. As one ages, the onus of adjusting your financial plans consistent with your changing scenario falls on them. Whether you're in your 20s or early 30s or nearing retirement, you want to have the proper financial portfolio comprising of all the required asset classes that you simply can invest in. Let's analyse how an individual's investment planning changes with age.

A person in his early 20's will focus more on goals like luxury or family expenses, marriage, etc., while a person in his 30's and 40's will put more focus on retirement expenses, children education, family expenses, etc. a person in his 50's will majorly focus on medical expenses, retirement expenses, etc. thus based on the age factor, one selects which approach is preferable to him/her.

For a young person, modern approach of financial planning where investments are based on modern age alternatives will suite best whereas in case of a person in his 40's, a combination of both modern and traditional is preferable such as equity and FD's while in case of an old person, they usually prefer traditional approach of investments and financial planning.

2. Risk Factor

Risk factor can be said as a continuation of the age factor. They act as two sides of the same coin. An individual who is young must have a high risk factor. This is because he does not have any sort of major family responsibilities yet nor is he married. Thus, it is often said, higher the risk higher the returns. So, in order to get a good return on investment, young individuals must prefer more risky investments. The scenario will turn out to be a bit different in case of adults who are married and have major family responsibilities, children's responsibilities, etc. some might also be the sole bread earner of the family. For such individuals, moderate risk is more preferable. Moderate risk is basically the combination of both high risk and low risk investment alternatives which constitute a financial plan. In the last, in case of old or retired people, low risk investments are preferable since they usually do not have major responsibilities, they usually live on their pension and savings. Thus, if they go for high risk and incur a loss, they ultimately do not have any such income source with the help of which they can recover the lost money.

3. Goal

Usually, goals are considered as a major factor in the process of financial planning but in terms of preference of the approach whether modern or traditional approach, goals do not play such a major role. If a person is old and does not have many major goals, then he can surely stay on with the traditional approach whereas the scenario is opposite in case of young individuals.

4. Duration

Duration of investment is a major factor in the preference of approach of financial planning. If the goals are to be completed in a short duration, then modern approach with high risk and high returns is preferable whereas if duration of fulfilment of goal is long, then one can stay on with the traditional approach with fewer returns and less risk.

5. Consumption/Income Level

An individual's income and net worth also are important factors in making investment choices. Purchasing certain equity investments, like stock, often requires a huge amount of capital, while you'll purchase mutual funds with a comparably lesser amount. New investment plans for young investors with limited incomes often are found out with contributions of lesser capital a month directed to an open-end fund composed of stocks and bonds of the many different issuers. Bonds, term deposits and guaranteed investment certificates usually have a minimum purchase amount. Investors with larger amounts of capital have access to a very wide range of investment choices, whereas new investors or those with a lower net worth have a limited selection.

6. Investment Knowledge

Experience and knowledge of an investor are important factors in its choice of investment. Novice investors may prefer to believe family, friends or an investment advisor's recommendation when selecting investments. Experienced investors often make their own choices. Understanding the implicated risks and potential investment outcomes helps them decide whether stocks, bonds or other investments fit their portfolio.

7. Volatility

Your investments could experience periods of volatility. Some investments, like stocks, can move dramatically from at some point to subsequent. As a result, your investment returns can vary and be positive or negative relying on once you purchase and sell.

While volatility in certain markets is inevitable and not all aspects of volatility are negative, it's important to be prepared. A well-defined investment plan tailored to your financial goals and financial situation can assist you to be ready for the normal ups and downs of the market, and to take advantage of opportunities as they arise.

3. RESEARCH METHODOLOGY

1. Research Problem

This research is done to analyse the investing preferences of different people. It aims to find out about the differences in investment styles of people of different age and also people with different risk appetites. Different people believe different tenure, risk tolerance, capital amount, goals suit them and no two people are the same.

2. Objectives of Research

- To determine the relation between investments and age group.
- To find the investment preferences among the investors.
- To analyze the most preferred investment avenue among different age groups.
- To analyze the investment patterns of the respondents of the different age groups.
- To find out what parameters are taken into consideration before investing.
- To distinguish between traditional and modern approach of investing.
- To identify different styles of financial planning with respect to ages.

