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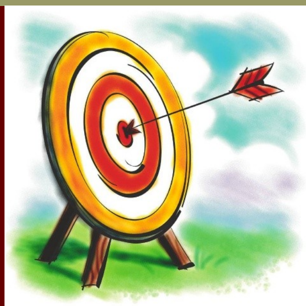

Financial Success

JS FINANCIAL ADVISORS

What is Financial Planning?

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.

Financial planning is a multi-step process that provides you with two important things: (1) An in-depth review of your current financial situation, and (2) a blueprint that shows you how to achieve your goals and objectives for the future.

> *Financial Plan takes away the uncertainty out of life... and brings in peace of mind.*

A financial plan takes into account the inter-related nature of the goals that one has and helps in deploying the finances so that the high priority goals are given precedence & are met. Prioritization of goals is important. In the financial plan, one will be able to make out if the various goals will be met, in the time-frames sought. If it becomes obvious that it will not be, the problem can be addressed now, by taking appropriate steps.

Once, the plan is laid out appropriate cash-flow planning would be done, risk assessment would be carried out and as per the unique requirements of the individual, appropriate investments/ insurance would be suggested.

Hence, a Financial Plan created for an individual is unique & customized. The plan is implemented & monitored to ensure proper outcomes. Financial Plan takes away the uncertainty out of life… and brings in peace of mind.

Financial Planning in India

Financial Planning internationally is a mature field. It has been around since the seventies in the western markets. However, in India, financial planning is just a few years old. There are still very few practicing professionals. The Indian market place has not been used to paying for advisories and have been relying more on sales people for information & advice.

Financial Planning advisories is however a paid service. Hence, though people understand the benefits of unbiased, professional advice, there is a certain reluctance to pay for it. But, that is changing. The reasons are not far to seek.

The Financial Services landscape is becoming more and more complex. Also, increasingly people are finding that they do not have enough time to devote towards their finances. Hence, the current environment is propitious for Financial Planning and more and more financial planners are setting up practice. This will take a while to permeate to all regions of the country. But a beginning has already been made.

Inside this issue:

I think...

Any person who is not planning for his/her financial needs is Financially Ill. Reason-any illness which is not cured at right time have long lasting effect on your well being.

Jitendra P.S.Solanki, CFP^CM^

When do you want to Retire?

In olden days people used to get into a job after college and retire from there when they turned 60. Gone are those days. In today's fast paced world, youngsters are very clear about their life goals. While in college they already plan when they will retire. With the myriad career opportunities available, it is easy to plan careers and retirement too.

What is retirement?

There are many definitions of retirement. In this context, the most apt would be discontinuing work in your primary area of employment which is a major source of your income.

Why do people want to retire early?

It would be an ideal world if people loved what they did for a living. Very few people do. Unfortunately, in many cases, your primary area of specialization in academics or experience does not allow you to pursue what you want. And what you really wish to do, may not pay enough to meet your living standards or may just be an expense oriented thing. So, this conundrum leads to a wish to retire from employment to pursue your true wishes.

Try to follow the rule of Income-Investments= Expenses. Most people do Income-Expenses= Investments

Is it possible?

Yes, in today's world it is very much possible to plan an early retirement. This is because good education ensures good incomes and there are many good investment options to create wealth, it is easier for this generation to take the plunge.

What to keep in mind?

Just dreaming of early retirement will not suffice. Fulfillment of a dream requires proper planning.

First and foremost thing to do is to define timelines. Say you start your first job at the age of 23. You decide that you would want to retire at the age of 40. So you have defined a timeline of 17 years to create your retirement corpus. This can of course be flexible as future circumstances may be very different from what you anticipate. But at the same time, it will not be possible to plan if there is no time goal defined.

What do you want to retire for?

You might have a vague idea of what you want to do. May be you want to get into social work, or start a firm that works for environment protection, or a travel mart or just watch flowers grow in your farm! Whether there will be a regular income after you retire, from your alternate venture, or you will live off your savings and investments, will form the base of your retirement planning. You should aim towards creating a corpus that would at least meet the basic living requirements of your family. If you want to start your own venture, you should look at creating a base capital for that. Working in the area of your interest to gain experience will definitely make things easier when you take-off on your own. Also, it will help if all major liabilities are paid off by the time you retire. So, if you have a home loan, you should look at ways to repay it as you approach closer to your goal.

