Sessions

1) Financial literacy Concepts
2) Investment - Stocks, Bonds, Mutual Funds etc.
3) Insurance - Products and Services
4) Various Financial Inclusion Schemes, Pension Products
5) Financial Planning

1

Financial Literacy Concepts

Importance of financial literacy, Global and Indian scenario and Core concepts to improve your financial skills

Our Perspective

What is financial literacy?

A combination of **awareness, knowledge, skill, attitude and behavior** necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Why financial literacy?

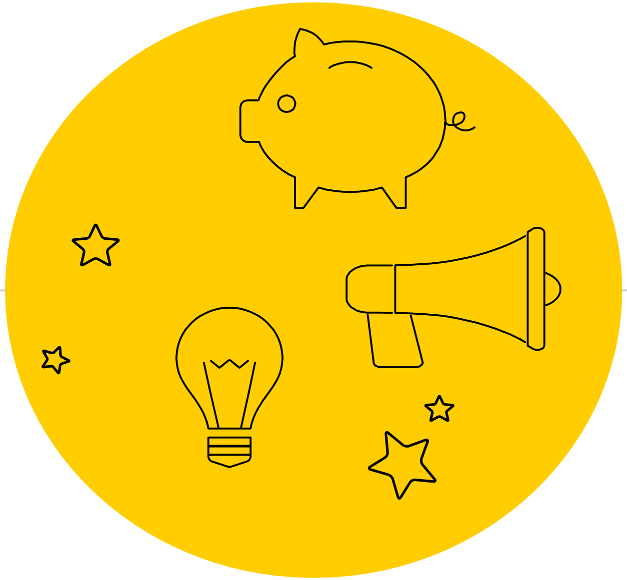
1. Participation of low income groups in the formal financial system
2. Increased life expectancy and withering joint family system
3. Shift in pension from defined benefit to defined contribution
4. Increase in number and complexity of financial products
5. Shifting from cash disbursement to Direct Benefit Transfer of social security schemes.

Financial Literacy

It is a combination of Financial Knowledge, Financial Behaviour, and Financial Attitude necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Misconceptions about money

1. Money is meant for spending.
2. Don’t have enough income to save.
3. Insurance is an investment and Term policy is a waste.
4. Why bother about pension when my children are doing well.
5. Banks ask too many question and will not approve my loan.
6. Stock market is too complex for common people to make investment.
7. Don’t have enough time to make a plan and invest.



Financial Literacy

Core Concepts

1. Saving and Investment
2. Three Pillars of Investment
3. Impact of Inflation
4. Need vs Want
5. Time value of money
6. Power of compounding
7. Price of procrastination
8. Rule of 72
9. Risk vs Return
10. Diversification

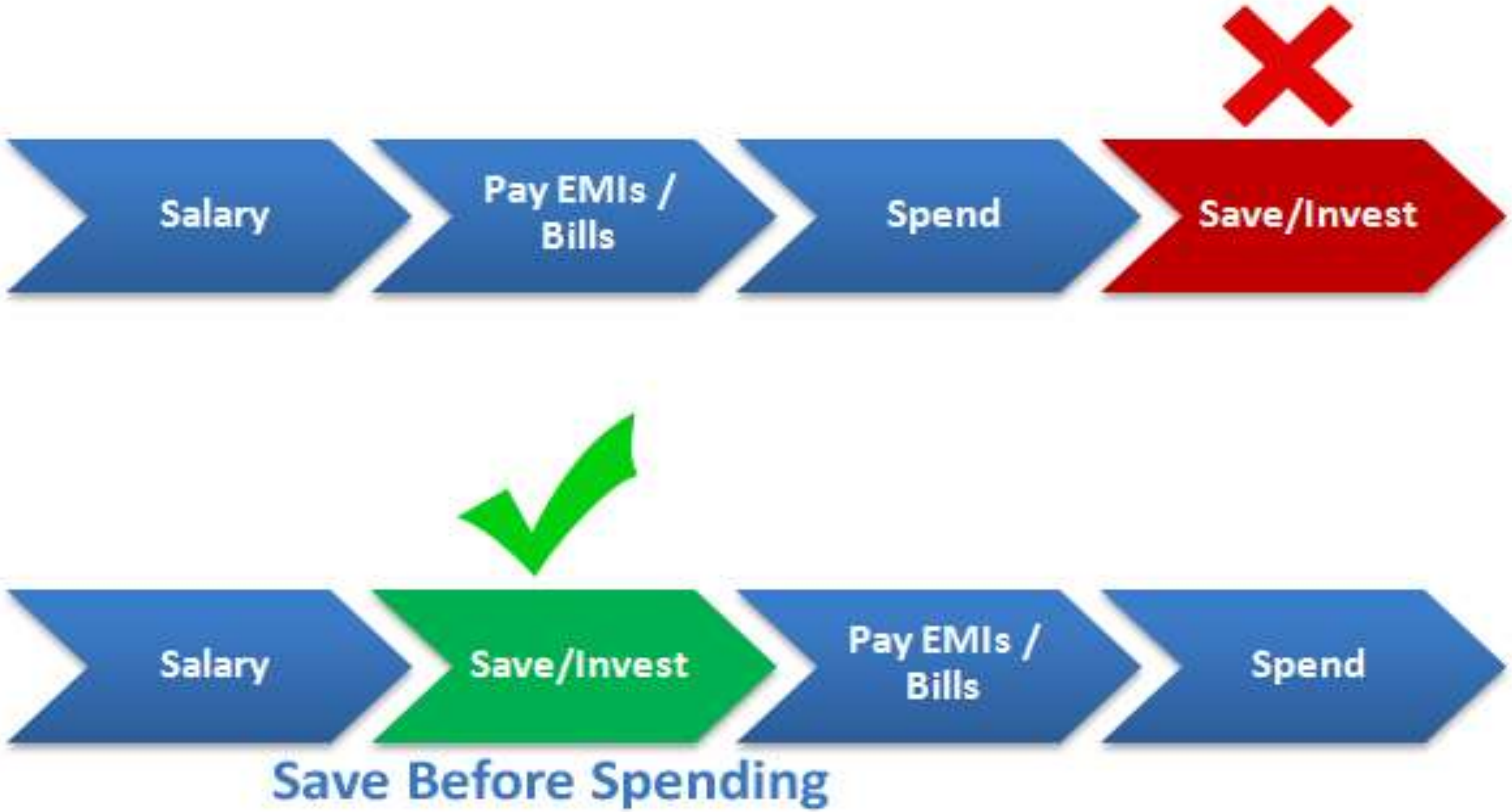
Saving and Investment

- Saving is putting aside current earnings
- Investment is putting your money to grow
- Both are not the same
- Saving is a pre-requisite to investment