3. Scope of study

This project will help to analyse the changing scenario in financial planning and also help in gaining a perspective of both modern as well as traditional approach in financial planning. The analysis will help in knowing the sources of information regarding the viability of one's financial plan with respect to the individual's risk, investment and pattern of investment. The analysis of the project will also help in making certain recommendations regarding the changing scenario in financial planning.

4. Limitations of the Study

- Due to the paucity of time and resources, a countrywide survey was not possible. Hence only limited places have been taken for the study.
- Since a smaller sample was chosen, it may not be a true representative of the population under study.

· The possibility of the respondent's response being biased cannot be ruled out.

5. Data Collection

The collection of data has been done over a sample of 40 people. This sample of 40 respondents comprises of diversified age groups, different income levels and different occupations. The age group considered in this research is 18 years – 35 years, 35 years – 55 years and more than 55 years. Descriptive research has been used in this research project along with information collected from both primary and secondary sources of data.

· Primary Sources: Primary data is that data which is fresh and is collected for the first time, and thus happens to be original. The primary data for this research was collected through an online questionnaire.

· Secondary Sources: Secondary data is the data which has already been collected by someone else and which has already been passed through statistical process. The secondary data was collected through websites, newspapers, research journals and books.

6. Methodology

· Unit of analysis: Teenagers, adults and senior citizens

· Characteristics of Interest: Changing scenario in financial planning · Environmental conditions: Changing investment pattern in changing scenario of financial planning.

o This research was conducted using a descriptive research design

o Sample area: Mumbai

o Sample size: 40

o Sampling type: Simple random sampling

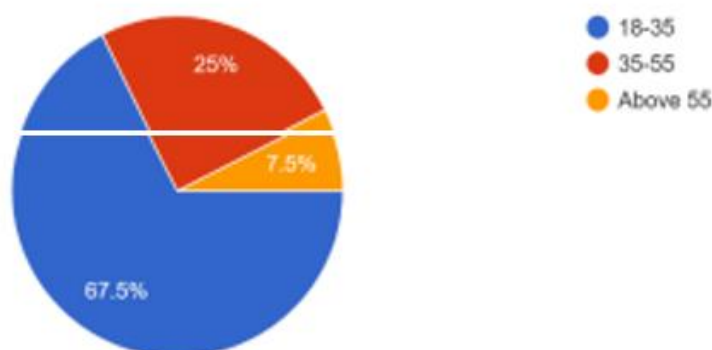
o Research instrument: Questionnaire

4. DATA ANALYSIS

To gain a better view of the topic and focus better on the reality of the situation around us, it was necessary to talk to people that I know or have known my entire life. There is only a little you can gain from books and references and websites. If you wish to go beyond that knowledge, you will have to take the help of real people's experiences. So, I set out to interview people around me with the help of a survey form. I had the objectives of this study in mind while framing the questions that I wished to ask the people I was questioning. The questions aim to gather perspectives from people of all ages and backgrounds. The responses I received are worth analysing, and here it goes as the following:

1. Which age group do you fall under?

What is your age?
40 responses



This question is important because the age of a person gives an idea about their investment capacity. As you get older, with a stable job, one can invest more as cash inflow increases;

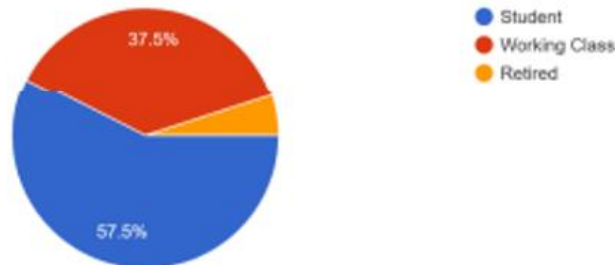
but at the same time cash outflow also increases as your expenses increase as you get older. You are not relying financially on elders now and have to take care of your own expenses.