Once these decisions are made, you can get down to the nitty-gritty of the action plan.

Keep track of your income and expenses : Make a budget and stick to it. Try to follow the rule of Income-Investments= Expenses. Most people do Income-Expenses= Investments

Prioritize goals: This is essential in the early career as funds might be insufficient to allocate towards all goals. The aim should be to maximize savings and investments, while prioritizing goals.

Start saving early: Do not wait till you have some lump sum to save. Start with whatever amount is possible for you to save. At a younger age, when family responsibilities are less, you have a big leeway to save major portion of our income. There are many options like mutual fund SIPs which can help you save small amounts at regular intervals. The power of compounding will help your little investments grow to substantial amounts in a few years.

Save regularly: Once you start a saving plan, persist with it. Do not break the plan for frivolous reasons, or reasons like upheaval in the investment market. Upheavals in the markets may look scary when you are right in the thick of it, but they might not really dent your long-term wealth creation prospects. In many cases they might be blessings in disguise allowing you to buy quality assets at cheaper rates.

Invest wisely: Don't get misled into buying unsuitable products that offer low returns, offer something you may not require (like an insurance cover), are illiquid and are not tax efficient.

Secure self and family: When you start a family, make sure that there is enough financial protection for the family in an unfortunate scenario where your income may not be available due to disability or death. This will ensure fulfillment of your responsibilities towards your spouse and children even in your absence. Both life insurance and health insurance are absolutely essential.

Keep an eye on your goals: Any investment made or financial decision taken, should be with a eye on your goals. If you make investments which are not aligned to your goals your target may never be reached, or there might be a delay. If mistakes are made, do not hesitate to rectify them even it costs you some amount. Investment mistakes, if not rectified at early stages, can compound into bigger problems in future, eating away your corpus.

Seek professional help: If you are not comfortable doing things yourself, seek professional help. For a fee, financial planners can guide you to reach your goals and help you avoid making expensive errors in financial decisions.

Now that you know that it is possible, have you started thinking about when do you want to retire?

Do you have a Financial Disease?

The only thing which emerges before us on hearing the word Disease is Pain, dysfunction and discomfort. Till now, you have been hearing of Medical Diseases, but have you heard of Financial Disease? Medical diseases affect the body of a person and cause dysfunction and distress. On the other hand 'Financial Diseases' affect the mind of a person and cause distress and health problems**.** It is imperative to avoid and cure both in order to stay fit.

Let's see that how can we identify the symptoms and causes of various financial diseases.

1. Hyper Insurance/ Over Insurance:

Human life is invaluable but it is still possible to calculate the ideal cover for a person depending upon various factors. These factors can be his projected earning capacity, current and projected expenditure and requirements of the dependents, time frames etc. Hence if you believe in locking all your savings in insurance policies solely, you may be suffering from Hyper Insurance!

Also Life Insurance is never for the person taking the policy or the cover, but it is for his/ her dependents. Insurance cover helps the dependents in case any untoward happens to the bread winner or the financial supporter of the dependents. So if a person with no financial dependents is taking insurance policy, he is suffering from Hyper Insurance.

This disease is very common in youngsters buying insurance for tax savings and aged people being sold insurance for wealth generation.

2. Hypo insurance/ Underinsurance:

You may have 20 insurance policies but may have never bothered about the total Sum Assured. Sum Assured is the amount which you and your dependents will get in case of your death, disability or critical illness. Mostly, insurance is seen as the total premium paid where as it is the Sum Assured which is of significance.

Hypo Insurance is very common with recently married couples and parents with small kids. General trend is to buy more number of policies to safeguard the future for example buying a child policy at the birth of child or for his education.

3. Debt Traps:

There is nothing like a good loan or bad loan! Loan is a liability. You do not own an asset, product or investment until you have completely paid for it from your own pocket. It has its own cost attached to it, which is the interest you pay. Your purchase may become costlier by 30, 40 or even 100%, depending on the interest percentage and the tenure of the loan. A credit card purchase may cost you 36%pa, if you are on revolving credit

Loans should be taken to address the need of cash crunch for a necessity and not for the conspicuous purchase and speculative activities. It can become a costly mistake. Further options like servicing a loan vs. investing for better returns should be dependent on your overall financial, physical and psychological situation.

