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Personal Savings and Asset Creation

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PERSONAL SAVINGS & ASSET CREATION

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OUTLINE

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- How can a common man build assets

INTRODUCTION

- Personal Savings: The money that a person, rather than a business or organization, keeps in an account in a bank or similar financial organization. Money that an individual has to put for an non-immediate use.
- Asset Creation: Asset building is how individuals, families, and communities gather the resources that will move them towards economic well-being, for now and for years to come.

PERSONAL SAVINGS TO MANAGE ONESELF

Financial discipline is a must to ensure a safe and better future.

One needs to get in touch with core-self, raising the self-awareness quotient from the SELF formula.

- **S– Self-assessment**
- **E– Evaluate your income and expenses**
- **L–Leverage your returns**
- **F–Fake identity**

Personal savings vs. personal loans

‘Do not save what is left after spending; instead spend what is left after saving’ - Warren Buffet

- Pros and cons of personal savings
- Pros and cons of personal loans

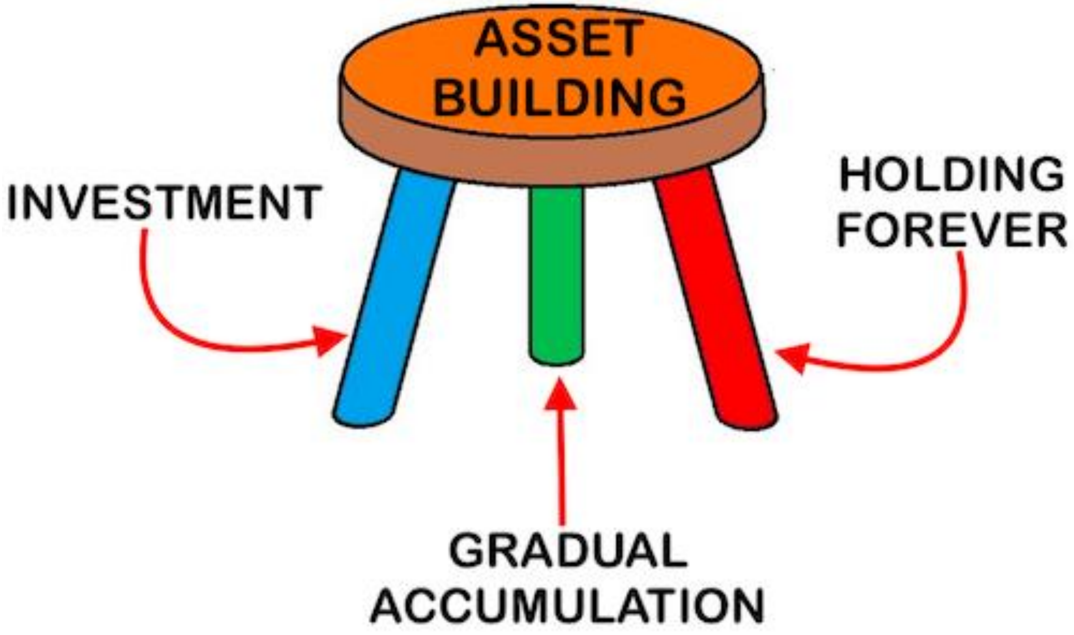
WHY SHOULD ONE SAVE?

How much to save?

