

Planning for Financial Health



Taking charge of our finances is so much like taking charge of our health. Common sense solutions to what needs to be done, and what is good in the long run, are widely available and well known. Implementation, though, is tough in both cases.

Taking charge



We need a financial-health check to see how we spend, save, and invest. We need to identify problem areas driven by habit. If inability to quit smoking increases the risk of cancer, impulsive spending in younger age, increases the risk of retiring in penury. Even listing down our expenses can be an eye-opener.

Realistic Goals



Most fitness plans fail from unrealistic goals. We like to make drastic changes in the short run, and give up altogether soon after. Financial planning needs realistic goals. We can begin with the vacation we want to take, or the car we like to buy. As fitness experts point out, achieving smaller and nearer goals encourages setting larger, longer-term goals.

Disciplined Approach



Fitness and finance goals need

a regimen and discipline. Only Popeye loves spinach. Our goals may require us to follow a regimen that is not very palatable. We may dislike equity, but if we need growth over time, there may not be a better option. Our investment choices need to be driven by goals, rather than our specific likes and dislikes.

Balance is the Key



Balance is the name of the game, when it comes to food or finances. The proportion of rice or roti in a meal is not the same as the proportion of pickles or sweets. We call the decision to balance the various options in finance as asset allocation. We need to understand how each choice we make contributes to our overall well being, and assemble them together.

Our needs are unique



Just as in fitness, there is no one-size-fits-all solution in investment-decision-making. When

SMS CONTEST

Question

Good investment choices are driven by _____.

Answer

- A. the potential of returns
- B. the state of the markets
- C. financial goals

To answer SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.* Contest open for the day of publication.

*Terms and conditions apply. Visit www.dishatc.org for details and winners.

DID YOU KNOW?

Financial goals have to be defined in tomorrow's rupees. If you need Rs.20,000 to run your home today, your retirement plan needs to consider inflation to determine what you will need when you retire many years later.

FAQs

If I think my money needs to grow into a large sum, is that not a financial goal?

A financial goal needs to be defined in terms of how much money is needed and when. It is like a goal post that drives investments. The better defined a goal, the easier it is to implement a plan to achieve it.

What if I have multiple goals? Can I achieve them all?

Yes, it is common to have multiple goals that need money at different times. Measuring them all and placing a time tab on them helps in planning better. It is important that you have enough money to set aside for these goals. If your savings are not adequate, you may have to revise the goals.

Centre for Investment Education and Learning

We welcome your questions, suggestions and feedback on this column. Please use the Email Us link at www.icicibank.com or send an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

SMART BANKING

Set your financial goals.



The sooner you start saving and investing, the more time your money gets to grow.

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