If you boast of your multiple credit cards but forget to pay on time or if you do stock market investments taking personal loans, you may be suffering from a Debt Trap.

Debt Trap is prevalent among youngsters with new jobs and young couples. Impulsive buying & conspicuous consumption are slowly but strongly becoming a habit with young Indians.

4. LRI or Low Returns on Investments Syndrome:

Safety of money is important but it is equally important to grow your money as well. It is like raising your kids…you cannot keep them off from going to school or playing outdoors, because it is risky. Kids will have to do these to grow. Similarly, since one does not want to take risk, one cannot keep ALL one's money locked in low yielding investments like FDs, traditional insurance policies or NSC's may hamper it's growth. Your investment pattern should comprise of both safety and growth opportunities for your money. Else you may soon be compromising on your life goals.

If you trust only recurring deposits, fixed deposits, PPF or LIC policies, you may be a victim of LRI.

This disease is common among all age groups. It can be inherited… 'As my father does so!' syndrome. It can be circumstantial… 'I have lost my money in market crash!' so, now I want to play it safe.

In personal finance all decisions are interrelated. Every penny that comes in has an effect on every penny that goes out and vice versa.

5. Long Term Horizons:

What is this Long Term… 5, 10, 20, 40 or 60 years? How long are you planning to keep investing in particular asset class? You ought to keep the end objective in mind.

Not only you must tie your investments with your life objectives and time horizons but also you must monitor and rebalance them regularly.

If you also do investments for the sake of savings or tax savings specifically, you may also fall prey to LTH (Long term horizons) disease.

It is a new buzz word and people from young to middle age are suffering from it.

Is there a remedy?

There is no quick fix remedy to any of these diseases. In personal finance all decisions are interrelated. Every penny that comes in has an effect on every penny that goes out and vice versa. Analysis of your entire life situation (financial, physical and professional) is required before any financial doctor (read Financial Planner) suggests you a corrective measure.

And as the adage says…'Prevention is better than cure', Get your comprehensive financial health check up or comprehensive financial planning done before you are a patient. Get rid of your ailments, before it is too late.

The high cost of FREE Advice…

You do get a lot of free advice on everything under the sun. Point is, one is not able to distinguish which advice has some ulterior motive and which advice is really meaningful advice. The problem is acute especially when the subject matter of the advice is unknown – like in the case of the doctor's advice. That is why many do seek a second opinion. If that is happening even in the case of paid advice like a doctor's, the confusion which people have when they receive free advice is several times more.

Don't look the gift horse in its mouth is a popular saying indicating that if you have got it for free, you have to be grateful to accept it without any underlying conditions. Free advice is something like that. Since you are getting it for free, you will not be able to pin down the person giving advice, should it turn out to be wrong. Forget about pinning down, you can't even complain. Like it happens to those who go to a chemist and ask for medicine for stomach ache… or those who go to a computer shop and ask for advice as to which computer/ other hardware to buy.

Free advice, ironically, is seldom free. The one giving advice normally wants something from you – whether it is a beauty / health consultant or Insurance agent… the former wants to push some cosmetics / health supplements and the latter some policies and their "advice" is tailored towards hectoring the client in that direction. From their point, the success of their advice, is in how many jars/ bottles of creams and powders they have sold or how many policies and what premium they were able to wangle out. The cost of their advice is hence coming from the products sold. It is anything but free. As can be seen, if the advice has been made with the intention of pushing a particular product because it is remunerative to the seller, it has serious implications for the buyer. More so, if the product in question is partially suitable or wholly unsuitable.

The cost of their advice is hence coming from the products sold. It is anything but free.

We do not have a culture of paying for advice and in almost every case we look for advice from the person who is the seller too! There is an inherent conflict of interest and we seem to be fine with that. Seeking the advice from the wrong person ensures that the end result is a catastrophe. And yet people are averse to paying for advice.

World over there are those who offer advice for everything from planning weddings to funerals, landscaping one's lawn to planning birthday parties. I just read recently there are even divorce planners who ensure that the somber mood on the divorce day is captured and the "invited guests" present on that day, are well taken care of!

The aversion to pay for services is somewhat surprising considering that our country itself is thriving due to a vibrant services economy! We are offering back-office processing services to the world. We offer knowledge services like design, legal, financial services internationally. Our IT sector is the toast of the world for Global Service delivery. Lakhs of people are employed in these sectors. Jobs have shifted to India and other countries for such work as they find that it is cost effective to get this work done in this part of the world – with same or better efficiency that they could get there, at lower cost.