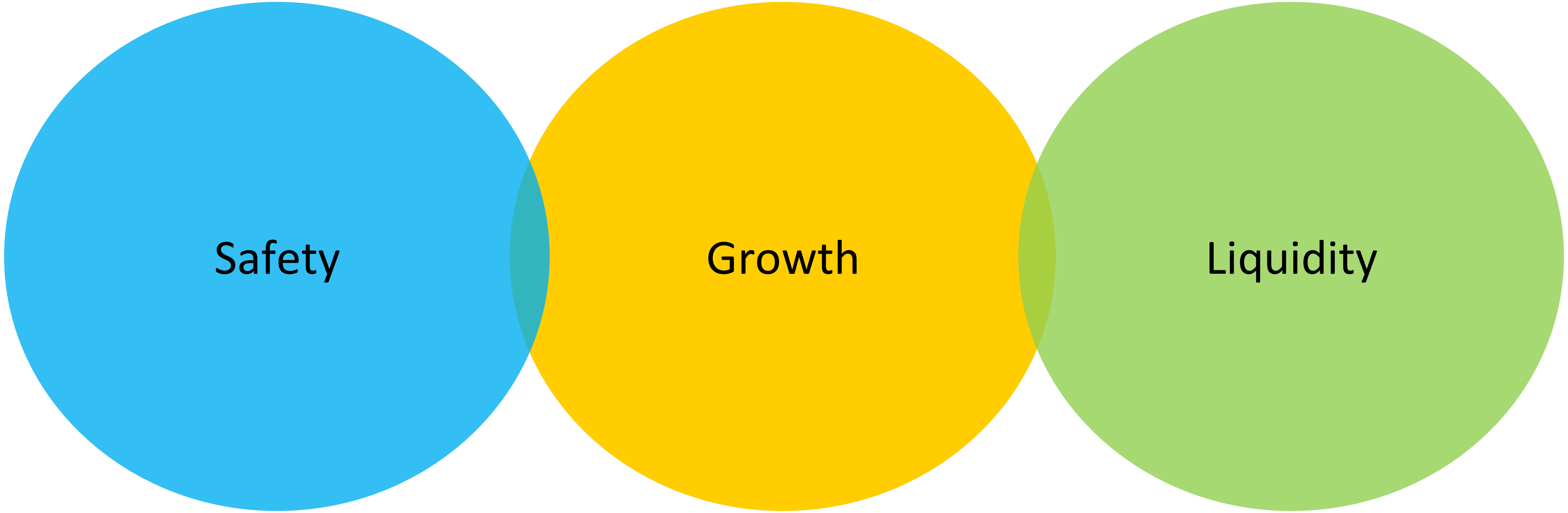
Useful tips on Saving

- Saving is not done once; save regularly
- Spend less to save more; record your expenses
- Pay yourself first; make a budget
- Save to avoid debt; save for emergency & special events
- Choose where to save; keep your savings safe
- Set savings goals; start saving now
- Encourage children to save; value of money
- Make saving easier; set auto tranfer to/from account

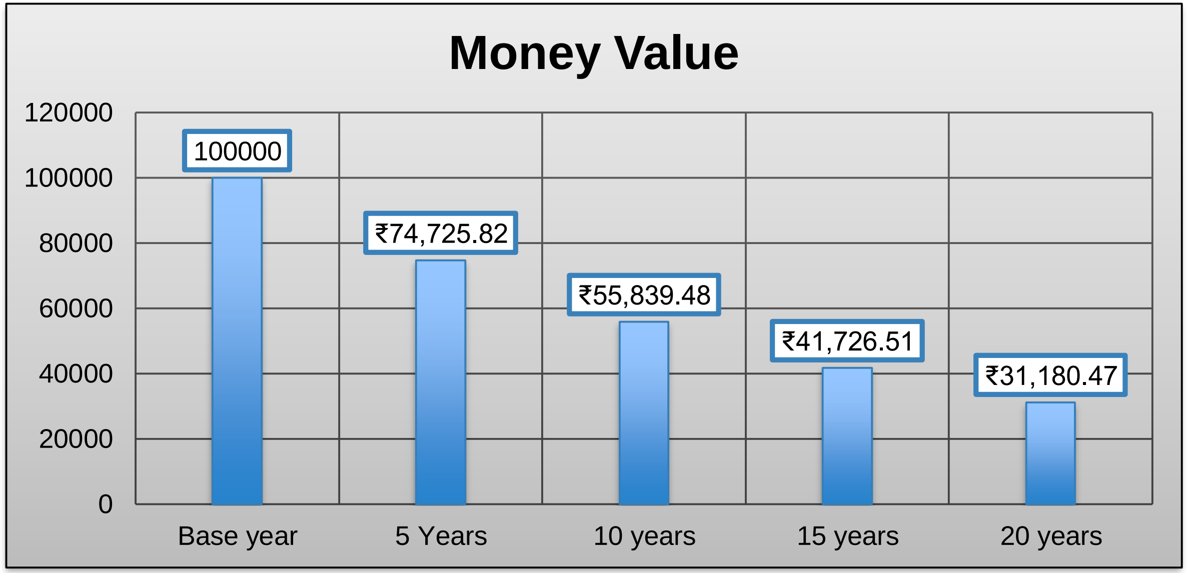
Pay Yourself First



Three Pillars of Investment



Inflation & Its impact on savings



* ***Inflation @ 6% p.a.***

What we see in our passbook is called nominal rate of interest. An investor must look at real rate of interest (nominal-inflation).

Nominal vs Real return

- Nominal rate is reported or stated
- What you see is not necessarily what you get
- Nominal rate does not take inflation into account
- Real rate is (Nominal rate – Inflation)
- An investor must look at real rate of return

Need vs Want

- Identify things you don't need (track your spending)
- Before buying ask yourself if you need it
- Delay your wants until you can afford them

Need vs Want Matrix

URGENT IMPORTANT **Buy now**	NOT URGENT IMPORTANT **Plan to buy later**
URGENT NOT IMPORTANT **Buy if you can afford**	NOT URGENT NOT IMPORTANT **Do not buy**

Time Value of Money

What A rupee today is worth more than a rupee tomorrow

Why Inflation, Uncertainty and Opportunity cost

How Present and Future Value are linked by a formula

$$FV = PV\ (1+r)^n$$

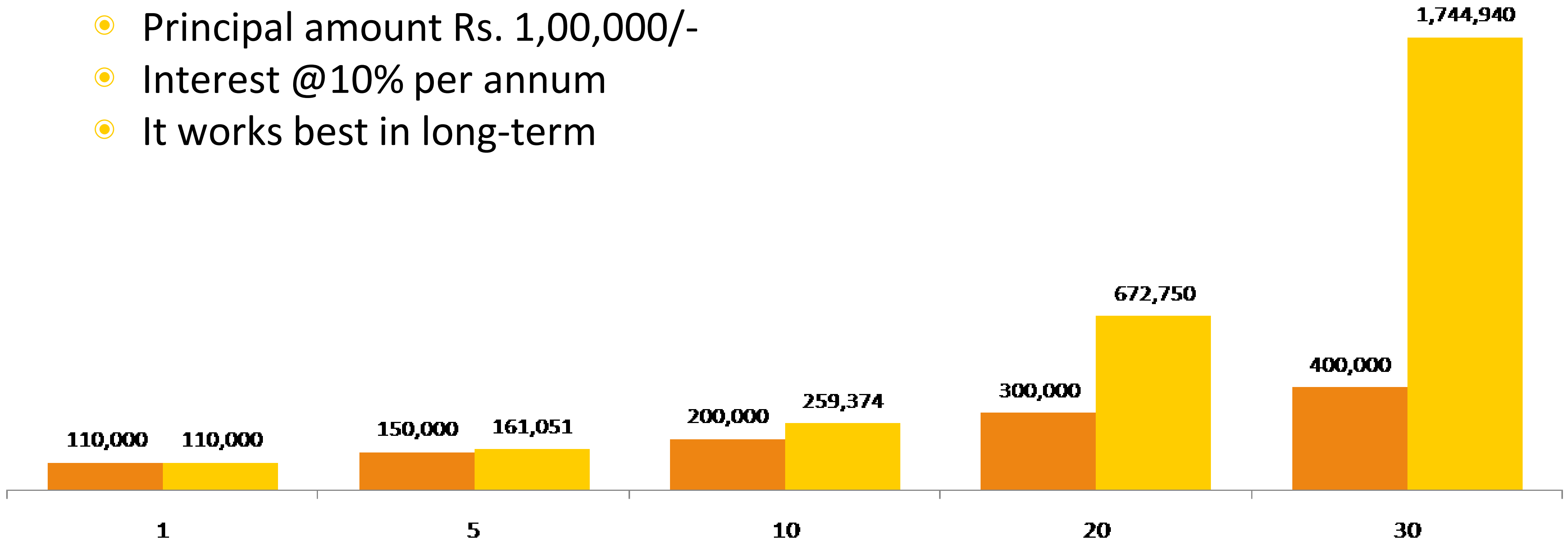
Example: Current monthly exp : 30000. assume inflation of 6% p.a.
20 years later it will be Fv = $30000(1+0.6)^{20}$ = 96214

Compound interest is the eighth wonder of the world. Those who understand it, earn it; those who don't, pay it.

