

# Handbook for the Financial Wellbeing Journey



# Introduction

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**Thank you for your interest in the Financial Planning program. Hope the program was insightful with many implementable take-aways.**

Here is a Handbook which gives a glance:

- To the Financial steps to be followed
- Brief inputs on investment products
- Useful video/ calculator links to help you with further information
- Finsafe Tips

# *Planning your Financial Life*

**The journey begins with :**

1. Plan for **Emergency Cash**
2. Plan for covering **Risk** : Life and Health Insurance
3. The first goal - **Retirement Planning**
4. **Goal Planning** -Child education, buying a house etc.
5. Tax Planning to help you save **TAX** efficiently
6. Smart **Borrowing**

# Emergency Cash

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## What is Emergency Cash?

Is an essential amount to be kept aside to fall back during emergencies/ uncertainties that might arise in future.

## How to set up Emergency Cash?

Invest small amounts of money into a Fixed Deposit/ Overnight Debt Funds/ Liquid Debt Funds/ Ultra Short Duration Debt Funds.

### Learning Resources:

<https://www.youtube.com/watch?v=HT2TNgTUoIU>

### FinSafe Tips:

- Have at least 3-6 months of your expenses as emergency cash
- Keep your spouse/ partner informed about this fund

# Need to plan for Risk of Life

## What is Risk Of Life?

Protecting your loved one's financial future and help them maintain their lifestyle/achieve all financial goals, in case of uncertainty to your life.

## How to buy a Life Cover?

- Term insurance provides higher Sum Assured with lower premiums.
- Compare policies online:
  - Premium amount
  - Claims Ratio

## Learning Resources:

- 1) <https://www.youtube.com/watch?v=J1piiymZLKU>
- 2) <https://www.finsafe.in/financial-wellness/life-insurance-2/>

## FinSafe Tips:

- Buy the right amount of insurance
  - At least 10 times of your annual gross salary
  - Access a Human Life Value (HLV) calculator in any insurance website to help you get a desired amount

# Comparing different Life Insurance Policies

| Name of the Insurer                               | Plan                                     | Premium in Rs as per age of policyholder |        |        | Claim settled (% FY16) |
|---|--|--|--------|--------|------------------------|
|   |  | 30                                       | 35     | 40     |                        |
| Life Insurance Corporation of India               | e-Term                                   | 17,145                                   | 21,122 | 26,550 | 99%                    |
| Max Life Insurance                                | Online Term Plan Plus                    | 8,378                                    | 10,384 | 13,334 | 97%                    |
| Tata AIA Life Insurance                           | Life Insurance iRaksha Supreme           | 8,510                                    | 10,695 | 14,720 | 97%                    |
| AEGON Life Insurance                              | item                                     | 7,497                                    | 9,512  | 12,717 | 96%                    |
| HDFC Standard Life Insurance                      | Click2Protect 3D Plus                    | 9,717                                    | 11,891 | 15,209 | 96%                    |
| ICICI Prudential Life Insurance                   | iprotect smart                           | 10,798                                   | 13,214 | 16,907 | 96%                    |
| Reliance Nippon Life Insurance                    | Online Term                              | 7,686                                    | 10,948 | 16,483 | 95%                    |
| SBI Life Insurance                                | eShield                                  | 13,794                                   | 16,862 | 21,039 | 95%                    |
| Canara HSBC Oriental Bank of Comm. Life Insurance | iSelect Term Plan                        | 7,379                                    | 8,849  | 11,464 | 94%                    |
| Bajaj Allianz Life Insurance                      | e touch                                  | 10,371                                   | 12,531 | 15,895 | 94%                    |
| Star Union Dai-ichi Life Insurance                | Life Premier Protection Plan             | 18,700                                   | 22,600 | 28,100 | 94%                    |
| Kotak Mahindra Old Mutual Life Insurance          | Preferred e-term Plan                    | 8,702                                    | 10,826 | 14,838 | 92%                    |
| Birla Sun Life Insurance                          | Protect@Ease                             | 9,328                                    | 11,363 | 14,266 | 92%                    |
| Future Generali India Life Insurance              | Flexi Online Term Plan(Basic Life Cover) | 7,682                                    | 10,023 | 12,801 | 91%                    |
| Edelweiss Tokio Life Insurance                    | mylife+ : term                           | 8,496                                    | 10,042 | 12,826 | 87%                    |
| Bharti AXA Life Insurance                         | FlexiTerm                                | 8,260                                    | 10,384 | 13,570 | 86%                    |
| PNB Metlife India Insurance                       | Met Mera Term                            | 8,756                                    | 10,776 | 13,611 | 86%                    |
| DHFL Pramerica Life Insurance                     | U-Protect                                | 15,812                                   | 20,178 | 25,960 | 86%                    |
| IDBI Federal Life Insurance                       | iSurance FlexiTerm                       | 9,251                                    | 11,257 | 14,089 | 86%                    |
| Aviva Life Insurance                              | i Life                                   | 8,695                                    | 11,473 | 16,287 | 83%                    |
| IndiaFirst Life Insurance                         | India First Life Plan                    | 12,036                                   | 15,340 | 20,532 | 74%                    |
| Shriram Life Insurance                            | Life Family Protection Plan              | NA                                       | 37,406 | 47,436 | 68%                    |

