THEWEALTHWISHER

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Compulsory Dematerialization of Shares

Important Update: This article on Compulsory Dematerialization of Shares was published on 3 Dec 2018, and same evening the government postponed the date to 1 April 2019. Hence the date 5 Dec 2018 (Earlier Deadline) must be read as 31 March 2019.

Compulsory DEMATERIALIZATION of SHARES is a very old and long asked initiative to make the securities market more efficient and save cost. Finally 1 April 2019 onwards the Government through SEBI has made the transaction of shares in compulsory demat form only. Let's see this change in details, know its implication and answer some myths around it.

ansfer of securities only in demat form-
Deadline extended till April 1, 2019

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Dec 03, 2018 PR No.: 49/2018

Transfer of securities o y in demat form- eadline extended till April 1, 2019

The Board, on March 28, 2018, decided that except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository. This measure was to come into effect from December 5, 2018.

Subsequently, SEBI has received representations from shareholders for extension of the date of compliance. In view of the same, the deadline has been extended and the aforesaid requirement of transfer of securities only in demat form shall now come into force from April 1, 2019.

SEBI has amended Regulation 40 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. It says the transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository with effect from December 5, 2018.

Shares, once upon a time were in form of a paper certificate. When you applied for it in an IPO, one used to receive this by post. It contains the name & details of the holder, companies information issuing the share and most importantly the number of shares held by the investor and their distinctive number.

After the introduction of electronic trading, the two depository NSDL & CDSL gave the facility to convert the shares in DEMAT or ELECTRONIC form. So they could be electronically be transferred from one demat to another electronically, similar to how your transfer funds in bank accounts.

But still, many investors are holding paper certificates or physical shares. The physical shares transfer can be done from one person to another by filling a transfer form (deed) and depositing duty.

But from 5 Dec 2018, the shares will not be transferred if you have them in physical form. ***Compulsory Dematerialization of Shares has to be done before any transfer.***

Compulsory Dematerialization of Shares

This decision has invited or generated a lot of myths too. Let's try to answer them:

Myth 1: The value of physical shares will become ZERO post 5 Dec 2018

Reality: the share value will be the same as that of its market price. Only thing is it cannot be traded without, dematerializing it. It cannot be transferred to another person. It needs to be DEMATERIALISE first then it can be sold.

Myth 2: It is illegal to hold physical share or certificates

Reality: There is no problem in holding physical share. You can keep any number of shares in paper form. But as discussed it can be traded after dematerializing it.

Myth 3: Apart from shares, if I have Debt Securities or infrastructure bonds or other company bonds, they also need to be dematerialized before 5 Dec 2018.

Reality: Apart from shares, bonds and other debt securities can be held and traded in physical form.

Myth 4: What if I get or discover physical shares in future that I don't know they exist today.

Reality: No problem. When you discover them in the future & if they are in your name, you can dematerialize them and trade or hold.

Myth 5: What if receive physical shares accidentally like inheritance? What if they are not in my name?

Reality: SEBI has made this also clear that shares received in future by way of inheritance or death of family head, will be dealt as per current rules of succession. This means in case of nomination they will be transferred to the nominee. In absence of nominee, the title will be decided as mentioned in the will or by way of succession certificate.

Myth 6: Can we get the name of holder interchanged after 5 Dec 2018?

Reality: These are called transposition cases and will continue even after 5 Dec 2018 deadline.

What should you do?

First thing, if you have physical shares **get them dematerialized**. 5 Dec is the deadline for initiating the transfer. It is not a deadline for scrapping physical shares. So for convenience & ensuring liquidity, dematerialize the shares. You may contact your DP to help you obtain & fill the form.

Second thing, if you have other securities like **bonds etc, it is better to DEMAT them too**. It saves time and efforts of recordkeeping.

Third, in future only **apply for securities in DEMAT form only**. Major new securities like NCDs etc are now available in DEMAT forms. It is better for you and survivors to have them in demat form in your demat account with the correct nomination.

Lastly, try converting all your securities in **DEMAT/electronic form**. Insurance policies are available in electronic form now through Insurance Repository. For MFs, you may opt for DEMAT units but then the buying & selling becomes difficult. So you can opt for CAS (Consolidated Account Statement) from NSDL to keep a record in electronic form.

Hope this article clear your doubts on **compulsory dematerialization of shares**. There is no need to panic as smooth transition will benefit the investor as well as the other stakeholder like regulator or your share brokers.

Update 3 Dec 2013: NSDL issued an FAQ regarding this topic. Link Here

Mutual Fund Taxation in India – More Details

This post discusses the Mutual Fund Taxation in India in more finer details. Don't worry- no numbers here. I wish to equip you with changing times.

Mutual Fund taxation in India is a clear-cut issue. I am talking about the rates & incidence of Long & Short Term Capital Gains. But there is more to it. You must know a few more rules or pointers to fully know the taxations in mutual funds in India.