Most people do not have the time, inclination or the knowledge to do the due diligence before committing their money in various financial instruments. They would know much less about whether what they are doing would help them to meet their goals or how much money would actually be required to be saved in what instruments, to achieve their goals. Asset allocation, Risk management, cash-flow management etc. may not be their forte as well.

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Since it is pretty clear that these concepts are alien to most investors, would it not make sense to involve a professional to advice them regarding their finances? There are investment advisors and wealth managers who will do this for a fee. Investors are advised to find out how competent they are in advising them, whether they are attached to any institution which restricts their product choices to the ones dictated by their company and whether they deal in the entire range of products that would be relevant to an investor.

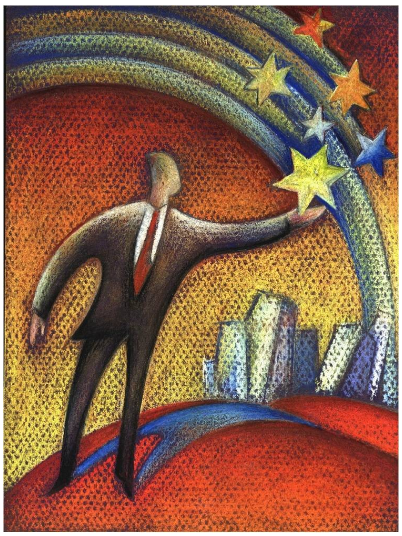
Better than just investments alone, many may want a personal blueprint to achieve their unique & specific goals. That may call for engaging a financial planner. They would be able to tell you whether you are currently on-track, the way forward and what you need to do to reach your goals. They would go through all investments/ insurances you have ever done in the past and would be able to advice you holistically on what you need to do. Check if they are independent. Check their education, experience in this profession and also seek some referrals.

After doing all this, you will get a sense of whether they would be able to add value to you or not. But, even if they advice you against investing in one inappropriate plan & stop you from it, you would save tens of thousands of rupees. Appropriate cash management can maximize the returns even while helping you meet liquidity or short-term goals. You would earn even more when they suggest good investment candidates and are able to manage your investments as well. That costs money of course – but free advice is costlier!

How to achieve Financial Goals…

How many times have you asked your relationship manager in your bank/your Mutual Fund or Insurance agent that "What's new in the Market"?

Let's take it other way – How many times you have been approached by your Relationship manager in your bank/ your Mutual Fund or Insurance Agent that "This is new and improved product and you should definitely invest into that." I don't need any answers and neither do you have to SMS something to any number to win prizes… this is only for you to realize that both of the above styles are wrong approaches, which does not take into account a persons need to investing.



Every other Financial Company is coming up with new products and trying to collect money from investors in different ways. Especially Insurance companies, which normally design a product to appear emotionally attractive to a customer that if pitched properly by an Agent, he could close the deal in first meeting. But if that product is suitable to your long/ short term needs, then why after 3 or 5 years you receive call to cash out and invest in another product? Do you think that buying a pension Plan or opening a NEW PENSION SCHEME a/c is the only solution to your Retirement needs or are you sure that buying a children plan can only help you to achieve your goals of Child education and Marriage.

Some days ago I met with a person who showed me his past investments, which include almost 50 mutual fund schemes, 14 Insurance policies (8 Traditional Endowment Plans and 6 ULIPs), as also PPF, MIS and NPS a/c. On asking why have he invested in so many products – The answer is very common, he said – **"some of the time I asked for something new and sometimes my advisor brought something new. I have bought Insurance policy for every member of my family to provide them security…"** and many reasons for other. In the nutshell as per him He's done Diversification of his Investments as he was told by his advisor "Not to put all eggs in single basket". I m sure many of you can relate yourself with this person.

Now a days all the Regulators be it SEBI or IRDA, are laying stress on Financial Literacy of the Investors, Training and strict regulations on advisors and above all changing the structure of products to make them more meaningful and beneficial to a Investor. Every other regulator and investor is blaming advisors for mis-selling but I personally don't agree with this. According to me for mis-selling of products besides Agents and product manufacturers, investors are also responsible. They themselves have to be financially literate to be able to ask for the right products, as the right questions and be in a position to make the right choices.

