



If you decide to avail of the financial planning service, go with its established process followed worldwide. Just as it takes a sincere housewife to follow the due cooking process to prepare a healthy and tasty meal for her family, the long process of financial planning accomplished with diligence is required to be followed to prepare and implement an effective financial plan to convert your dreams into reality.

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Views are personal

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Essence & process of financial planning service

So much is talked about financial planning nowadays. Still the common citizen is clueless about its true meaning and benefits, with the vast majority of people not even aware of it. Read this article to understand the essence of financial planning, its importance in our life and how to go for it.

Harish Kapoor had long wanted to quit his stereotypic job but could not, as he did not have sufficient means to support his family in the absence of a regular employment. Also he did not have any choice alternative to his present job. After 15 long years he dared to quit his job against general opinion, and ventured into starting his own professional business. But soon he found that he was not getting quick clients due to lack of proper demand for his service. Don't you think that he took a great financial risk to follow his passion? Yes. But he is not at all worried, and feels very confident! Why? Because he has his financial plan in place to take care of the cash flows to meet his family's immediate and medium term needs out of his savings so far. Not worrying about immediate revenue stream, he is now peacefully involved in pursuing his passion of creating financial awareness and an independent profession of financial planning.

Above is just an example that shows the power of financial planning. You may have any story in your life, but you can always have your financial plan to help you make it a success. It not only provides for the risks & needs for a peaceful financial life but also accommodates your realistic desires in life. Financial planning not only gives satisfaction to the client when he/she develops a meaningful relation with money in life, but also to the financial planner for providing good value to her client's life. It is so passionate a service and a higher level one.

Essentials of financial planning

- Financial planning takes care of your life more than anything else. It brings out the true role of money in life i.e. facilitating the things that you value the most. It's not for quick gains or satisfaction of greed, but for bringing your dreams to reality.
- A financial plan prepared needs earnest implementation and monitoring progress; otherwise it's of no value. The family is the in-charge of the whole process.
- Financial planning is not a one-stop solution but an ongoing process; needs reviews periodically or on major changes in life or economic environment.
- Time plays a great role here. A financial plan prepared now gives greater value to your life than the one prepared after a year.
- Financial planning is based on trust and commitment on the part of both the planner and the client. For best results, the client needs to have faith on both financial planning and the financial planner.

You can do your own financial planning if you have the time and the knowledge. Otherwise it's better to search and consult a qualified financial planner worthy of your confidence and trust. A financial planner applies her financial expertise to an individual family's financial affairs just like a doctor applies her medical know-how to take care of a patient.

Function	Doctor	Financial Planner
Relates to	Good physical & mental health	Good financial health
Diagnoses	Medical condition of a patient	Financial condition of a family
Considers	Body symptoms, sensitivity and resistance	Financial risks, needs & desires in life
Prescribes	Medicines, diet or exercise for treatment	Financial products with a plan to timely meet financial obligations & goals in life

The real scenario

As the financial planning profession is yet to develop fully, in the present reality we find a major dissimilarity between the above two situations. Due to lack of financial awareness and large mis-selling of financial products most people make bad investment decisions. They do not even come to know about their wrong investments for quite long and just suffer the ill-effects as a way of life; unlike in case of ill health when they are forced to consult a doctor. Mostly aware and prudent people consult a financial planner.

The good thing is that a beginning has been made. After the advent of financial planning knowledge field in India through the curriculum of CFP certification in the last decade followed by its practice by many professionals, an urgency to follow a client-centric approach doing need analysis and risk profiling has been created in the financial services sector involved in delivery of financial products like insurance and mutual funds. Whatever the progress, the new breed of ethical financial advisors including CFPs will keep influencing the personal finance sector towards making it more and more client-focused.

Understanding financial planning service

Financial Planning is not sale of financial products but an established personal finance process. It is not just planning for your insurance, or finding tax saving instruments, or selecting high return or dividend paying shares. It is a new and better way to meet the needs of clients by integrating a goal achievement process with multiple subject areas. It is the process of identifying a person's or a family's financial goals, evaluating their existing resources, and designing suitable financial strategies that help in the achievement of those goals.

Financial planning is a pure customized service, and this is what brings real difference in the life of a family. It does not mean any standardized solution or any kind of business in its name that may be found in the market, diluting or adulterating the concept due to lack of regulation for this profession hitherto. If you get any other kind of financial service in market you may be served well, but do not mistake it for financial planning. Just the way you are concerned about the purity of milk and eatables for the sake of good health, you need to go for pure financial planning service to get its real benefit.