Date of birth has been assumed to be April 1 in the respective year for each age group  
 Rates are for a male, non-smoker, Delhi-based.  
 DHFL Pramerica, Star Union Dai-ichi Insurance Co Ltd, are offline plans  
 Claims information is for FY2015-16 for individual deaths as per Irdai's Annual Report  
 In HDFC Standard, ICICI Prudential and Bajaj Allianz, waiver of premium of disability is included  
 Claim settlement = Claims settled/(claims settled + claims rejected+ claims repudiated)  
 Exide Life and Sahara Life do not offer pure term plans  
 Premium includes GST of 18%

GRAPHIC BY: VIPUL SHARMA/MINT

Source: Source: SecureNow.in

# Need to plan for Risk (Cont'd)

## What is Health Insurance?

Covers cost on medical bills that may be incurred due to illness.

## How to buy a Health Cover?

- Employer provided health cover for self and family
- External covers : Compare policies on:
  - Premium amount
  - Claims Ratio
  - Exclusions
  - Sub limits

## Learning Resources:

- 1) <https://www.youtube.com/watch?v=vGVynJz4S9o>
- 2) <https://www.finsafe.in/financial-wellness/general-insurance-2/>

## FinSafe Tips:

- Take additional top-up from office provided insurance
- Plan for a health cover of Rs 10-15 lakhs
- Critical Illness Rider for Rs 5-10 lakh
- Separate policy for parents

# Financial Goals

## What are Financial Goals?

Setting SMART goals is the first step towards achieving your dreams. Goals can be short term, like going for a holiday, buying a car or medium term like buying your dream house , sending your kids for higher education or long-term like retirement.

## How to set up SMART Goals?

- List down your Financial Goals
- Goals should specific, measurable, achievable, relevant and time-bound
- Use our Dreams Calculator to help know how much you need to save for financial goals

### FinSafe Tips:

- Retirement is an essential goal which needs to be planned for before other financial goals
- Always keep the cost of the goal as today's cost and arrive at the future cost including inflation.

### Learning Resources:

- 1) **Link to Dreams Calculator -**  
<https://www.finsafe.in/dreamcalc/>
- 2) <https://www.youtube.com/watch?v=ub7j5EzfYHs>



# Investment Products - Retirement

## What are the products available for retirement?

- Employee Provident Fund (EPF)
- Voluntary Provident Fund (VPF)
- Public Provident Fund (PPF)
- National Pension Scheme (NPS)
- Equity Mutual Funds/ Hybrid and Debt Funds

## Learning Resources:

- 1) <https://www.youtube.com/watch?v=xp4gCAfgxvI&t=7s>
- 2) <https://www.finsafe.in/financial-wellness/pension-plans-2/>

## FinSafe Tips:

- Avoid pension schemes from insurance companies, as the returns are very low and taxable.
- NPS works better for pension
- Traditional insurance schemes like ULIP/ Whole Life/ Endowment should be avoided as the returns are very low and charges are very high