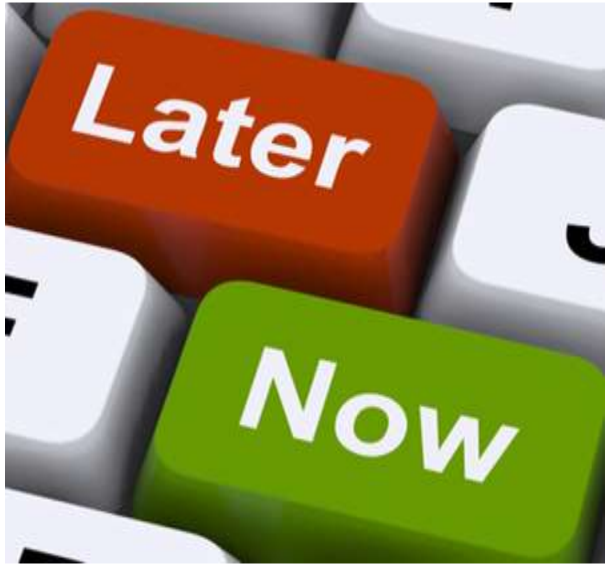
“

Power of Compounding

- Principal amount Rs. 1,00,000/-
- Interest @10% per annum
- It works best in long-term



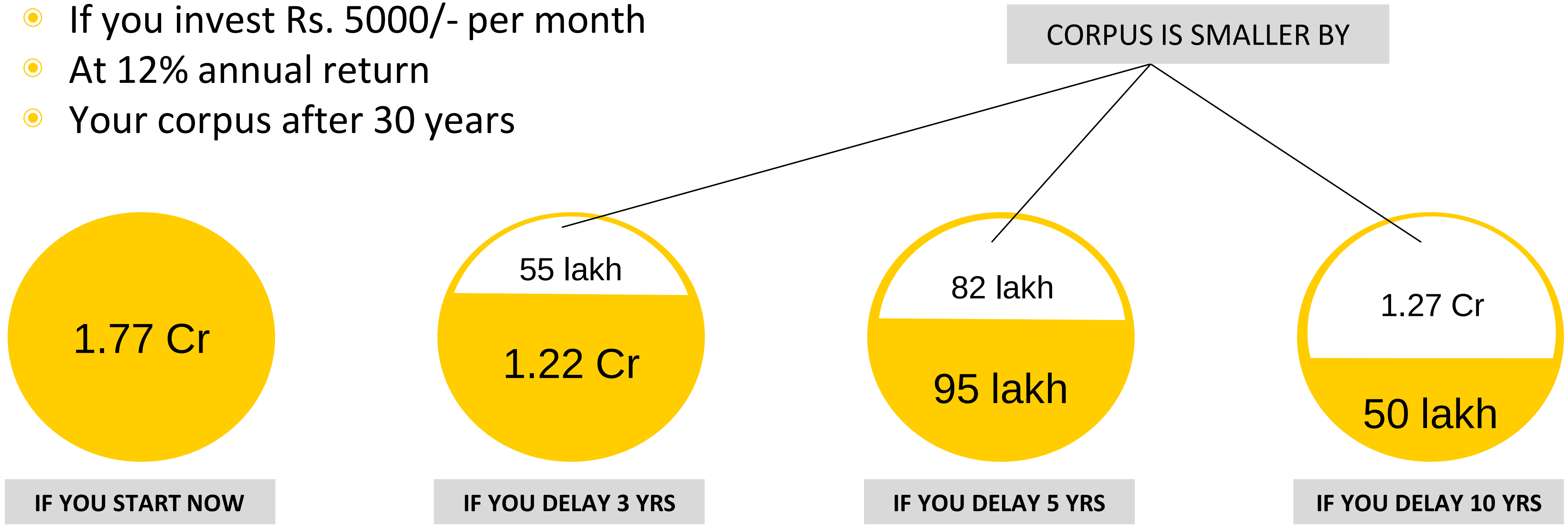
Price of Procrastination



- Delay in investing because your income is too low is a fallacy
- Small amount of investment is more than made up by longer time period
- Magic of compounding ensures that small sum grows into a bigger amount over long term

Delay in Investing can be Costly

- If you invest Rs. 5000/- per month
- At 12% annual return
- Your corpus after 30 years



Rule of 72

How many years it takes for money to double?

72	/	Rate of Interest	=	Number of Years

For Example:

72	/	8%	=	9 Years

Risk vs Return

No such thing as risk free investment.

Risk and return relationship is a trade-off.

Risk can not be eliminated, but managed.

Manage your risk through diversification

Diversification

- Don’t put all eggs in one basket
- Diversification is allocating investment in various financial instruments
- Goal is to find an appropriate balance between risk and return
- Systematic risk like inflation, exchange rate, political instability etc. are not diversifiable

2

Investment - Stocks, Bonds, Mutual Funds, etc.

Investment prodcuts and services. Stocks, Bonds, MFs, EPF, PPF etc.

Financial Market

Money market

- Highly liquid
- Short-term, under a year
- Usually, less risky
- High volume
- Institutional participation
- T-bills, CDs, CPs, etc.

Capital market

- Primary and Secondary
- Shares
- Bonds
- Debentures
- MFs and ETFs

Forex market

- Trading in currecies
- Largest in terms of volume
- Foreign trade
- Hedging

Stock Exchange

A stock exchange does not own shares. It provides a platform to both buyers and sellers of stocks (also known as shares) bonds and other securities. The prices are governed by the forces of demand and supply. It also facilitates issue and redemption of securities as well as payment of dividends.

A stock exchange provides companies with the facility to raise capital for expansion through selling of securities to the investing public.

Primary market

The Initial Public Offering (IPO) of stocks, bonds or other securities are done in this market.

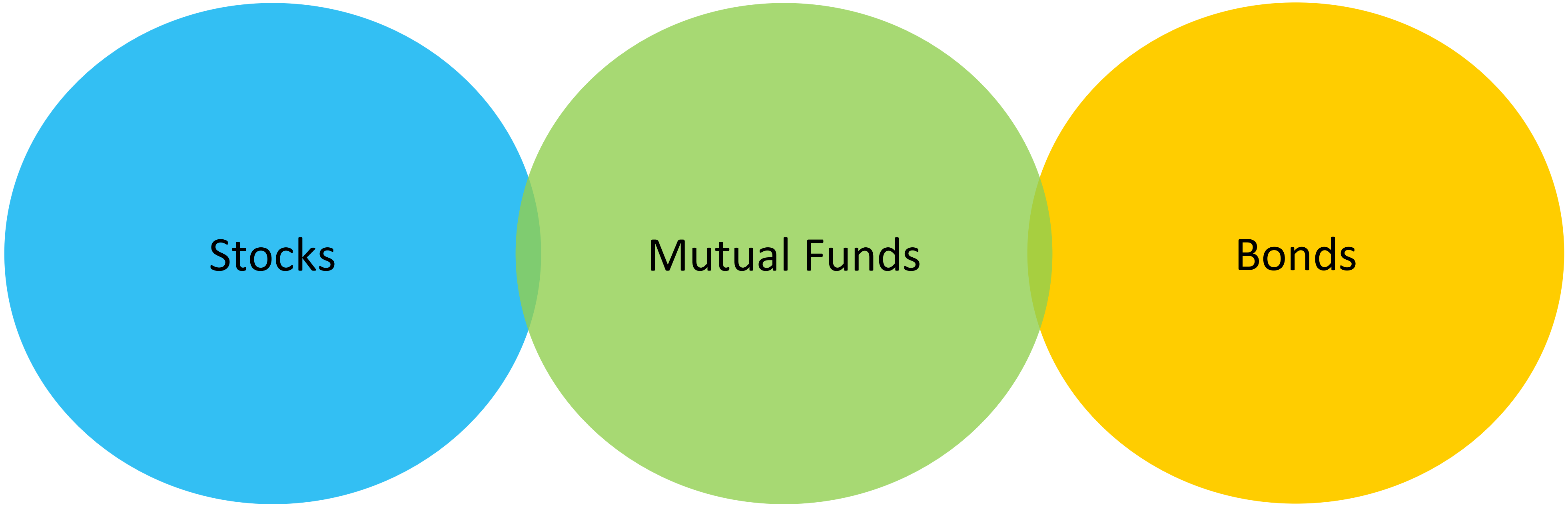
Secondary market

After the IPO, subsequent trading of securities are done in this market.

What is investing?