It varies from planner to planner whether you get only comprehensive financial planning service or you also get it for any specific life objective/goal as per your requirement. Comprehensive financial planning has following components:

Component	How does it help you	It tells you about
Fundamental Planning	Analyses your current financial situation and plans for contingency	Your risk profile; Net worth; Asset allocation; Financial ratios; Efficiency of investments and effect of inflation on finances; Contingency fund required
Insurance Planning	Analyses various risks and finds your life and general insurance needs	Adequate insurance covers required for life, health, personal accident, critical illness, liability, home, vehicle, etc.
Investment Planning	Helps build right investment portfolio to grow your wealth and achieve goals	Required asset allocation as per your risk profile; Asset-goal mapping; Fresh investment recommendations; Risk-adjusted returns from your investment portfolio
Tax Planning	Helps in planning tax efficient income, expenses and investments	Tax benefits as per law and schemes; Various taxes and their effect on investment returns; Tax saving options as per your risk profile and time horizon for goals
Retirement Planning	Helps in building a corpus to fund expenses in your golden years of retirement	Corpus required on retirement to fund expenses adjusting for inflation, lifestyle & life expectancy; Assets, savings and investments required to build that corpus
Estate Planning	Ensures orderly transfer of wealth after death to next generation as per your wish	Strategies like nominations, wills and trusts; How and when to go for these; Minimizing taxes on your estate

Why you should opt for comprehensive financial planning

Can you afford to neglect planning for your retirement for now since you have to first save for your children's education and marriage? Is it wise caring only to come out of present debt crisis or seek advice on how to save taxes, when your comprehensive financial plan can not only help you in these objectives but also ensure you don't fall into any financial trap again and do achieve your other life dreams? It is advisable to plan and work for different life objectives simultaneously. Comprehensive Financial Planning is an integrated process bringing in an integrated solution to achieve all your financial needs and goals as and when these fall due. Getting a comprehensive financial plan in place for your family is the most prudent personal finance decision you can make for their lifelong well-being.

Financial planning process is an enriching experience

If you decide to avail of the financial planning service, go with its established process followed worldwide. Just as it takes a sincere housewife to follow the due cooking process to prepare a healthy and tasty meal for her family, the long process of financial planning accomplished with diligence is required to be followed to prepare and implement an effective financial plan to convert your dreams into reality. You must expect your financial planner, whether an individual or a partnership, to take you through a step by step process to accomplish the following tasks:



Example

Family Details	Dhiraj Ahuja	Anjali Ahuja	Sharad	Shalini
<i>Work Details</i>	Private Salaried	Business	Graduation	Schooling
<i>Date of Birth</i>	27th July, 1963	15th April, 1967	25th Feb, 1992	10th June, 1997
<i>Current Age</i>	49	45	20	15
<i>Annual Income</i>	Rs 14.50 Lakh	Rs 1.90 Lakh	NA	NA
<i>Expected Income Increase</i>	10%	10%	NA	NA
<i>Current Investment Assets</i>	Rs 58.85 Lakh	Rs 10.60 Lakh	--	--
<i>Health Insurance</i>	Rs 5.00 Lakh	Rs 3.00 Lakh	--	--

Expenses & Liabilities	Today's Value (Rs in Lakhs)
<i>Annual Expenses/EMIs/Premiums</i>	10.90
<i>Regular Annual Investments</i>	5.05
<i>Annual Surplus</i>	0.45
<i>Home Loan Outstanding</i>	10.27

Financial Goals	Goal Years	Today's Value (Rs in Lakhs)
<i>Children's Education (Grad. & Post Grad.)</i>	2015 to 2019	20.00
<i>Children's Marriage</i>	2019 & 2023	10.00
<i>Retirement Corpus</i>	2021 to 2043	Expenses in retirement years considering inflation & tax-adjusted returns
<i>New Car Purchase</i>	2017	5.00
<i>Home Renovation</i>	2017	10.00
<i>International Vacation</i>	2014	5.00
<i>2nd House Purchase</i>	2014	50.00

GETTING ACQUAINTED AND BUILDING TRUST

Dhiraj Ahuja has a small family, with wife Anjali and two children Sharad and Shalini. He had been in search of a qualified financial planner till he found Seema Sood, a financial planner, for making his family's financial plan. But still he is not confident if he will get a good plan from the planner. Since trust in relationship with financial planner is very essential to get the maximum out of planning process, the planner offers to have an hour's meeting with Dhiraj to facilitate his decision. The planner tells Dhiraj that this meeting is introductory and carries no charges and no obligation to continue further.

