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Anil Rego

**Staying 'financially fit': My new year resolution!**

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## ARTICLES

Source: IRIS (30 December 2008)

### Staying 'financially fit': My new year resolution!



**Author: Anil Rego**

New Year's Day... now is the accepted time to make your regular annual good resolutions... - Mark Twain

If there is one ritual which takes top priority during the new year, then it's making your 'Resolutions'. Most of the resolutions are broken as soon as they are made, although you have the best of intentions, somehow you seem to fall short.

Staying 'Financial Fit' is not as tough as 'working out to stay physically fit', you can still gorge on your favorite caramel cake and continue to sleep through your early morning work-outs. It's time you gave a thought to 'Get Rich', here's a round-up on the financial resolutions you should make to create ample wealth over the next year.

#### Take control of your finances

Understand your cash flow - what comes in, what goes out - this will help you deduce where you can trim your costs. Study your bank statements to understand your spending pattern; you can understand key problem areas, this year take a vow, not to just file them unread. If you don't have a pre-set budget, sketch out one now, what is more important is to stick to it! Having your finances under control is synonymous to having won half the battle.

#### Don't over-indulge

Indulging in futile pleasures, once in a while is good, although it could have telling effects on your finances. Making it a habit may not quite be impressive - This new year, avoid any impulsive purchases. Ask a simple question whilst you go on a shopping - 'Do I need this or want this?' Buy stuff that are a part of your 'Need-list'. Eating out, partying are more of a life-style now, however, keep a tab on such expenses, although they might seem miniscule in the face of it, when you add these up at year-end, it would end-up being a sizable amount which could have been put to better use.

#### Avoid Debt traps & prioritize your Debts

Credit card expenses are just one way of getting into a debt trap, not over-indulging will keep you away from this. Not all debts are created equal, make a list of your liabilities and organize them by the annual interest rate. Those with highest rates should be paid off immediately. Pay your bills on time to avoid penalty (this could be a fathomable part if left untended).

#### Educate yourself about Financial Planning

Not many of us are keen on planning for our future, we live by the day, it is high time, we get a little more organized. Understand the need for financial planning, start taking simple steps by researching on the net, enhancing your knowledge about available options within the investment world. Be constantly vigilant of the changes which are happening within the gamut of investments, avail the help of a financial advisor if required to get into a methodical investment pattern based on your needs and risk/return suitability. Sketch out your financial goals, if you haven't done them already. You wouldn't start out on a long trip without a road map,

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Mr. Frederick D'Souza has been associated with HDFC Standard Life since April 20

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categorize your priorities across - Short / Medium / Long Term. Invest according to your goals...

**Avail appropriate Life / Health cover**

Eventuality or health hazards, may not be on your mind at the threshold of a new year, but hedging your life / health hazard risk should be your top priority.

Evaluating how much life cover you may need could be a trying task, you need to understand your spending pattern, the corpus required in case of eventuality to run the household in your absence and add the key financial goals which need to be achieved irrespective of situation - for e.g. children education / marriage etc., also need to cumulate your outstanding liabilities, the figure that you have deduced is the life cover that you need. You can plan this by means of a term cover or align your needs alongside any of the innovative insurance plans around and ensure that you are adequately covered.

Health hazard expenses have been escalating at a rate second only to education expenses; it becomes necessary to cover oneself and family adequately. If your parents are in the insurable age, avail a health plan for them. If your company cover (for yourself and family) is insufficient, you can top-up the same with a family floater.

If you have already availed life / health cover, re-visit and evaluate their relevance based on your current circumstances.

**Be Tax - Efficient**

Tax planning, often crops into your mind only during the fag end of the financial year, this year round, spend quality time, right at the start - Utilize all the tax - breaks efficiently this time round, don't leave this important part of your finances for last minute rush. Resolve this year to - Understand & Invest. Evaluate investment avenues which will provide tax - free returns, categorically invest in only such avenues where the returns are tax-free. Diversify and align your investments with your key financial goals. Make a vow, never to conduct haphazard investments - continue your consecrated effort to consolidate all your investments from your need and risk / return perspective.

**Stay Diversified & Disciplined**

Conventional wisdom says your wealth should be made up of all kinds of assets, the idea of asset allocation erupts from the simple fact that not all market cycles move in the same direction. This is a sure shot strategy to have win-win situation irrespective of which direction the market moves. Having a little bit of gold investment will do a lot of good for an equity investor, since the bullion market and capital market move in the opposite direction!

Staying put in turbulent situations and continuing to invest unperturbed is key to achieve optimal returns in the long run. Like a disciplined child gets rewarded, so does a disciplined investor, but remember 'Rome was not built in a day', your wealth will be created only over a significant time horizon. 'Patience is a virtue' - practice it while investing!

**Get Richer!**

Staying motivated and keeping the above resolutions through the year are only going to make you richer than you are right now! Keep this thought in mind which will leave a pleasant feeling through the year and you shall stay committed to your vows.

This year make sure your money is working its hardest for you!!  
*Anil Rego is the founder and CEO of Right Horizons, an Investment Advisory and Wealth Management Company. Right Horizons has successfully practiced a de-risked model with a Contrarian approach.*

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