CONVERSION OF SAVINGS TO ASSETS

INVEST MONEY TO ACCUMULATE ASSETS

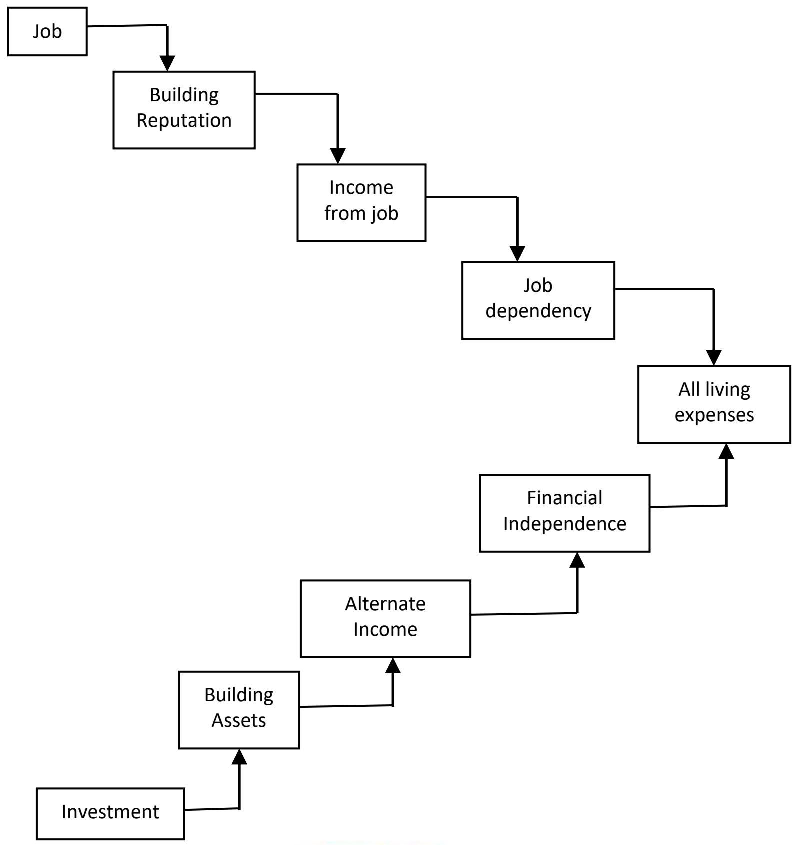
ASSET BUILDING: IS IT A NECESSITY



ALTERNATIVE INCOME PREFERRED OVER INCOME FROM JOB

Creating multiple income sources allows one to diversify the cash flows. In case of income from one source dries up, the income from the other source will cover the loss.

Flowchart showing effect of income from
job and alternative incomes



HOW CAN A COMMON MAN BUILD ASSETS?

SAVE

↓

INVEST

↓

LOCK

CREATE A PERSONAL FINANCIAL PLANNING

- Financial Planning involves planning for one's life goals: may it be for their retirement, child marriage or education.
- While creating a financial plan one need to quantify all your goals and asses cash flows. And then the plan to allocate your funds towards these goals in a systematic manner so that they can be achieved.
- After considering one's personal financial requirements a plan has to be created by taking all one's personal financial requirements into account, to begin investing towards the goals.

STEPS INVOLVED IN FINANCIAL PLANNING

1. Defining Financial Goals
2. Start with a budget
3. Keep a contingency reserve
4. Asset Allocation is the key
5. Review your financial plan regularly

DEFINING FINANCIAL GOALS

- The primary objective of financial planning is to help you achieve your financial goals. The financial goals should be S.M.A.R.T.
  - S - Specific
  - M - Measurable
  - A - Adjustable
  - R - Realistic
  - T – Time bound

START WITH A BUDGET

- A budget is an itemized summary of the anticipated income and expenses for a given period, say a month. It will help you keep your expenses in check and keep you out of debt.

KEEP A CONTINGENCY RESERVE

- Life is uncertain and emergencies such as loss of job, hospitalization of family member, loss of assets, etc. can occur at anytime.
- Ideally a contingency fund(emergency fund) is nothing, but 6 months of monthly living expenses saved. This includes everything from household expenses, to EMI payments, or any other expenses you may incur during a regular month.

ASSET ALLOCATION IS THE KEY

- Asset allocation is the foundation of financial planning.
- A right mix of equity and debt will help one to achieve their financial goals in the time horizon you planned.
- A common rule of thumb used to decide the proportion of equity in an asset allocation is 100 minus your age (100 – x years).

REVIEW YOUR FINANCIAL PLAN REGULARLY

- A regular review of financial plan increases the possibility of fulfilling goals.
- This helps you to incorporate personal or economic changes if any.
- It helps keep a check on whether these investments will help you in achieving the targeted goals.

CONCLUSION

Every individual irrespective of their income level must save from the available income and accumulate. This is the universal truth that we change, our lives change and so are the plans, accordingly the financial discipline should also be checked. Hence, with proper financial discipline, a comfortable future can be ensured.

THANK YOU