Similarly, younger generation has a little more leeway as most of them are still dependent on parents or guardians financially. Students can also experiment more with their investment habits and that makes them different from every other age group.

Older age group are most commonly not working anymore, that means, active income is nil. That is why, investment returns or passive income is crucial to them. This plays a huge role in deciding the traits of this age group.

2. What are you currently doing?

What are you currently doing?
40 responses

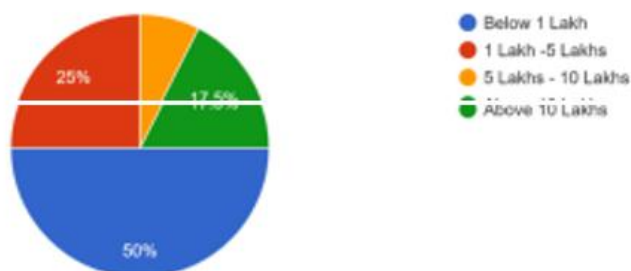


This question was to determine the employment status of the individual. Employed or unemployed are important to know because they can set a tone of the priorities in life of that individual. Now, students can be employed or unemployed, and under that the employment can be paid or unpaid. All of this factors in, as it helps us estimate their current income and how much they can hypothetically invest. According to experts, it is important to start saving young. Students, therefore, should be encouraged to start saving if they haven't already as it will not only teach you good spending habits but also give you investment benefits. Investment benefits can be of a few types such as, the tenure becomes longer for a particular goal which means the instalments become smaller. Compounding is the concept of your money growing by reinvesting the interest received on your initial capital. Therefore, if one starts investing early, they get a lot more time than a person starting investments later for their capital to grow. Staying invested for a longer period of time can help multiply your money. You can accumulate a larger corpus for staying invested longer. When you are young, you can invest a larger portion of your money without worries because of less responsibilities. As you get older it becomes difficult to invest a huge sum because of extra expenses. At a young age, even if you go wrong with your investments, you would have ample time to correct your mistakes and recover from it in the future.

Here, we have a majority of student class with almost 58%, followed by working class at approximately 38% and then retired class with the least, 5%.

3. What is your income level?

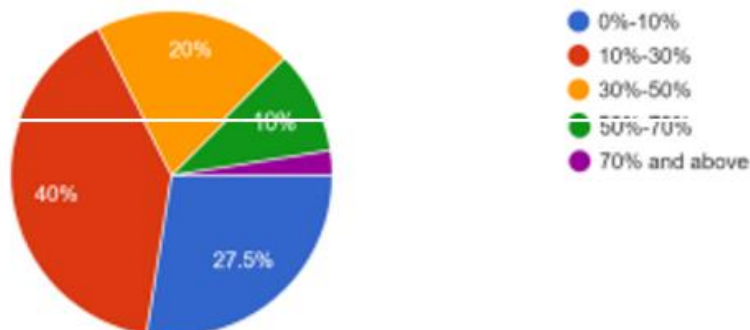
What is your income level?
40 responses



According to this collected data, the highest portion has gone to the income of Below 1 Lakh. This was expected as the sample included a majority of students under the age of 18- 35. With 50% going to below 10 Lakhs, it overpowers 1-5 Lakhs which is 25%, 5-10 Lakhs which is only 7.5% and above 10 Lakhs which is 17.5%. The 50/30/20 rule of budgeting is a simple method that helps you manage your money more effectively. This basic thumb rule is to divide your post-tax income into three spending categories – 50% for needs, 30% for wants, and 20% for savings. This is not a hard and fast rule but a simple guideline that helps you build a financially strong budget. This rule helps to keep your expenses balanced across the main spending areas and put your money to work more efficiently. Also, with only three major categories, you can save yourself from the time and stress of understanding the details every time you spend. In other words, it helps to build a structured spending habit. Also, it helps to reach your financial goals by saving more. Saving is difficult, and life often throws unexpected expenses at us. By following the 50-20-30 rule, individuals have a plan with how they should manage their after-tax income. If they find that their expenditures on wants are more than 20%, they can find ways to reduce those expenses that will help direct funds to more important areas such as emergency money and retirement. Life should be enjoyed, and it is not recommended to live like a Spartan, but having a plan and sticking to it will allow you to cover your expenses, save for retirement, all at the same time doing the activities that make you happy.