- Investing means putting your money to work for you.
- This includes putting money into stocks, bonds, mutual funds, real estate, gold etc.
- Investing is not gambling
- Benefits of investing is reaped if you stay invested for longer term

Investment Avenues



Stocks

- Also known as equity or a share
- Part ownership in the company
- Returns in the form of dividends or capital gain
- Potential for greater returns
- Risk of the company not doing well
- Price fluctuations (volatility) in short term

How a stock works?

- When you buy a stock, you’re entitled to a small fraction of the assets of that company.
- The value of the stock is set by many people trading it in an open market—a stock exchange.
- The price of a stock fluctuates according to supply and demand, with many factors influencing these two.
- Because so many companies sell stock, the stock market is a very accessible way to invest.

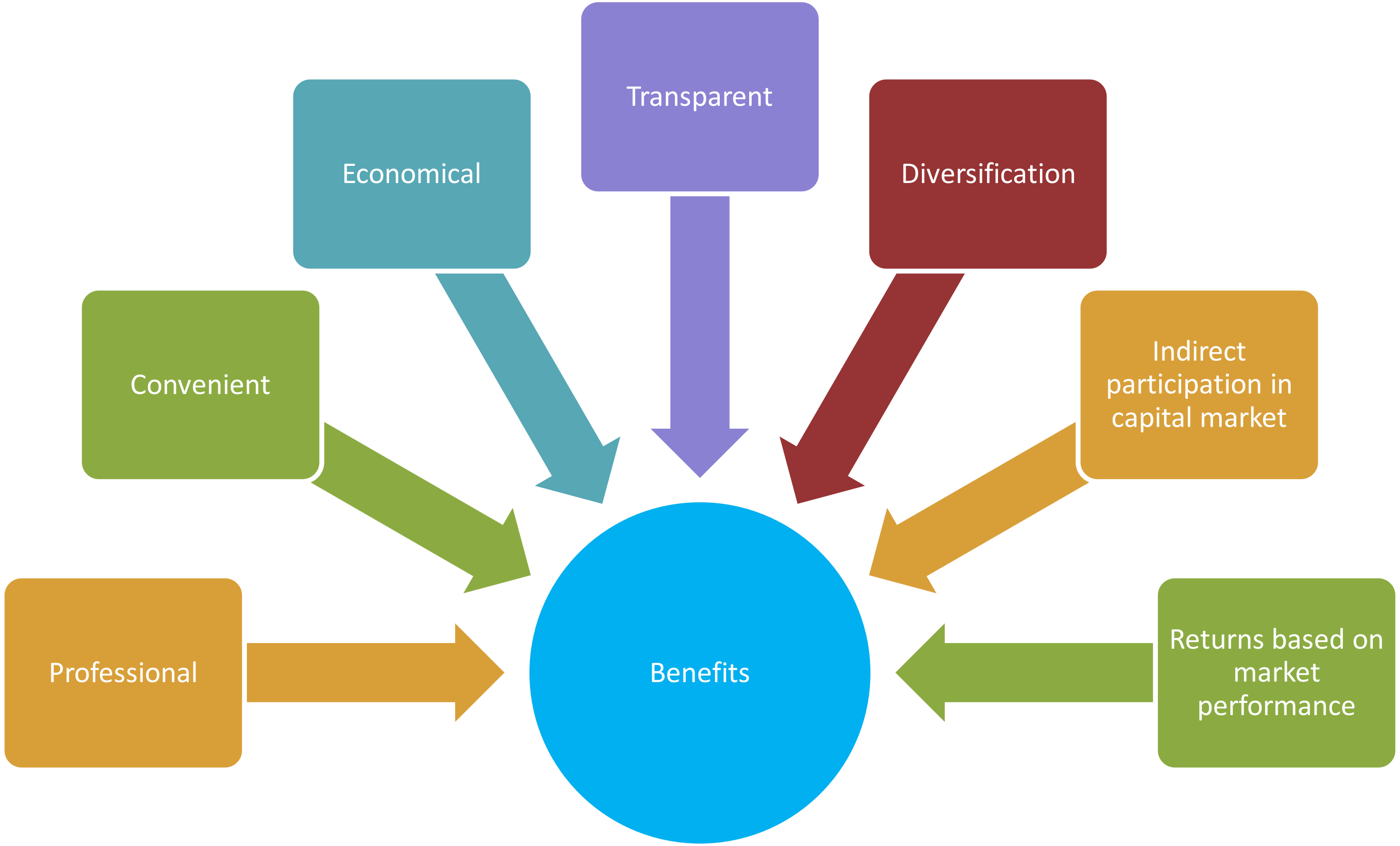
Safeguards

- Diversify (company, sector, etc.)
- Evaluate and analyze to find a good stock
- Understand the stock you are investing in
- Take professional help
- Invest in stocks via Mutual Fund
- Invest with proper knowledge

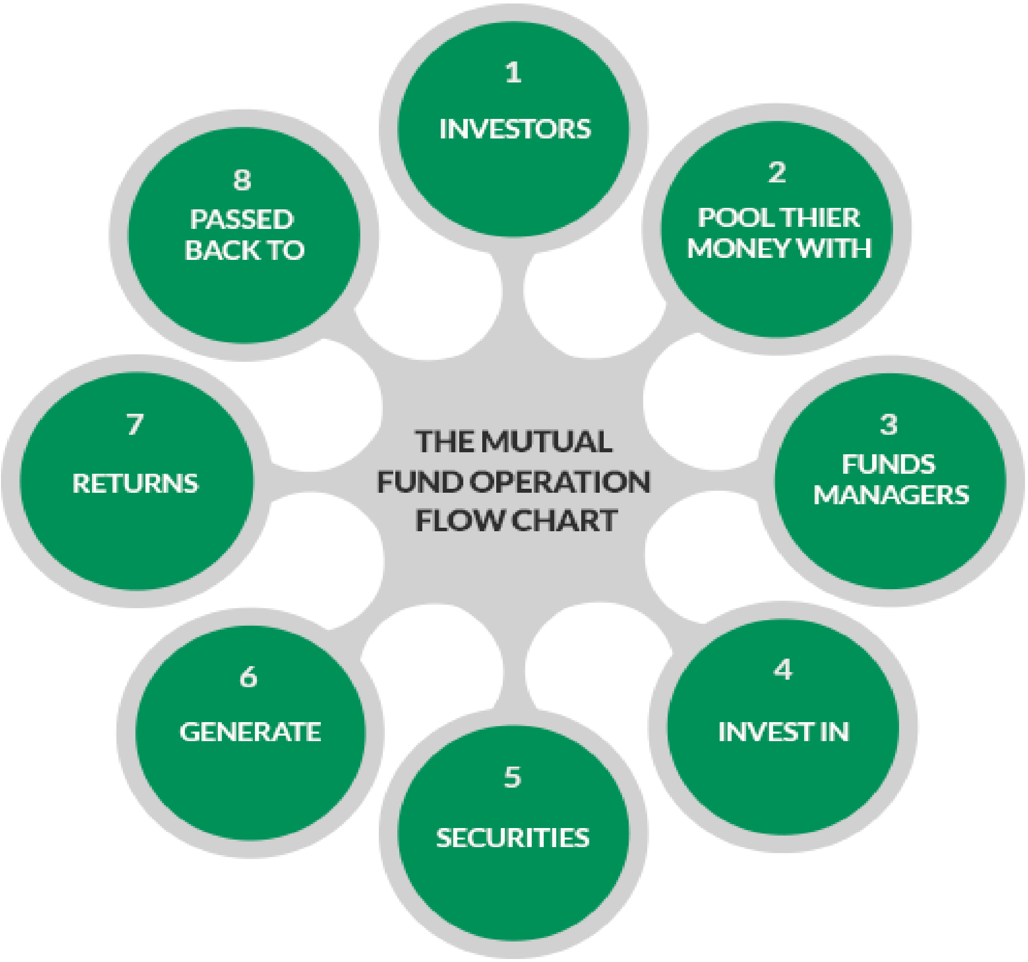
Mutual Fund

It is a convenient way through which one can invest in most types of assets like stocks, bonds, real estate, gold, etc.

