



## Financial Planning - WHY?

“Needs” of human life are eternal till the day we live. Brutal needs include food, clothing, shelter and medical help. These basic survival or sustenance needs are supplemented by needs for comforts of life as well as towards luxuries. Basic ingredient for meeting our “needs” is money i.e. finance. As the “needs” are eternal, need for money is directly linked to satiate those “needs” and is also eternal. So, an individual also need to ensure availability of money to him/herself for meeting these “needs”.

“Financial Planning”, in its essence, is this exercise of a conscious plan, efforts and actions to ensure money supply - in “**adequate**” measures and on “**regular basis**”.

Every individual has specific needs as well as preferences. Our individual circumstances also impact and determine our priorities and choices. What could be a ‘comfort’ to someone may be ‘luxury’ for someone-else or vice versa. Nature of need also undergoes change with the change in life stages. Elementary education would be a basic need for everyone till the young age; thereafter, college and higher education becomes an add-on option. In child age, nutritious food needs are higher; in young age, medical expenses are lower, which gradually increases and become sustenance necessity, as our age advances. One simple home structure for everyone is a basic ‘shelter’ need whereas a house with all modern amenities is for ‘comfortable’ living and a large mansion would be a ‘luxury’.

Similarly, our options as to how to source the “money” are also conditioned and determined by our own situation and circumstances as well as background - educational, economic & family, etc. Each of us is uniquely placed, though may be categorised into some common sub-group, like salaried/self-employed/business persons and young/middle aged/senior citizens, etc.

“Financial Planning” would **align the “needs” with ‘income’** and cashflow at various life stages. Adequacy of money would thus be determined by the nature and our preferences for particular needs as well as available income sources. Its regularity would be ensured by proper and advance “Financial Planning”.

“Needs” would vary over a period of time, due to - Inflation, Changing Lifestyles and Retirement.

**Inflation** – Inflation is a reality and would causes fall in purchasing power of money over a period of time. Financial planning would help us to be better prepared to deal with the impact of inflation, more especially in our retirement years. One may have adequate money in today’s date which may be considered adequate to meeting future needs also. But its income generating potential diminishes which is adversely impacted by inflation.

**Changing Lifestyle** - Every individual would upgrade his/her standard of living and lifestyle, commensurate to increase in his/her disposable income. After meeting his/her necessities’, he/she would progressively opt for ‘comforts’ and then to ‘luxuries’. Financial planning plays a key role in helping individuals and families not only to upgrade but to also maintain their lifestyle.

**Retirement** - Planning for our retirement is a compelling need. The length of retired life is also gradually increasing. Average life expectancy is improving, enabled by medical advancement as well higher health consciousness, healthy diet and regular physical activity. Responsibility to ensure we have a regular income during our retirement years is no one else's but ours. Financial planning helps prepare for this important phase of life, in ensuring generation of sufficient income.

Quite simply, proper management of our finances will help us to meet our life goals... whether that means buying a home, educating your children, being able to enjoy your retirement or providing for your loved ones financially should death, dread or disability prevent you from doing so. Growing financial world offers multiple avenues and large range of products – investment and debt, with their own characteristics. For optimal results, all Individuals need regular professional guidance to strategize and manage their finances, align their assets with financial goals and an unbiased insight on money related issues such as savings, investments, insurance, mortgages, estate planning, taxes and retirement, Will preparation, etc.

Essentially, a financial plan is a map or disciplined action plan of money management with a set of objectives, using financial products and services, towards achieving your life goals. There is a myth that it is really not possible to fulfil one's all aspirations or dreams without having a high salary or belonging to a rich family. By definition financial planning is about planning a strategy to help you to achieve the life you've imagined for you and your family.

***Why Financial Planning is important - Simply to attain your financial goals.***



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