4. What percentage of your income do you/would you invest?

What percentage of your income do you/would you invest?
40 responses



With the help of this question, I wanted to determine how much income people are actually willing to invest as opposed to the ideal situation already covered. This question also included the people that do not invest yet by asking them what would they be ready to invest in the future.

Surprisingly, the majority was 10%-30%, this was opted by 40% of the sample collected. For a youth centric sample, this was a good proportion to have, obviously it should have been more but this can only be the starting point. For a developing economy like India, the young generation investing the economy will help the economy go from developing to developed.

The second highest with almost 28% was 0%-10%, followed by 30%-50% with 20% of the sample, this is a good stat as it shows people taking efforts to save more than spend.

With inflation and rising price, investing a major portion of your income can become difficult, that is why proper care should be taken while planning your budget so you can spare more for investments.

Next with 10% is the investment bracket of 50%-70%, since as you get older you gather spare money to invest more. Lastly, with only 2.5% is the bracket above 70%. It seems like less people are ready to invest majority of their income, which also makes sense because of the standard of living rising in India so rapidly.

5. Which investment avenue would you like to know more about to invest in, in the future?

Which investment avenue would you like to know more about to invest in, in the future?
40 responses



This question was framed in a way to know more about people's curiosity regarding different investments. It will help determine what people are eager to learn about these days.

As seen above, loans have gained the least number of votes, this is because loans have been prevalent since anyone can remember. Loans are an easy concept to grasp as we have all seen our parents or relatives give/take loans before. Similarly, post office also couldn't retain

attention because this is an outdated investment avenue. Derivatives is a relatively new concept which people still don't know about, hence awareness should be made about it.

Fixed deposits, Public Provident Funds, Precious metals, bonds and debentures and crypto currency have all received the almost the same proportion. These are growing investment avenues, and more and more people have started taking interest in it.

Real estate has also got a considerable amount of interest, real estate will always be trusted by people as many Indians tend to prefer real estate and will choose it over many other investments thinking it a safe bet.

Lastly, equity shares and mutual funds have been a booming investment nowadays. More and more people have entered into these markets by looking at the returns it has provided in the past few years. Especially during covid, share markets have attracted a lot of new investors. This is great for a developing economy.

6. What is your risk appetite?

Risk appetite for different individuals varies according to a lot of factors.

Here, a majority of 68% is given to moderate risk appetite followed by high risk appetite and then low risk appetite.

It is important to determine the risk appetite for yourself so that you don't get carried away. If you don't understand your own risk appetite then you might end up falling for some failed investments. You can determine your risk appetite by either consulting a financial planner or by categorizing the use of money in your life presently and also for the future and then decide how much risk can be borne by oneself.

Usually, people undertake moderate risk because it's the ideal option, as high risk can be too risky and low risk may not provide enough returns. But the young generation are stereotyped to be taking more risks nowadays because of little to none accountability.

People under the bracket of High Net worth Individuals (HNIs) have the capacity of undertaking a huge risk due to the excess cash available to them. Their main aim is to earn huge amounts of returns that may occur due to the high risk. For some people, it can also be an adrenaline rush.

Whereas low risk capacity is seen between people with cut to cut cash. Their budget is planned to the teeth leaving no excess cash.

7. In context of financial planning and based on your risk appetite, which investment options would please you more?

Traditional avenues are associated with safe investments and modern avenues are associated with risky investments.

Risk is necessary as we all have heard higher risk will give higher returns. But that doesn't mean you should only invest in risky investments. Risky investment while having higher returns, also have a higher chance of going southside. Your money invested is in a

risky investment should never be money that is required in the future for any certain goal as there is a high chance your investment can fail. This investment is only done for higher returns with the money one can spare after all goal planning done. On the flip side, risky investment can multiply your capital in a very short period of time if the investment done goes right.