So here are the finer points and clarifications for

Mutual Funds Taxation in India

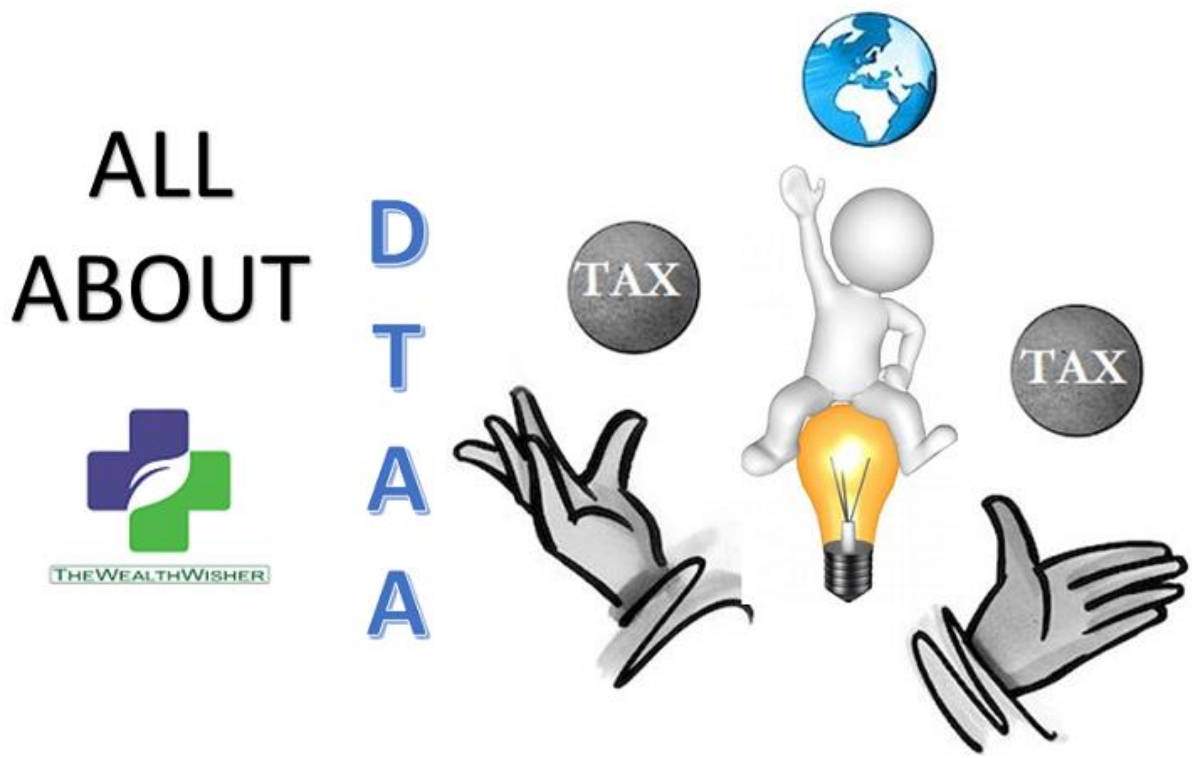
- For tax purposes, a mutual fund scheme has to clearly categorize in an Equity or a Debt Scheme. By definition, any scheme that invests 65 percent or more of its portfolio in equities or equity-related instruments, is considered equity funds.

Implication: This is the reason all hybrid funds, Balance Advantage funds & Arbitrage funds keep 65% of average assets in equity or equity-related (Arbitrage, Future & Options)at all times. So even certain dynamic funds have the mandate to go 0% in Equity or Debt, but when it comes to equity they go in arbitrage securities instead of a debt security like or equity corporate bond. Off course equity taxation is better than debt.

TAX ADVANTAGE IN A BALANCED FUND

- **Balance fund taxation as applicable as equity mutual funds**
- **Short term capital gains of 15%**