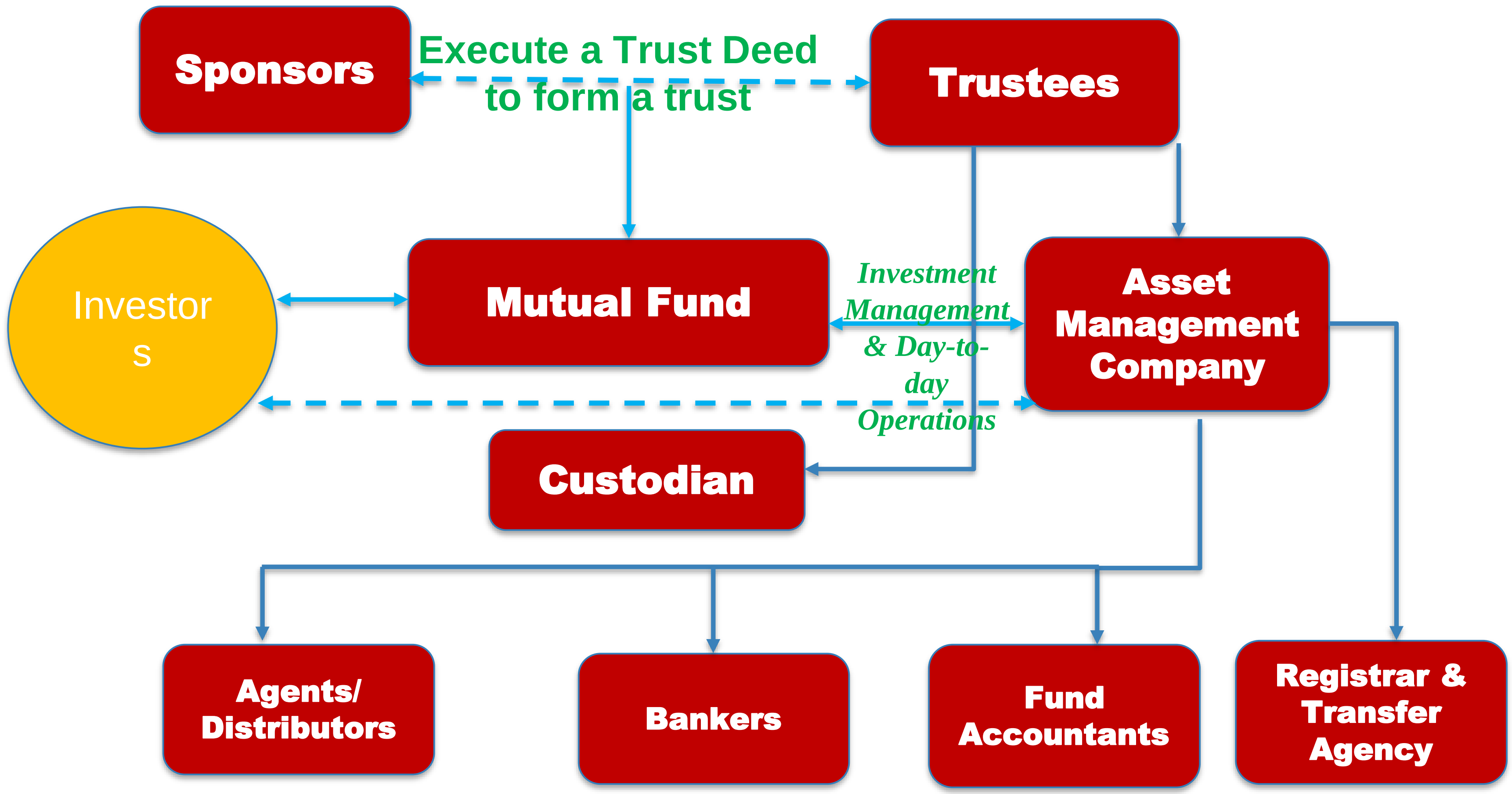
Why Mutual Funds?



Mutual Fund Operations



How does a Mutual Fund work?



Types of Mutual Funds

Structure
- Open Ended Funds
- Close Ended Funds
- Interval Funds

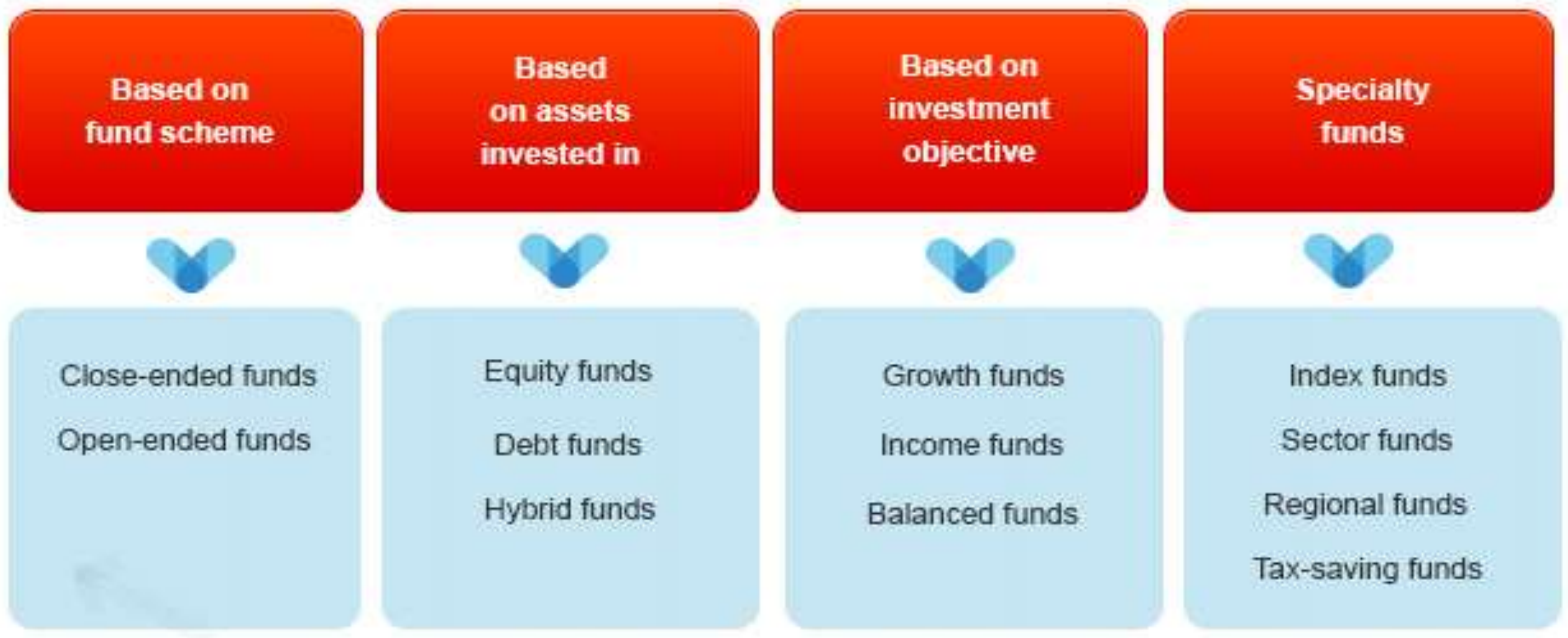
Management
- Active Funds
- Passive Funds

Objective
- Growth Funds
- Income Funds
- Hybrid Funds

Portfolio
- Equity Funds
- Debt Funds
- Hybrid Funds
- Liquid Funds

Other Funds
- ETF
- ELSS
- Pension schemes
- Overseas Funds
- Fund of Funds

Types of Mutual Funds



Equity Funds

- Invests in equities and equity related instruments of companies
- Seeking long term growth, but volatile in the short term
- Suitable for investors with higher risk appetite and longer investment horizon

Equity Funds Categories

Multi Cap Fund*	• At least 65% investment in equity & equity related instruments
Large Cap Fund	• At least 80% investment in large cap stocks
Large & Mid Cap Fund	• At least 35% investment in large cap stocks and 35% in mid cap stocks
Mid Cap Fund	• At least 65% investment in mid cap stocks
Small cap Fund	• At least 65% investment in small cap stocks

* Also referred to as Diversified Equity Funds

Debt Funds

- Invest in different types of fixed income securities
- Aims to earn interest income and capital appreciation
- Suitable for investors seeking income at moderate risk

Debt Funds Categories

Overnight Fund	Overnight securities having maturity of 1 day
Liquid Fund	Instruments with upto 91 days maturity
Ultra-Short Duration Fund	Macaulay duration of the portfolio between 3 -6 months
Low Duration Fund	Macaulay duration portfolio between 6-12 months
Money Market Fund	Maturity up to 1 Year
Short Duration Fund	Macaulay duration of the portfolio between 1 year - 3 years

Hybrid Funds

Invest in a mix of equities and debt

Gain from a healthy dose of equities but the debt portion fortifies them against any downturn

Ideal for investors who are looking for a mixture of safety, income and modest capital appreciation

Equity Linked Savings Scheme

Asset Class	• Mutual Fund investing more than 65% of its corpus in equities and equity related products.
Benefits	• Tax saving u/s 80C up to investment of Rs. 1.5 Lakh • Wealth creation
Choice of Investing	• Growth – Profits added back to the value of investment • Dividend – Profits paid out to the investor
Misc. Features	• Minimum investment amount Rs 500 • Lock in period 3 years

Systematic Transactions

SIP

Systematic Investment Plan is ideal for someone with a goal to accumulate funds for a future goal.