# Some of the Retiral Products

| Scheme                      | PPF          | EPF                 | VPF                 | NPS  | Pension Schemes from Insurance companies |
|-----------------------------|--------------|---------------------|---------------------|--|--|
| Max Investment              | Rs.1.5 lakhs | 12% of (basic+DA)   | 100% of (basic+DA)  | 10% of (basic+DA) & additional upto Rs.50000 | 10% of (basic+DA)                        |
| Employer Contribution       | No           | Yes                 | No                  | Not Mandatory                                | No                                       |
| Return                      | Guaranteed   | Guaranteed          | Guaranteed          | Not Guaranteed                               | Not Guaranteed                           |
| Past Return                 | 7.1% p.a.    | 8.5% p.a.           | 8.5% p.a.           | 6% - 15% p.a.                                | 4 – 11% p.a. on invested amount          |
| Tax benefit on contribution | Sec 80C      | Sec 80C             | Sec 80C             | Sec 80CCD                                    | Sec 80C                                  |
| Taxation on Returns         | Tax Free     | Tax Free (>5 years) | Tax Free (>5 years) | Partially Taxable                            | Taxable                                  |
| Cost                        | Nil          | Nil                 | Nil                 | Low  | High                                     |
| Lock-in                     | 15 years     | Upto retirement     | Upto retirement     | Upto retirement                              | Upto retirement                          |

# Investment Products – Mutual Funds

## What are Mutual Funds?

A mutual fund is a professionally managed trust, which pools the investors' money and invests them into stocks, bonds, commodities, money market instruments and other securities. A mutual fund is like a basket of investments and your investment in the fund is a part of that basket.

## Different Types Of Mutual Funds

- Equity Funds
- Debt Funds
- Hybrid or Balanced Funds
- Gold Funds
- International Funds

## Learning Resources:

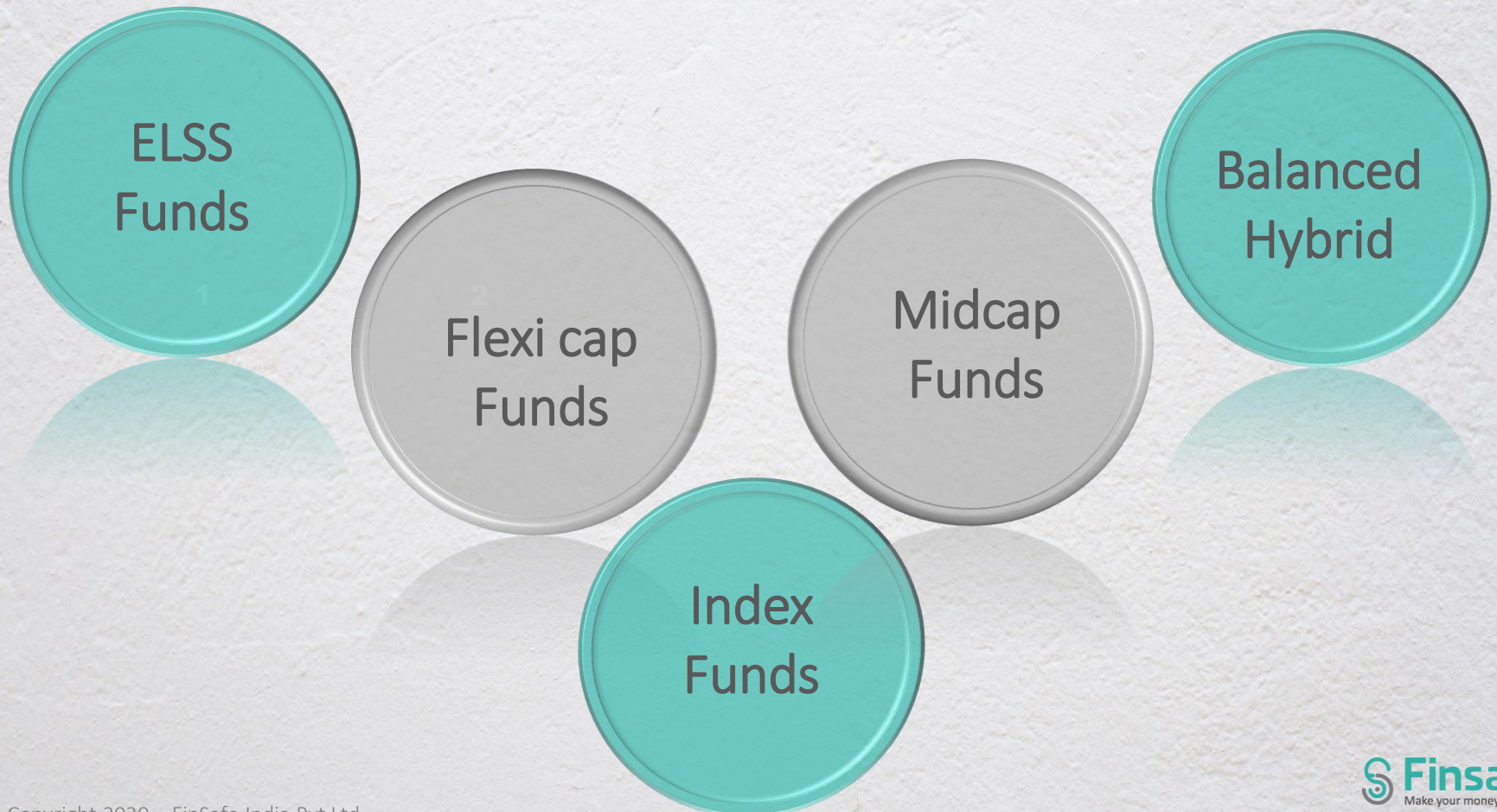
- 1) [https://www.youtube.com/watch?v=HlhNhsqWP\\_E&t=](https://www.youtube.com/watch?v=HlhNhsqWP_E&t=)
- 2) <https://www.finsafe.in/financial-wellness/mutual-funds-2/>

