

HOW important is financial planning

■ IN this competitive world where you aspire to match a 'spend' of a neighbour with a 'bigger spend', when you try to match purchase of a Honda with an Audi, is there a room for rationale? A question that often comes to our mind is whether 'financial planning'? Do we spend enough time in planning our lives? Are we able to restrain the urge to splurge, take a pause and reflect on what lies ahead? Most importantly do we think about this at the right time & at the right age? 'When' has to precede the 'what' and once this is sorted, we are atleast on the right track of the 'financial highway'. For simplicity, let us divide a life into 3 parts: formative (< 25 years), the build (25 -60) and the resting period (>60 years). While each of the stage is extremely critical, the formative & the early part of the build stage acquires paramount importance. This is the time for you to realise the criticality of drawing a balance between the 'need' to plan and the need to control the urge of one-upmanship in this 'me too' world. The 'what' to meet the means of 'financial planning' are multiple. It fits all income groups and all you need to do is to prioritise and build a discipline around meeting the objectives. Each of the 3 stages are inter linked, the deft management exhibited in the early two stages, will lead you to cruise in the later part of the 2nd & the 3rd stage. You would have heard people say "one should start saving early". While this is right, it is important to know where to save & what should be the path. I prefer the PSI approach (protect, save, invest). It is very simple, first the basic which is to protect yourself (i.e. your financial stream) then start saving (conservative approach) with easy liquidity and once done, go for the aggressive i.e. invest in instruments where you take risks (for a higher anticipated return). Of course, each of this is a factor of one's risk taking ability, but one has to take those chances.

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