SWP

Systematic Withdrawal Plan is ideal for someone with a lump sum amount to invest for funding regular expenses.

STP

Systematic Transfer Plan is when an investor invests a lump sum amount in a fund and regularly transfer a fixed/variable amount into another fund.

Systematic Investment Plan (SIP)

- SIP is a method of investing a fixed sum, at a regular interval, in a mutual fund scheme
- Similar to monthly saving schemes like a recurring deposit
- Features
  - Enables regular investments without any additional paperwork
  - Convenient way to invest regularly through one time standing instruction
  - Rupee Cost Averaging Benefit to counter volatility
  - No timing the market!

SIP chart

SIP of Rs. 5000 MONTHLY @10% RETURN TILL 60.

AGE	AMOUNT	AT RETIREMENT
30	18 lakhs	1.13 Crs
40	12 lakhs	37.97 lakhs
45	9 lakhs	20.72 lakhs
50	6 lakhs	10.24 lakhs

POWER OF COMPOUNDING

https://www.mutualfundssahihai.com/en/calculators

Step up SIP chart

Monthly amount Rs.10000/- ; Step up 10% every year; ROI 8%

AGE	AMOUNT	AT RETIREMENT
30	1.97 Crs	4.62 Crs
40	68 lakhs	1.29 Crs
45	38.12 lakhs	62 lakhs
50	19 lakhs	27 lakhs

POWER OF COMPOUNDING

https://www.piggy.co.in/calculators/step-up-sip-calculator/

Bonds

- Bond is a more umbrella term for any type of debt investment.
- When you buy a bond, you loan money to an entity; a company or government.
- They pay you back over a set period of time with a fixed interest rate.

Characteristics of Bonds

- Relatively safe and stable
- Preservation of capital
- Predictable income
- Low risk, Low reward

3

Insurance - Products and Services

Need, importance fundamental principles of insurance

Insurance is one of those things we all should have, but hope we will never need!

Need for Insurance

- To protect against loss of income due to accidental death or disability.
- To pay for your medical expenses in case of critical illness or unexpected health issues.
- To pay for the cost of replacement or repair of your vehicle if you meet with an accident.
- To pay for the cost of repair following damage or destruction of your home in fire or flood like incidents.
- Financial coverage when you are legally liable to pay for third party injury or damage due to accident.

Concept of Insurance

- Group of same risk individuals, agree to share the loss.
- Risk is spread in bearable small losses.
- Occurrence is random or accidental and not deliberate.

How insurance works?

You take an insurance for your assets or yourself.

Insurer is the company which provides insurance services.

You become a member of the group of same policy.

You pay a fee (premium) to your insurer to remain a member of the group.

You suffer a loss on something you have insured.

Insurer compensates you by providing for the loss partly or fully.

Insurance is a
Risk Management tool.

Fundamental Principles of Insurance

Nature of Contract

Contract between both insurer and insured, entered with free consent.

Insurable Interest

The insured must have an insurable interest in the subject.

Utmost Faith

Both parties should have faith over each other and disclose all information.

Indemnity

Insured would be compensated for the actual loss, not more.

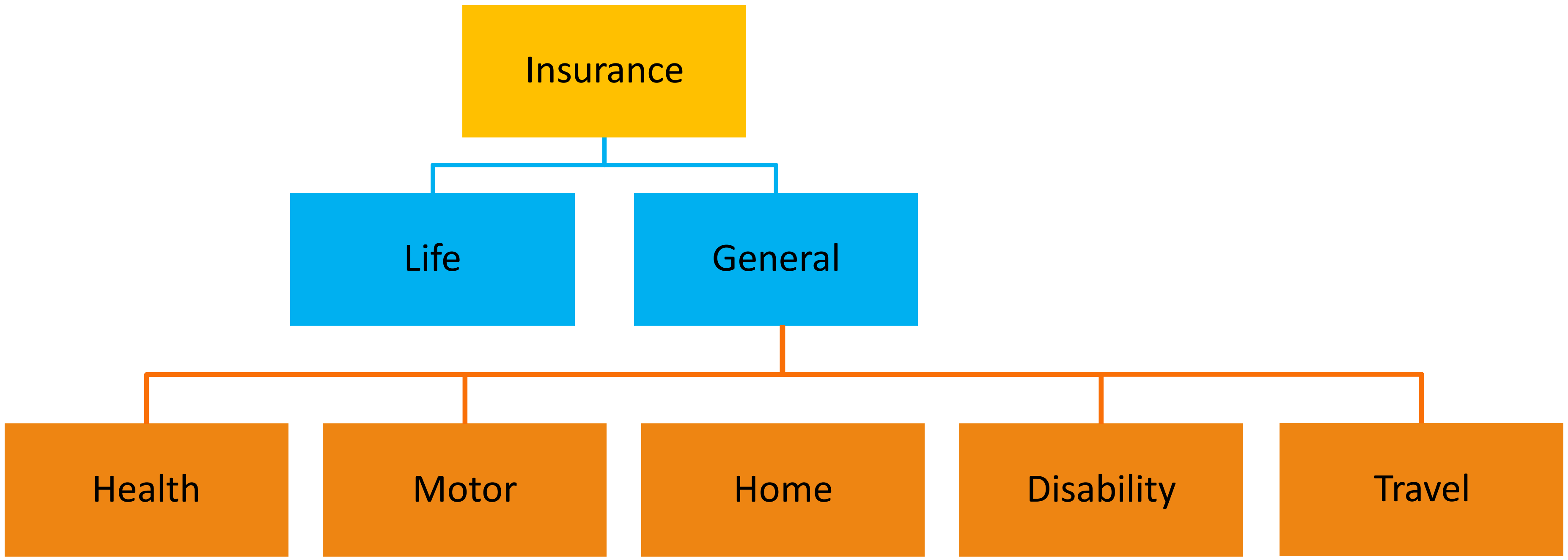
Subrogation

It enables the insurer to claim from third party responsible for loss.

Proximate Cause

When the loss is result of two or more causes, most dominant is considered.

Common Types of Insurance



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Various Financial Inclusion Schemes, Pension Products

Need and importance. Governement focus and the various financial inclusion schemes available for citizens.

Financial inclusion is linked to a country’s economic and social development, and plays a role to connect people with financial services

Being Included Helps

- Make day-to-day transactions, including sending and receiving money.
- Safeguard savings, which can help households manage cash flow.
- smooth consumption and build working capital.
- Finance small businesses or microenterprises.
- Plan and pay for recurring expenses, such as school fees.
- Mitigate risks and manage expenses related to unexpected events.
- Improve their overall financial well-being.

