

Financial awareness for Middle Income Group (Between 3 to 6 lacks)

All are learning for earning but no one in Technical field teaches saving, so that I think fresh engineers are not aware of financial planning as per my point of view. Earning and saving are having same importance. But one thing I want to mention here **“for financial planning I want to say that it more important how we care the earning than how much we earn.”**

Now saving does not means keeping money ideally it means investing wisely. As we all know money makes money so we all have to invest our money wisely. So all of us needed proper financial planning to achieve our goals like buying home or higher education or marriage or buying a car. In this article I am going to high light some saving and investing areas.

I want to high light one more things here **“when we start early then only we can able to meet our goals.”** In today’s era it very important to invest our money wisely since banks is repeatedly decreasing their saving interest rate. To match the inflation we always invest money different schemes.

Now why it important to match with inflation will explain you with following example: - inflation is also more important factor for investment because it grinds away the value of our investment. If we invest 1000 in one year fixed deposit that will return 5% over that period, we will be giving up 1000 right now for 1050 rs in one year. If for same year inflation is 6% then expenses which were 1000 rs last year will increase to 1060 rs end of the year. So that return delivered by investment has been below the inflation rate. I don’t think so India will have negative inflation since population is growing day by day. Dollar is becoming strong year by year.

India strongly dependent on import since it is consumer country, so that import is more as compares to export. Saving means money is safe in saving account it gives us very small interest and we can withdraw when we need it. I mean to say it is kept for short term goals.

For long term goals we have to invest our money. Returns are dependent on risk, higher risk possibility of returns are also higher. As Warren buffet says **“Never depend on single income. Make investment to create a second one.”**

To invest money asset allocation is important tool. Invest money in different ways

1. **Safe** like bank deposits
2. **Risky** like share market
3. **Insurance** for loss of any kind.

1. Banking: Bank's Deposits are safest investments since it is regulated by RBI.

- A. Saving Bank Account: (4%)
 - Low interest highly liquid,
 - But by choosing saving plus account can earn more than 4% interest rate (auto sweep facility)
 - Less than 10000 interest is tax free.
- B. Bank FD: (4% to 7.5%)
 - Involves placing funds with the banks. For fixed term for certain period.
 - Tax saver FDs having lock in period of 5 years. But loan is not available. (Invest under section 80C up to 150000)
 - Interest calculated quarterly
- C. Recurring Deposit:
 - Some fixed amount is deposited at monthly interval.

2. Government Schemes:-

Tax saving Schemes

- a. NSC (7.7%) – 5 years lock in, loan is available after some time, No upper limit on investment, interest is taxable.
- b. PPF (7.9%) -- 10-15 years lock in, max 150000 rs can invest, **interest is tax free**, a person can withdraw an amount every year from 7th year onwards
- c. ELSS (market linked) – 3 years lock in, tax free dividends, SIP is best key, investment under 80C.
- d. KVP (KisanVikaspatra)(7.7%)

Interest Rate Comparison (always true)

TAX SAVER FD (6.5%) < NSC (7.7%) < PPF (7.9%) < ELSS (MARKET LINKED)

3. Bonds:

Bond is a loan given by the buyer to the instrument in return for interest.

Types of bonds:

Tax Free Bonds

- NABARD / NHAI
- RBI tax relief Bonds

4. Mutual Funds:

It pools money from many investors and invests the money in stocks, Bonds, market instruments, other securities or combination of these investments. Today day by day interest rates are decreasing so that it is better to invest in mutual fund. In foreign countries like USA 90% of salaried are invest in share market same trend will going to start in India within some days so we should not late to start the same.

Features:

Professional management

Liquidity just like individual shares mutual funds, units are convertible into money

Buying a mutual fund unit is simple. It requires KYC through any agency like CAMS, karvy etc.

Types of MFs

- Equity funds (stocks)
- Fixed income funds (bonds)
- Money market funds

Income is taxable. From one thing higher risk gives us chances of higher returns.

5. Protection Related: (under 80C)

Insurance is nothing but insure against future loss. This is also a most common thing. But some insurance generate income.

LIC insurance:

Life insurance is contrast providing for payment of a sum of money to the person assured or entitled to receive the same, on happening of a certain event it is important to protect family financially in case of death by providing funds for the loss of income.

Term Insurance:

Lump sum is paid to the designated beneficiary in case of the death of the insured. Low premiums compared to others.

Endowment policies:

Provide for periodic payment of premiums and a lump sum amount either in the event of death of the insured or on the date of expiry of the policy.

ULIP (A Unit Linked Insurance Plan)

Provides combination of risk cover and investment. Different funds provide different risk profiles. The dynamics of the capital markets have a direct bearing on the performance of the ULIPs.

NPS: under section 80CCD can invest up to 1Lakhs

Health insurance: med claim (section 80 D)

“Do not put all your eggs in one bucket.”- Warren Buffet. So I gave you different options for investment. I will suggest you some TV programme for fresh investor that will guide you for your investment:

1. Money moneymoney
2. Pehla Kadam
3. Kick start



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