One should not shun the idea of risky investments entirely as they can prove to be very profitable. Risky investments should be paired with safe investments to balance out the risk factor. So even if the risky investment fails and gives you losses you have the safe investment for your contingency needs. Diversification is the best solution for unsystematic risk, since unsystematic risk is avoidable.

Here, a combination of both has a whopping 70% which is a good indicator as it suggests people have enough financial literacy to not fall for the high returns trap.

Second highest is modern avenues, which is justified because of the convenience and flexibility of the new avenues which are being introduced in the market.

Lastly, traditional investment has a low percentage because if we can get a higher return in the same amount of capital invested, people will prefer that.

8. Are you satisfied with the level of returns you get from your investments?

Major chunk, that is 53% of the responses were satisfied with their investment returns. This entails that their financial plan is on track.

One quarter, that is 25% of the responses from the sample did not invest.

Only 22.5% of the responses were not satisfied with their returns on investment. This can be rectified by gaining more knowledge about the investments that you own and whether you should diversify and try on new products. This can also be rectified by getting a financial planner and consult your dissatisfaction with them so that you can fulfil your financial goals. One could also give up positions that are making losses and when they are still holding onto it hoping they start making profits again.

9. Which of the following best describes your ultimate goal of investments?

We all need money but everyone has a different need. The ultimate goal of investment is to multiply money to use it for a want in the future. Wants and uses of money are subjective among different people. In this questionnaire, I had mentioned a few basic reasons most people set as their financial goals. They were education, future family responsibility, buying a house, buying miscellaneous items like cars, phones, going on a trip, retirement and marriage. Most responses were towards future family responsibility. After you cross a certain age again, there may be a thought in your mind about having a family in the future and being able to provide for them financially. Retirement with 23% is a goal almost everyone should have since early on to compound wealth. Buying luxury items got 20% and these financial goals can be general in the minds of young adults. Buying a house and education both got 10%. There was also one more field of 'Other' included which collected some very valid responses like creating wealth, all of the above, passive income being able to pay for luxuries in the future and most importantly being financially independent.

10. When do you want your goal to be fulfilled?

A major factor in terms of investments under financial planning is the duration in which one expects his/her goal to be fulfilled. Duration is very important because if the timing of the withdrawal of investment gets out of sync with the time of completion of goal, you will not be able to achieve the goal on time. Therefore, one should always follow their financial plan. It is also advisable to be ready for contingencies so you don't have to break investments before time.

Here, the same number of people had extremely short term and long term goals, as both of their proportion were 12.5%. together they formed one quarter of the pie chart.

Some long term goals can be buying a house, starting a family, going on a long tour, buying a vacation house, and all of them have the similar traits of requiring a huge sum of money which needs to be collected over time.

Most of the goals accounted for were short term goals wanting to be completed within 1 year to 5 years. So, short term goals got 45% of the chart.

People with medium term goals were 30%. Medium term goals are goals that can be completed with 5 to 10 years. As opposed to long term goals, which can be for retirement, medium term goals can be goals for self, activities done for passion or hobbies.

11. What traditional investment avenue is suitable to you?

On being asked about the traditional investment avenue most suitable to them, majority of the responses, that is approximately 53% were gold. India is known for investing in gold a lot. Indians have historically worn gold ornaments and even gifted gold during occasions. Gold is also used for auspicious events. Hence, gold is very well known investment in India.

Another well known traditional investment type is fixed deposit with 45% and insurance with 32.5% that have been invested in by the people of India since a very long time because of its reliability, trust worthiness and the lack of many investment avenues at that time.

Public Provident Funds (PPFs) were also opted by some people (27.5%). Buying land (25%) was also a very big phenomenon during that time. This land was sometimes then rented out to collect rent or sometimes it was used to build their own businesses or houses.

The risks of investing in savings schemes (15%) are very minimal since they are mostly launched by the government. Apart from providing good returns, contributions made towards savings schemes are safe and secure. The interest rates of savings schemes are decided by the government and vary every 3 months to a year.

The various savings schemes that are offered by India Post (10%) are very popular as the risks are very minimal and most of the schemes provide guaranteed returns.

