
360 Degree of Financial Planning

Some Reflections of a Seminar organized by NDIM

*Rashmi Sundriyal**

Financial Planning, which means evaluating the available investing and financing options, has become the need of the hour. Planning includes attempting to make optimal decisions, projecting the consequences of these decisions in the form of a financial plan, and then comparing future performance against that plan.

Financial planning is important in a rapidly changing business environment of today. Security and protection are the two important concerns which are addressed by Financial Planning. By carefully and comprehensively planning for the financial future, one can help to protect himself, his family, and his estate against both foreseen and unforeseen events. Knowing that there is a solid financial plan which will help us lead into the future means that we have one less thing to worry about when scary, stressful unexpected events occur.

Besides protecting the people, places, and things in life, planning for one's financial future also protects the long term goals. Having finances in order is just one way that you can move toward an ideal lifestyle. The goals can be anything, right from the child's education or purchasing the home of your dreams, or even a foray into business. An active and independent retirement can also be a goal. Many people no longer feel confident that they will be able to rely on pensions or social security checks after they have retired. Most goals take more planning than just a savings account and good intentions. Financial planning involves long term strategic management, and the question that arises in everybody's minds is – is it worth it?

When we talk about comprehensive financial planning, that is, if we want to take a holistic view of the entire notion, we must follow certain steps in a particular order so that we achieve as expected. This is what we mean by the term "**360 Degree Financial Planning**", which incorporates a complete panorama of how the financial health can be improved upon. It begins with establishing the relationship with the desired intention, gathering the related data, identifying the financial problem, laying down the possible alternatives, then implementing the agreed recommendation and of course reviewing it regularly. We must not forget that yesterday's emphasis was on cost reduction, now the emphasis is on cost management. Compliance is the word of the hour. Organizations are under increased regulatory pressure to identify relevant patterns out of the vast quantity of data generated by each transaction.

Recognizing the importance of the above perspective, NDIM's Finance club, organized a Seminar on 360 Degree of Financial Planning, keeping in mind the following objectives:

- To give an outline of various different options where an investor can invest/plan his savings and the related benefits and problems associated with the investment option thereof.

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- To update and share some of the key financial issues facing organizations today
- To focus on and augment skills to achieve profit in this competitive world.
- To deliberate on contemporary issues in financial sector to effectively carve the path for future research in this area.

There were a total of six distinguished speakers, coming from different sectors of the industry, emphasizing the importance of financial planning in the organizations as well as the possible options available to an investor (individual as well as institutional), where hard earned savings can be invested at the right time. The following themes were presented by the illustrious speakers.

Financial Planning and the 360 Degree Approach

- Mr. Sanjay Sethi, State Training Manager-Tata AIG (sanjay.sethi@tata-aig.com)

Financial planning should become a continuous activity where the plan is reviewed regularly and performance measured against specific devised targets. It is a process in which an investor sets long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning and estate planning. In today's fast-paced world demands on our time and resources seem overwhelming. By financial planning an individual gets a better picture of where he's going in life and how he'll get there. Five basic questions need to be answered:

- What are your goals in areas of lifestyle, retirement, saving for college education & healthcare?
- When do you want to reach your goal?
- What steps have you already taken to achieve your goals?
- How do you feel about taking investment risks for a potential higher rate of return?
- How involved are you in the process of achieving your goals?

360 degree of financial planning is a multi-faceted effort. It educates the public, from school children to retirees on financial topics applied to any stage of life, which includes planning for childhood, college, career, marriage & couples, parenthood, home ownership, small business, life crisis, retirement and so on. Therefore we can derive from this that main essence is,

- to detect the various investment options, and also
- abiding by the legal aspects related with investment decision making

Investment Decision Making – Retirement Planning

- Mr. Mragendra Tomar, Business Accounts Manager-Aviva Life Insurance Co. Ltd. (mragendra.tomer@avivaindia.com)

Talking about Investment decision making, the process of investment planning includes the following steps:

- Step 1:** Identify your financial needs and goals
- Step 2:** Understanding investment choices (Debt & Equity)
- Step 3:** Decide an appropriate mix of various investment choices (Asset Allocation Plan: Maintain the balance).