## FinSafe Tips:

- Invest in debt funds for short term period
- Invest in Equity Funds for longer term goals (above 7 years)

# Recommended Categories Of Equity Funds

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# Recommended Categories Of Debt Funds

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**Liquid  
Funds**

**Ultra Short  
Duration and  
Low Duration  
Funds**

**Short  
Duration  
Funds**

SIP is a tool to invest in mutual funds

Simplest & easiest form of investing regularly without worrying whether to invest or not

SIP returns are dependant on market returns.

## Features of SIP

Can Invest as low as Rs 1000 per month

Learning Resources:

1) SIP Calculator

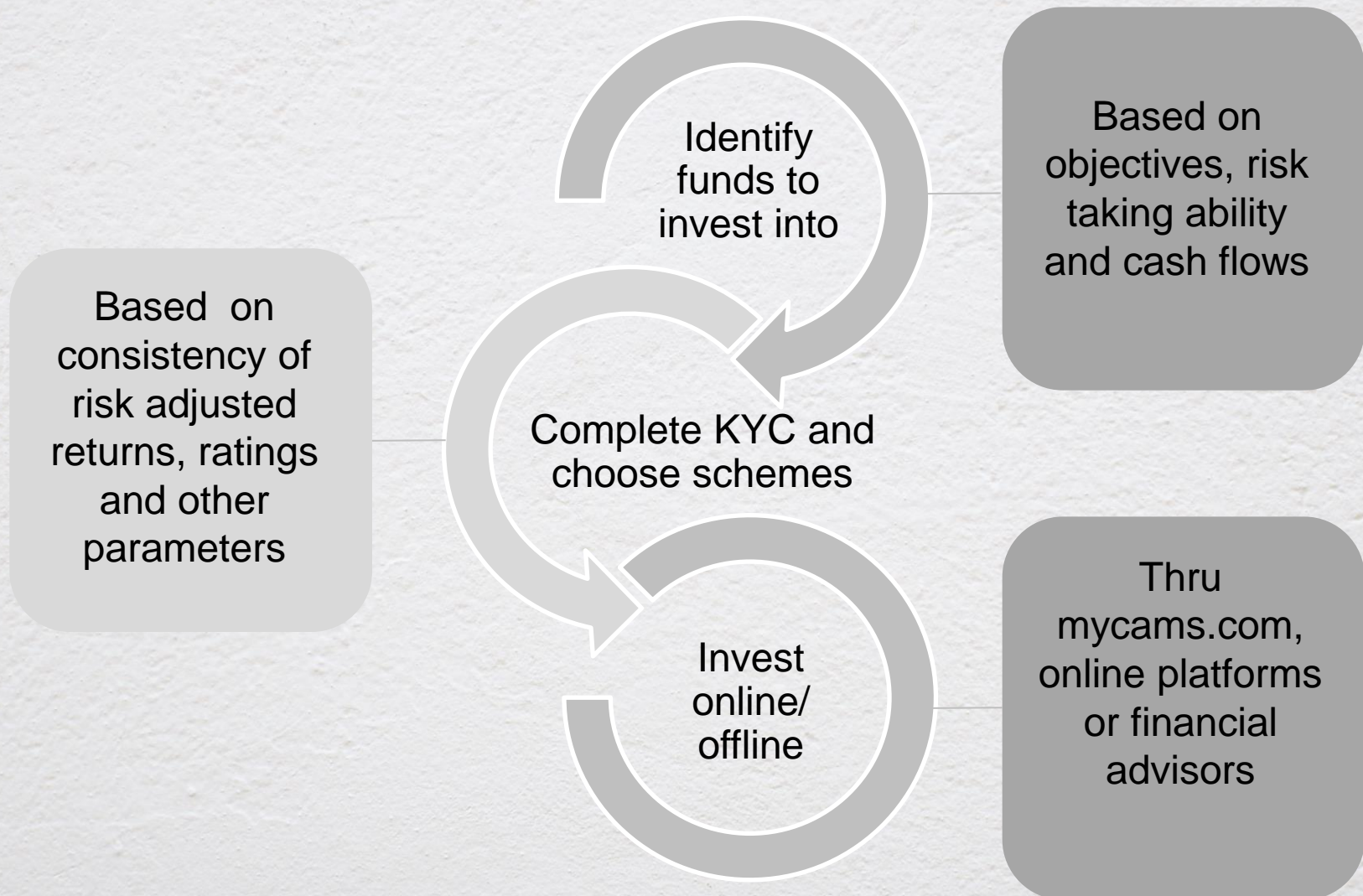
<https://www.finsafe.in/financial-wellness/sip-calculator/>

It instills the discipline of investing every month on the due date

SIPS are great way to create long term wealth



# How to start Investing in Mutual Funds





# Choosing Investment Products based on Goal period



0 – 3 months :  
**Liquid Funds**

1



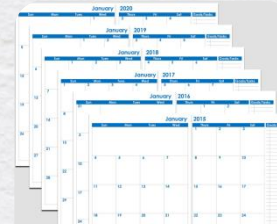
3 months –  
3 Years:  
**Ultra Short  
Term Funds**

2



6 months –  
3 Years :  
**Low Duration  
Funds**

3



> 3 Years:  
**Short  
Duration  
Funds**

4



5-7 Years :  
**Balanced  
Hybrid Funds**

5

# Choosing Investment Products based on Goal period



> 7 Years:  
Equity Funds

5



15 Years :  
PPF

6



> 15 Years:  
SSY/PPF/VPF/N  
PS/Equity  
funds

7



**TIME IS**

**MONEY**

*Time spent in the  
markets is more  
important than  
timing the market.*

- Warren Buffet

# Next Steps

## DO IT YOURSELF

- Follow the 30/30/40 budgeting rule
- Create an emergency savings fund
  - Minimum of 6 months of expenses
  - Invest in a Liquid Fund / FD
  - Your spouse should be able to access this fund
- Take health and term insurance
  - Investments & insurance to be kept separate
- Saving for retirement is imperative
  - Do not withdraw your EPF
  - Choose NPS Aggressive/moderate option
- Start saving for other goals
  - Invest Early
  - Do not get perturbed by volatility
- Opt for old tax regime

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