Govt. of India Schemes

PMJDY

PMSBY

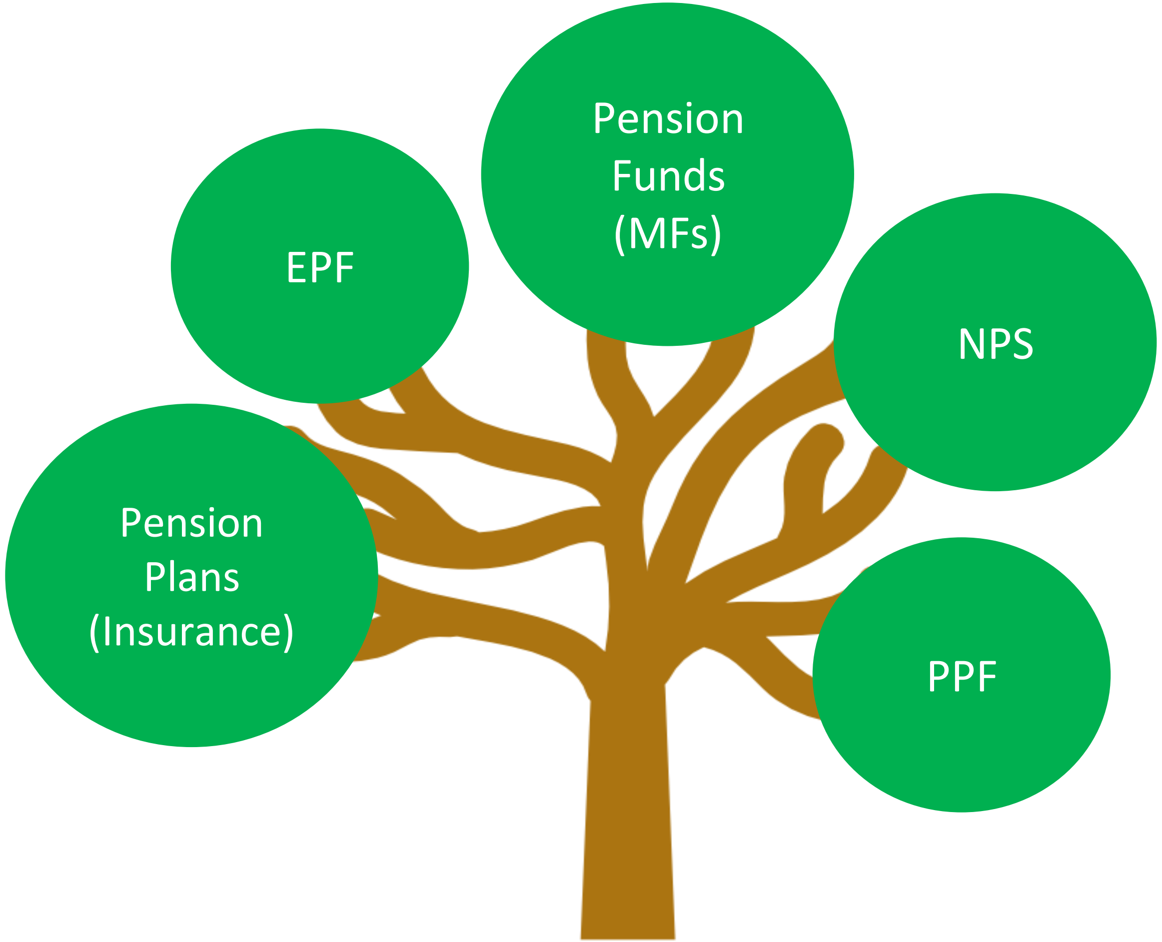
PMJJBY

APY

SSY

It’s never too early to think about Retirement Planning

Pension Products



EPF vs PPF

Particulars	EPF	PPF
Eligibility	Salaried Employees	All Indians, Except NRIs
Interest Rate	8.10	7.10
Tax Benefit	Up to Rs. 1.5 Lakh u/s 80C	Up to Rs. 1.5 Lakh u/s 80C
Investment Period	Up to Retirement or Resignation	15 yrs, Extendable in 5 yrs block
Premature Withdrawal	Partial withdrawal available	Partial withdrawal available (after 5 years)
Tax on Returns	Tax Free	Tax Free
Loan Options	Yes, only in special cases	Yes, 25% from 3rd year onward
Minimum Investment	12% of Basic and DA	Rs. 500/-

Data updated as on 14th September 2021

5

Financial Planning

An overview of the process involved. Case study for creating a retiremnt corpus. Inclusion of Financial Literacy in School Curriculum.

Financial Planning is very important to meet our life goals.

Financial Planning

- Financial Planning is the process of meeting your life goals.
- Our goals can be met through 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 Process

Begin your financial planning by answering 3 questions:

Where am I now?
Where do I want to go?
How do I get from here to there?

Financial Planning Process

1
Consider your skills, education, and interests. All this is tied to your future goals.

2
Identify and establish your financial goals for short, medium and long term.

3
Devise a plan how to achieve your goals. Evaluate alternate plan and select the best plan.

4
Implement the seleted financial plan.

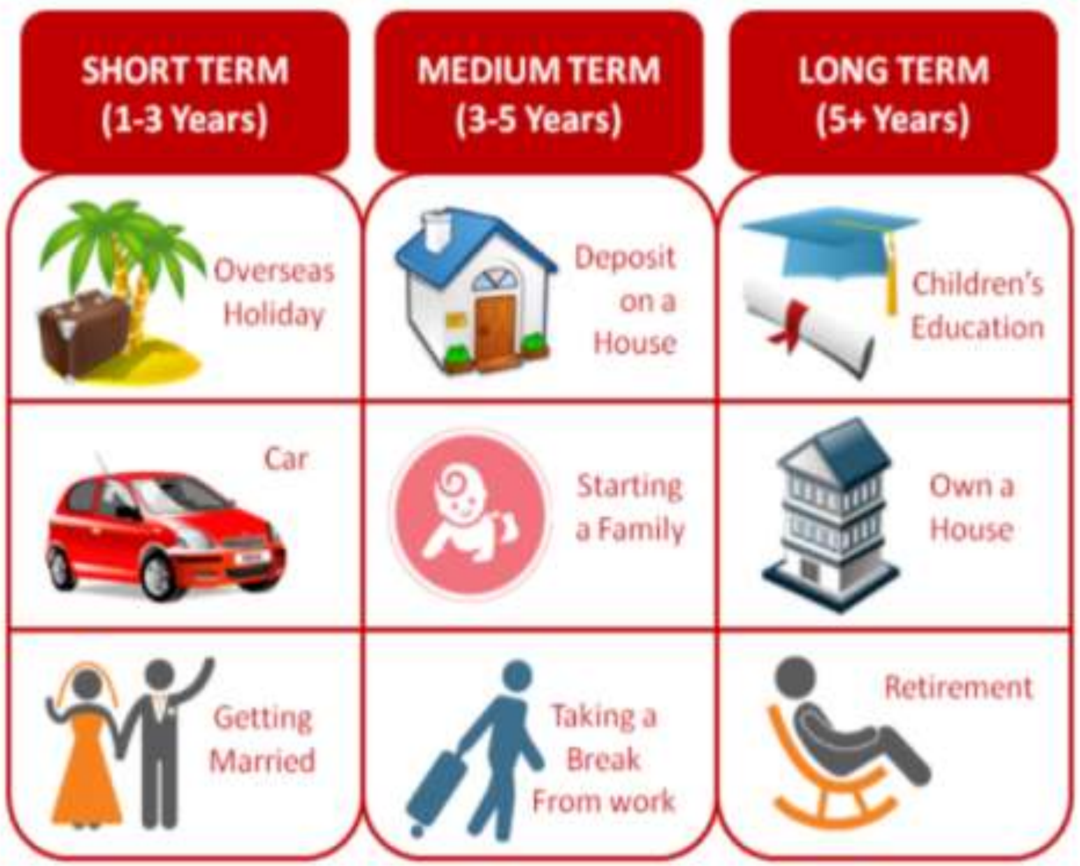
5
Re-evaluate your financial plan as your financial situation or goal may have changed.