Here are Few Tips which will help you to get the Best out of your Advisor:

Understand What Diversification is?

Diversification does not mean investing in different products. It means investing in different sectors so that if one sector goes down other should compensate for it. So next time your advisor tells you to put in a new product for diversification, show him the door.

Asset Allocation

You must be aware of the Asset Allocation of your Portfolio. Ask your advisor for that. Please understand there are only 4 Asset classes: Equity, Debt, Gold and Real Estate. The Allocation to these assets in all forms constitutes the asset allocation. To be More specific "In All Forms" means that if you have some equity oriented Mutual funds , ULIP with 100 % equity Investments , PMS product and nothing else than you have 100% allocation in Equity. Along with understanding of asset allocation you must know the reason why you have allocated in such a way. Also ask for the Risk and Return associated with different asset classes.

New product syndrome

Before Investing in a new product, do find out where the money will be invested and how that would help you in your asset allocation or diversification. If there's nothing new besides the name and Company, avoid that product.

Set Goals and match products with those

It's always better to set goals first before starting any Investment. Tell your advisor to arrange your investments in such a way that you can easily reach your targets. This will help you to fix a time line to your Investment product and which gives you a better view when to start and when to stop and why.

Follow Financial Planning

There are very few people who are following Financial Planning, but those few are more relaxed and managed than others. If your Advisor can help you in Financial Planning, that would be the ideal situation. Financial Planning means arranging your Finances which includes your Loans, Credit cards , Investments , Insurance etc. and all other things that effects your personal finance in such a way so that you can achieve your Goals comfortably. Look out for CFP Professional if you really need Financial Planning.

Pay your advisor

This is the most important of all. To maintain the Loyalty of your Advisor towards you and not towards the product manufacturer, to make him more responsible towards your needs and goals and to get best of his services, it's better to pay the advisory fees.

Remember a Financial Planner may change your world and help you reach your target by making you Invest in suitable products, taking into consideration your risk profile, your Life Targets and the changing tax laws. But to get the best out of him you also need to know some basics on your Finances, what you need to ask and how to choose an advisor.

News you can Use

FMP rules get a boost

Predicting returns from a fixed maturity plan (FMP) is tough as Sebi had banned them from indicating returns way back in January 2009. FMPs come with a fixed tenor and are debt-oriented schemes that invest in debt securities that mature just before the FMP matures.

This year, Sebi made our jobs a bit easier. FMPs are still banned from indicating returns, but it has allowed fund houses to disclose the type of sectors it will avoid and the kind it will invest in with a range band. For instance, if the FMP aims to invest in say, just, bank certificates of deposit or, say, commercial papers, it can now say so. Additionally, it can also indicate a close, but rough, percentage of allocation it intends to make in these sectors and classes of instruments. This information may be of little relevance to you, but we feel a good distributor or investment adviser can use this to estimate the kind of returns your FMP can deliver to you. *Source: Livemint*

Guaranteed Ulips face uncertain times

These popular, but complex, products were under the IRDA's scanner this year and the chances are that the fallout could be evident next year. The regulator's concern was that these highest NAV-guaranteed products could lead to miscommunication and customers may end up buying them without a thorough understanding of their workings.

Many tend to confuse the highest NAV promised with the highest market levels, resulting in possible disappointment when that doesn't happen. Uncertainties surrounding this product mean that you could adopt a wait-and-watch policy till the regulator makes it stand clear.

Source: Economic Times

JS Financial Advisors

we simplified the finance which is personal

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Why JS Financial Advisors

At **JS Financial Advisors**, we believe that a plan is a powerful tool. Reaching your long-term financial objectives hinges on having the right plan -- one that fits your unique circumstances and grows with you. Planning your financial future can be a daunting task. You may be concerned on not having enough funds for your retirement or worried about rising cost of child education. That's where **JS Financial Advisors** comes in. Through a financial plan we help you in addressing concerns around which your life revolves.

What You Gain :

- Comprehensive Analysis of all your Financial Needs
- Unbiased & Professional Advice from an Independent Financial Planner
- Your Interest on Priority
- Roadmap for your Financial Future

Being **CFP^{CM} professional** we are committed to the professional practice standards and code of ethics laid down by **Financial Planning Standards Board India.** CFP^{CM} Certification is a mark of excellence granted to individuals who meet the stringent standards of education, examination, experience and ethics.