Money lending (2.5%) was a service provided by the rich and availed by the poor at high interest rates.

12. What modern investment avenue is suitable to you?

The most popular investment vehicle according to the survey was equity shares with 70% and mutual funds with 67.5%.

The retail participation in Indian equity market has been increasing since a few years now. The pandemic which has resulted in people spending more time in their homes might also be another reason for their tilt towards the stock market trading.

Mutual funds have become an incredibly popular option for a wide variety of investors. This is primarily due to the automatic diversification they offer, as well as the advantages of professional management, liquidity, and customizability. They are managed by professionals who have the experience necessary to properly judge the profitability of different investments. Unlike individual investors, fund managers are less likely to succumb to the pitfalls of emotional investing motivated by greed and fear.

The curiosity for real estate (25%) and crypto currency (20%) is also increasing. The young generation has been seen trying out cryptocurrency as it becomes more popular on social media sites.

Bonds or debentures, money market instruments, derivatives and objects with numismatic value have all received around 10% votes and are all less suitable to people compared to the other modern investment avenues mentioned above. This could be various reasons like not enough knowledge about the subject, the risk factor or the capital requirements.

13. How usually do you save enough to invest from your income?

This bar graph represents how much money people save from their incomes to invest. As managing your expenses is a difficult task in today's time, people have reduced their investments in order to stay on top of all their expenses.

This bar graph goes from Never on number 1 to Always on number 5. The pattern of this graph is not regular, but a rising trend can be seen in between 1 and 5. That means the percentage of people saving enough to invest grows in the middle before falling down only slightly.

Number 4 on this probability scale having the greatest ratio is a good thing that means 25% save enough to invest for future needs.

14. In comparison to traditional investments what changes have you noticed in the modern investments?

In comparison to the investments prevalent in India few years ago, there have been an introduction of a lot of newer and modern investments. These new investments were launched for various reasons like convenience, higher returns, professional knowledge, safety, stricter regulations, they were tailored for the new developing economy of India.

These vast differences have been very noticeable if you were actively following the investment market. To know what people thought the various changes about investment markets were, this question has been asked.

Most of the people (65%) have noticed the changes in returns from before. The returns on modern investments are higher because of various reasons and as our economy grows these returns will keep getting bigger.

Approximately 40% people have noticed differences in risk and volatility each. Risk is getting higher which can be compensated by higher returns and prices of these investments keeps fluctuating. This why it is advised to study the investment thoroughly before investing.

25% of the people believe the changing preferences of consumers have introduced the need for new investments. 15% respondents have noticed the changes in regulations and how

they are stricter in today's time. Another change which has been underplayed a lot is better awareness and knowledge about these investments, this holds to be true as our country progresses.

15. Do major factors such as inflation, market conditions etc. affect your financial plan?

Having a concentric portfolio of investments can be a little risky, if that investment starts making loss for any reason possible, all your capital will make losses. You will not have other investments elsewhere to balance out the losses. This can be a huge set back in your financial plan.

If all your investments are in one government safe investment vehicle, then you are losing potential money that you could be earning with the use of other investment options. You could also set back the tenure of the completion of your financial goals.

As the old saying goes, 'Do not put all your eggs in one basket.' This applies to the investment world as your investments should be diversified to balance out the losses of one stream, with the profit from another.

The risk of having a concentric investment is called unsystematic risk and it's solved with diversification.

The objective of this question was to know how aware are people about the benefits of diversification and a majority of 72.5% do prefer to invest in various avenues instead of only one.

16. Have you ever consulted a financial planner before?

The job of a financial planner is to help the client with organizing all their goals and allocate the cash inflows according to all the goals. It may just so happen that you do not have all the funds that you might need to complete your financial goal. This is where investment helps. Through investment you can grow your money to what it needs to be.

Laymen of India usually do not visit a financial planner as this is a foreign topic to them. Also, the basic attitude of Indians is to think about the expense when it occurs. Pre-planning is not usually done by many people in India.

Some either don't have enough money to think about financial planning and others don't have enough knowledge to go to a financial planner.