One of the important aspects of financial planning which is "Retirement Planning" emphasizes the importance of initiating the process of saving for future at an early age itself. We must not forget that time has a monetary value attached with it, which when coupled with the blessing of compounding can lead to extra-ordinary returns, by taking limited amount of risk.

Investment Decision Making – Investment in Commodities

-Mr. Naveen Mathur, Country Head-Religare Commodities Ltd. (mathur_1970@yahoo.com)

Investment in Commodities is a burning issue and the most talked-about investment avenues these days. The immediate benefits associated with the derivatives market, the price hike in the yellow metal, i.e. gold, and other commodities are all the more alluring the common investor to take a calculated risk

and make his portfolio in the best possible way, which is a blend of both risk-free as well as risky alternatives.

Investment Decision Making – Investment in Equities

-Mr. Ashok Aggarwal, Chief Operating Officer-Escorts Securities Ltd. (ashoka_esl@hotmail.com)
-Mr. Ankur Gupta, Sr. Manager(ORMG)-IL & FS (ankurgupta2475@yahoo.com)

Similarly investment in Equities, gives an investor a chance to maximize his returns after carrying out proper fundamental as well as technical analysis related with the investment. The analysis allows an investor to peep inside the company's economic, industrial, earnings, growth, profitability and other similar aspects in detail. The stock market provides an excellent opportunity especially for the younger lot of investors, provided they make the correct valuation of the stock and maintain appropriate liquidity of the same as well.

Stock Market Investments and the Regulatory Mechanism

-Mr. Abhay Kumar Sharma, Advocate-Partner, Singh & Associates (abhay_k_sharma@yahoo.com)

Last but not the least; one must have a detailed insight of the regulatory mechanism which exists in the current milieu. We should not forget the 'Ketan Parikhs' and the 'Harshad Mehtas', who can creep up anytime from anywhere. Following the fundamentals is the only key to success. For this we do have the reforms playing a role in their own way, we can also develop a "Money-Mantra", which is, "**s p v t + P = Money**"

where 's' – stands for 'Stock Selection', 'p' – stands for 'Perception', 'v' – stands for 'Valuation of the Stock' at that point of time, 't' – stands for 'Timing', the right time to enter a scrip (and a right time to even make an exit) and 'P' – the big 'P' stands for 'Patience', the patience to see your investment through to achieving its potential growth

All the issues discussed above give some of the great insights to the present generation as to how

to manage the funds and get best out of what is available. The following recommendations can be summarized, as conferred by the eminent speakers.

Financial planning helps achieve both greater wealth and financial security. Improper planning can be disastrous. An uninsured loss can wipe out accumulated wealth; insufficient savings for retirement can force a reduced lifestyle; and poor tax planning can result in higher than necessary taxes.

Investment refers to a commitment of funds to one or more assets that will be held over some future time period. Managing one's investments, whether they be in stocks, bonds, mutual funds, real estate, art or business; is a major endeavor requiring a very good understanding of the marketplace, time value of money, portfolio development and management, financial markets, sources of financial information and of course the rules and the regulatory framework as well as the legal aspects associated with each and every type of investment.

Risk Management is the cornerstone of any financial planning effort. It makes no difference how elaborate or effective the investment portfolio, the retirement plan, or the estate plan, if you have not taken the necessary steps to eliminate risk, all remaining planning efforts could be pointless. Risk management through the wise use of insurance removes the concern for the unknown from a financial plan.

Planning and accumulation for retirement is generally the most important accumulation goal which must start at the right time in everybody's personal financial planning. While Risk Management Planning can help in addressing many of the possible risks which might be encountered in order to achieve the financial goals.

Finally concluding in Buzz Aldrin's words, "There's a need for accepting responsibility - for a person's life and making choices that are not just ones for immediate short-term comfort. You need to make an investment."