In the meeting, Dhiraj shares his family objectives and life dreams with the planner, and asks her how she will go ahead with the process to serve him and what would be the role of both sides. He also informs what he expects from the planning service. Dhiraj puts all his doubts and queries to the planner and gets suitable and honest answers.

COLLECTING DATA & SETTING GOALS

Dhiraj decides to continue with the really unique financial

planning experience, and the planner arranges another meeting with him at his place, involving other family members also for better results. He provides information and documents relating to his current financial position. For this his planner requires him to list all sources of his income and expenses under different categories. She helps the family in setting specific and realistic goals in money terms to be achieved within a specific time period and in order of priority. Through a formal questionnaire that probes a person's willingness and ability to take risks, the risk the family should take is assessed. All this information is collected in a Data Gathering Form, and a Letter of Engagement is signed.

PREPARATION OF FINANCIAL PLAN

On the basis of information and documents provided, the planner prepares a comprehensive financial plan for the Ahuja family. Among other things it involved:

- analyzing your current financial situation, risk profile and financial goals,
- recommending an asset allocation plan,

Example

Financial Goals	Plan Recommendations (in brief)
<i>Children's Grad. & Post Graduation</i>	Existing policies & investments mapped to meet the education expenses as per their maturity
<i>Children's Marriage</i>	Apart from existing investments, start SIP of Rs 3500 in diversified equity mutual funds for Shalini's marriage
<i>Life Insurance</i>	Under-insured for current lifestyle & commitments. Surrender 2 of the existing 13 policies. Buy 25 lakh term insurance cover for Dhiraj for 10 years
<i>Contingency Fund</i>	Earmark your FDs of Rs 2.5 lakh for contingency
<i>Health Insurance</i>	Get critical illness cover of Rs 10 lakh for both of the couple for maximum period
<i>Retirement Corpus</i>	Apart from employment benefits and current assets, start investing Rs 62000 per month in equity portfolio after 2 yrs
<i>New Car Purchase</i>	Sell existing car and take car loan in the relevant year
<i>Home Renovation</i>	Not by 2017, but you may consider it after 4 years by investing Rs 40000 per month for the next 3 years
<i>Intern'l Vacation</i>	Existing KVP, FD & RDs mapped for this goal
<i>2nd House Purchase</i>	Given your existing cash flows and priority of other goals, it is advisable to postpone this goal for sometime in future

- strategizing to achieve your financial goals,
- recommending insurance & investment products, and
- an action plan for implementation.

DISCUSSING AND PRESENTING THE FINANCIAL PLAN

After preparing the financial plan, the planner discusses it with the Ahuja family, explaining the recommendations and the action plan for implementation. She asks them for any real concern that may require some change in the plan. The family agrees to the recommendations including postponement of home renovation and 2nd house purchase. The final written plan is then presented for implementation.

IMPLEMENTING THE FINANCIAL PLAN

Planning is only as good as the implementation. The action points and the financial product recommendations in the written plan properly guide the family in this process. The planner herself is interested in proper implementation of the plan as otherwise all her efforts in its preparation will go waste. Although Dhiraj is free to have the plan implemented on his own through other service agents/professionals and buying products online, he wants his trusted planner to do it for them.

REVIEWING THE FINANCIAL PLAN

- Anjali's business picks up during the year after preparation of the initial financial plan, and the family hopes that now their wish of 2nd house purchase may be fulfilled.
- The equity market has risen by above 30% during the

year thereby raising the equity component of the decided asset allocation which may require rebalancing of the portfolio.

- The family also finds that the monthly household & lifestyle expenses have risen by about 10% and Shalini's school has raised the fees by about 15% this year. They wonder what impact this inflation will have on the achievement of their goals.

In the dynamic world we live in, changes keep occurring in life or in the economic environment, and Dhiraj is quite convinced that the initial financial plan needs review to keep it aligned to the changes and relevant to their life. The review is required periodically, at least once a year or as per client's specific requirement. Dhiraj makes a call to his planner for the plan review. The planning procedure is repeated under the changed circumstances, resulting in some new recommendations and action points.

Conclusion

Be in-charge of your personal finance and do not blindly follow the company agents selling insurance and investment products. Financial planning may be relatively new to us, but it is very much a need of every family. Either do it yourself or take the services of an expert. The fee to be paid to your planner for preparation of your financial plan is not an expense but an investment into a peaceful and happy life. This way you can make your hard-earned money your lifelong assistant. It can work, along with you, to earn more money for you in a disciplined manner, so that you don't have to work too hard to create a lot more wellness in your family's life.