6
Revise your financial plan as per your new objectives and goals.

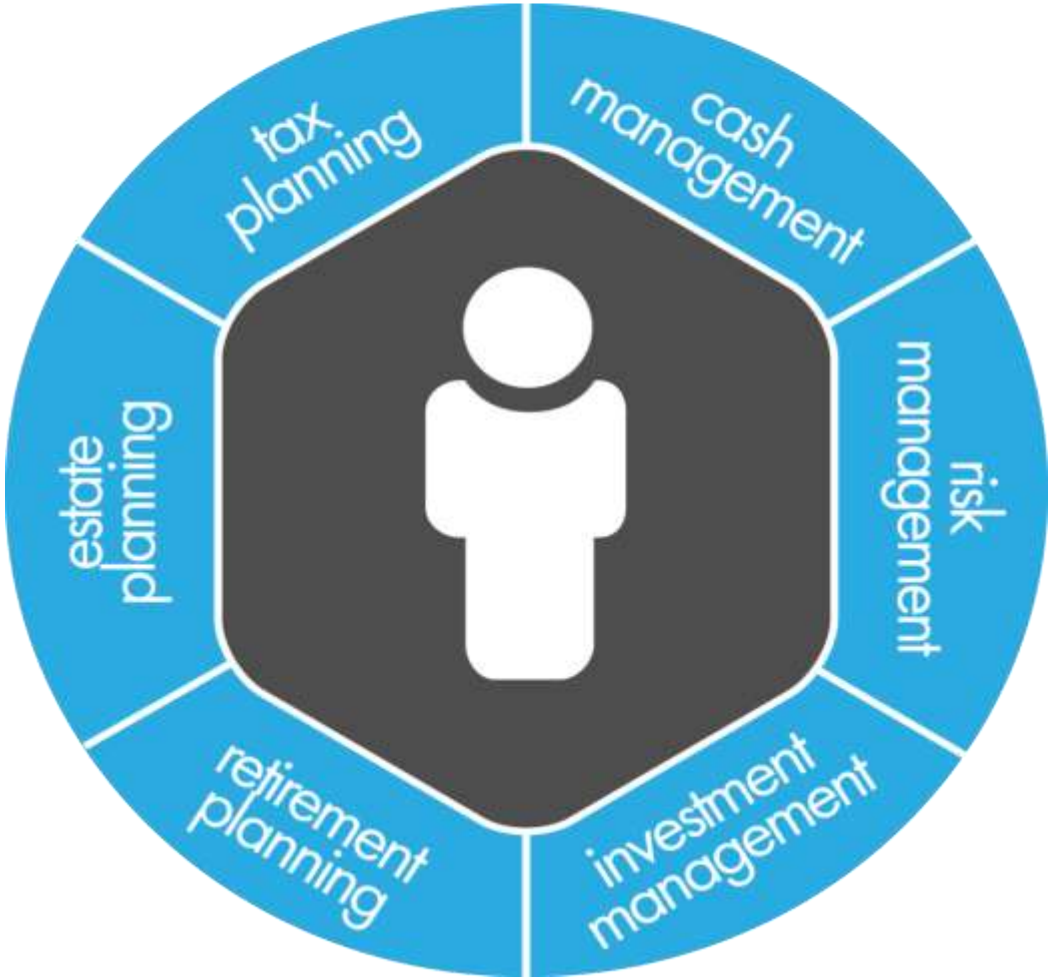
SMART Goals


S
M
A
R
T
Specific
Measurable
Attainable
Relevant
Time Based

FINANCIAL GOALS



Areas of Financial Planning



Estimation Process

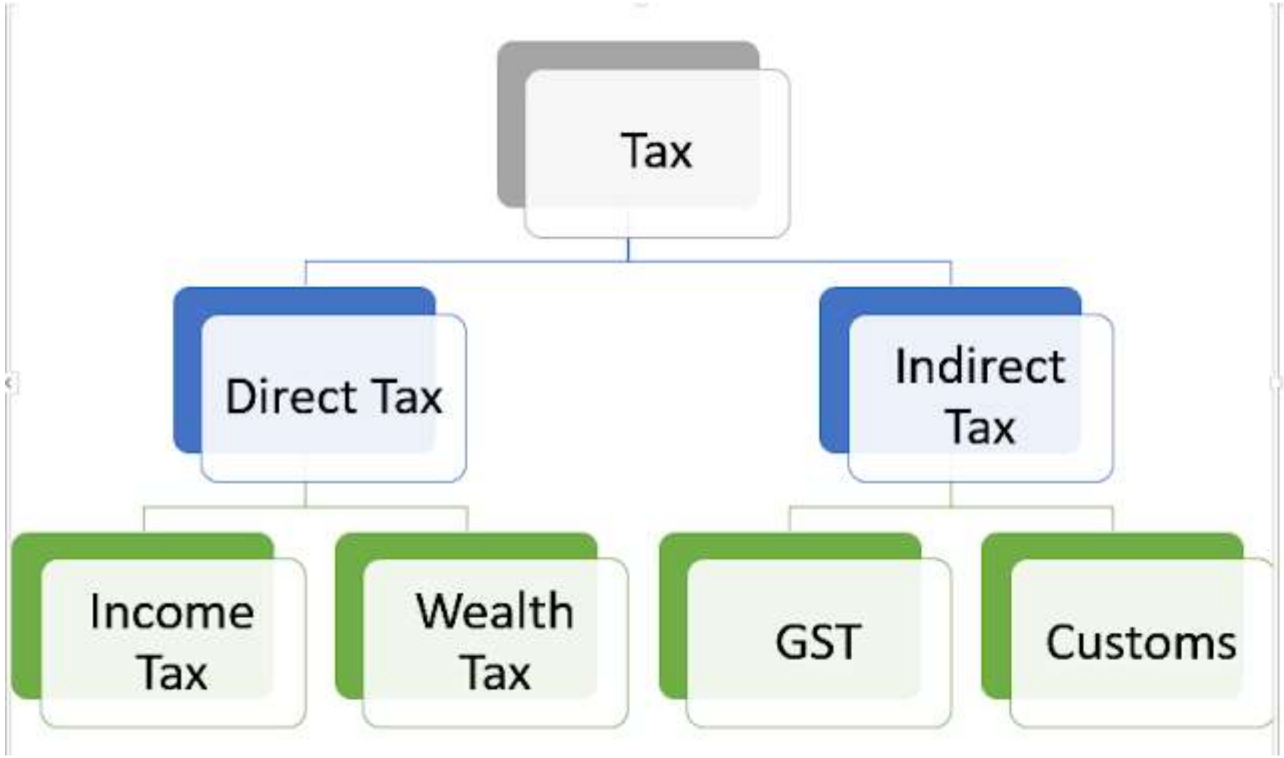
Know your present monthly income and expenditure

Estimate how much income your need per month after retirement

Estimate a corpus that would generate your monthly required income

Calculate how much you need to save per month to be able to build that corpus

Taxation



Tax
Direct Tax
Indirect Tax
Income Tax
Wealth Tax
GST
Customs

Income Tax Returns

Income tax returns are to be filed before 31st July every year. Tax returns for the financial year are to be filed for the financial year, which ends on 31st March. Following information is required for filing income tax returns

Form 16 – Issued by Employer

Form 16 A – Issued by entities who have deducted tax at source

Form 26 AS – Summary of All taxes that has been deducted and credited to PAN

Protect Yourself from FRAUD

Frequently check your financial accounts and credit reports for suspicious activity. A stolen credit card or hacked account can go unnoticed, so it pays to be vigilant.

Report Suspicious Activity - Be aware of the grievance redressal mechanisms. In case of any suspicious activities are found with your account report it to concerned authority

Assure your passwords are secure. Shoot for passwords that are 8-10 characters long with both upper and lowercase letters and at least one number and special character.

Utilize extreme caution when engaging with people online. Scammers like to frequent social media, dating websites etc., to reach potential targets. Be careful what you share online.

Do online searches. Type a company or product name into a search engine with words like "review", "complaint" or "scam". Or search for a phrase that describes your situation.

Protect Yourself from SCAMS

Stay calm.Scammers like to prey on people's emotions. They typically try to scare or trick you into believing something is scarce or a limited time offer using different tactics.

Consider all unsolicited emails, calls, texts and letters a scam. Banks dont ask for password or your personal information. Don't click on links or open attachments in unsolicited email.

Avoid sharing personal information with any person or business that you don't trust. This includes banking and credit card information, your DOB, Aadhar,PAN number & Password.

Make sure your online transactions are legitimate and secure. Scammers have gotten better at imitating company logos, official seals etc. Look for "https" in the URL and a small lock icon on the address bar.

Seek independent professional advice, if necessary. Before you provide personal information, send money or make an investment, talk to a financial adviser, accountant, or even the teller at your local bank.