Even in this sample, the pie chart indicates that 70% of the respondents have not consulted a financial planner, while only 30% have sorted out their financials with the help of a financial planner.

17. Considering all factors, how satisfied are you with your financial plan?

Rate on a level from 1 to 5

Sometimes investments might not go the way that you want them to. It could be because of picking the wrong investments or sudden change in macro-economic factors, etc.

It is important to select the right financial planner for you. Make sure they do intensive research before consulting to clients. They should take detailed information of investor needs and preferences. Investor needs to make sure of his past work and how successful it is.

On a scale with number 1 as not satisfied and 5 as satisfied, a majority of 40% is seen in the neutral bar (number

3). Second highest is number 4 indicating a good financial plan.

Then there is number 2 at 15%, number 1 at 12.5% and number 5 at 7.5%.

5. CONCLUSIONS

- In conclusion, financial planning is selection of the suitable investments to the investors. The investments can be between the option of traditional and modern investment.
- It is therefore concluded, that there is a vast difference in the ways of different people and their age demographics and how they invest, i.e., their investment patterns. · In the growing age of expenses, it is necessary to invest sufficient amount and have a proper financial plan in order to have a good life and standard of living. It can be concluded that a major population of the sample invest or basically prefer to invest only around 10% to 30% of their income.
- From the list of a number of investment alternatives, it was observed that most people prefer to invest in mutual funds. A reason to prefer mutual funds instead of equity or any other investment alternative might be less risk and good returns. Thus, it can be concluded that most people tend to have an investment which is less risky and also provides considerable returns.
- Based on the data collected, a majority of the people have a moderate risk appetite. This means that in the growing age of financial planning, people still prefer to have a moderate risk on their investment keeping in mind several factors specifically market conditions, risk, etc.
- It can be reckoned that a majority of the people have not consulted a financial planner before. It is of utmost importance to consult a financial planner before making any investment decision that usually takes a major part of your income. This is because it is advisable to allocate funds in such a way as to get your goals fulfilled in the estimated time along with safety and good returns.
- As noticed in the sample, majority of the sample's ultimate goal of investment was future family responsibility. This will lead to having a better standard of living. It is essential to plan from the moment itself, so the outcome will benefit you in the future.
- It can be well concluded that majority of the people believe or prefer the concept of growing money from the returns itself.

6. RECOMMENDATIONS

- Young individuals can opt for modern approach more frequently in financial planning rather than relying on the traditional approach in financial planning since they have a good risk appetite and can thus benefit with the good returns. In worst case scenarios, people of young age have better chances of bouncing back to normal in life. At the same time, they have lesser responsibilities to worry about.
 - Since there are many people still investing in old investment alternatives which include majorly senior citizens or retired individuals, their major intention is not to earn high returns but to receive adequate returns for survival. Thus, the old investment alternatives must be safe enough and must provide adequate returns.
 - Instead of a focussed approach of financial planning i.e., selecting either modern approach or traditional approach, it is preferable to opt for hybrid approach of financial planning i.e., combination of modern and traditional approach. This will help from the volatility of modern investments and also provide the safe nature of traditional investments.
 - It was observed in the data that there are still many people who prefer to not implement financial planning, this can be because of their level of income or incapacity to bear risk. But it is suggested to implement financial planning, may it be on a low scale, because an efficient financial plan will help in gaining more than what one earns.
 - A recommendation for the young individuals who usually have a high risk bearing capacity is to plan before jumping right in.
 - A major point to focus on is the strategy of investment that one uses in case of financial planning. Strategy will help one earn good returns in an organized manner. ·
- The changing scenario of financial planning is beneficial only if one makes a smart use of the modern alternatives like equity. Any individual not having appropriate knowledge, but is willing to invest in risky investment alternatives must consult a financial planner.
- Students should start investing early so as to avail the benefit of compounding.
 - Lastly, it is important to adapt to the changing scenario in order to comply with the present economic environment which directly affects the financial planning of an individual. One should be aware about the factors like income level, interest rates, inflation rates, bank scams, new investment avenues, market prices, etc.

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