- Apart from equity diversified funds, certain hybrid funds, arbitrage funds & equity savings funds are also considered equity funds. They invest in equity (Cash or arbitrage)and derivatives such as futures and options to ensure 65% of the portfolio is in equity securities.
- Any gain from equity mutual fund (SIP or lump sum) held for more than 12 months is considered as a long-term capital gain. For period less than 12 months, short-term capital gains tax is applicable.
- Any gain for Debt mutual fund (SIP or lump sum) held for more than 36 months is considered as a long-term capital gain. For periods less than 36 months, short-term capital gains tax is applicable.
- In the case of **Merger or Re-Categorization**, the calculation of 12 months or 36 months is counted from the date of original investments. So suppose scheme A which was a Debt scheme changed to scheme B after 30 months of launch. If a unitholder who invested in scheme A at launch can claim long-term capital gain by staying invested for 6 more months in scheme B.
- In the case of **Units acquired due to death** in the family as redistribution or transmission, the capital gain period will be calculated from the date of investment by the deceased and not by the acquirer.
- **Indexation** is allowed for Debt Mutual Funds only while considering long-term capital gain tax.
- NRIs will have **TDS** deduction whether they withdraw or switch from one mutual fund to another. If they opt for STP, the debt scheme will attract TDS.
- Many investors opt for dividend option while investing in equity mutual funds. Dividend income from Equity Mutual Funds & Debt Mutual Fund is tax-free, irrespective of when you receive it. The dividend comes as net after deducting **Dividend Distribution Tax**.
- **Gold Funds and Fund of Funds (FOF)** are considered as Debt Category. This is funny sometimes as there are FOF which invest in equity funds or international equity funds. But then also they are considered as DebtInvestments.
- Dividend Distribution Tax (DDT) **cannot be claimed back** like other Tax Deducted at Source (TDS).
- An ELSS SIP units cannot be redeemed in 3rd Year of SIP. Units work on the principal of **FIFO (first in first out)**. So every contribution should be locked in for 3 years. So for a 3 year SIP in ELSS, the last units will be free in the 6th year.
- **Update by Our Reader Mr Tanmay Agarwal: With the Exit Load (If Any), the Capital Gain Taxation also works on FIFO Basis. This means every installment needs to complete 12 months in Equity or 36 Months in Debt MF to Qualify for LTCG. – A very good feedback from him, hence adding this update to the most.**



What is Double Tax Avoidance Agreement (DTAA)

A DTAA is a tax treaty signed between two or more countries to help investors avoid Double Taxation. The key objective is that tax-payers in these countries can avoid being taxed twice for the same income. A DTAA or Double Tax Avoidance Agreement applies in cases where a taxpayer resides in one country and earns income in another.

Let’s take an example of Double Tax Avoidance Agreement or DTAA to understand this. For example, – Raj is a US-based NRI investing in Indian Mutual Funds and makes short-term capital gains by selling Equity Oriented Mutual Funds (Not taking TDS deducted by MF for example sake). As per Indian taxation, pays 15% tax in India. As per US tax laws, the rate of such gain is 30%.

So suppose India does not have a DTAA with the US, Raj will end up paying 15% in India and 30% in the US.

But fortunately DTAA between India & US exists, hence Raj will pay only higher of the 2 rates in the US. So he will pay only 15% in his US returns and take tax credit benefit of the tax already paid in India.

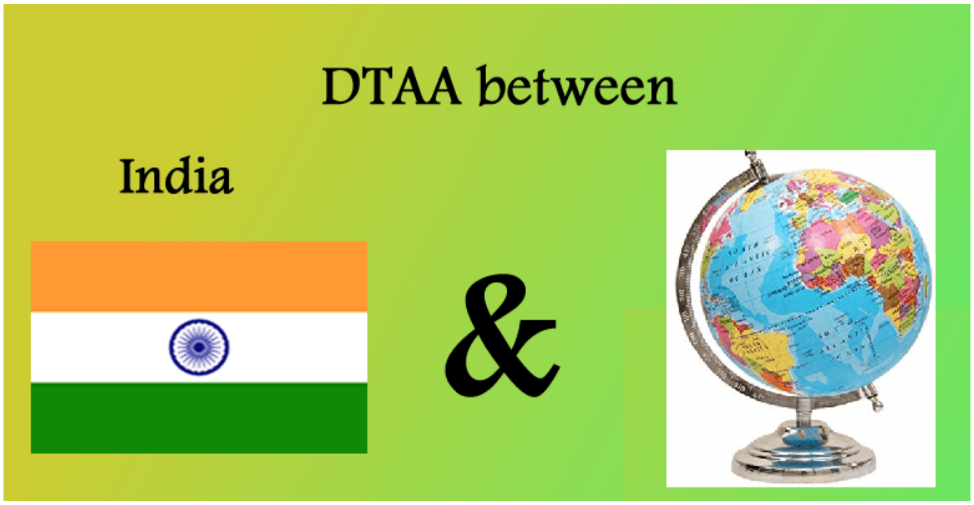
Hence his outgo is 30% and not 45%, in case the 2 countries do not have a DTAA.

Another example, If an NRI has an [NRO account] in India, the TDS rate is 30%. But if the resident country is say, Sri Lanka, the TDS will be 10% only.

So DTAA works for both for Tax Credit & lower tax concessions.

So Double Tax Avoidance Agreement is:

A type of agreement between two countries with reason to avoid doubling of taxes in hands of its residents. Otherwise, do you think NRIs would like to invest in their home country?



Other objectives of DTAA

- Tax-payers investment information collection and clarity on rules for cross-border transactions.
- Attracting investments from home country. For eg from India, many NRI wishes and already invest for the love country, returns and intention to settle back.
- Offer concessions in the tax rate. In many countries' DTAA, the rate is 10% or 15%.
- Money invested and tax helps the development of the country.
- DTAA also clears ambiguity in taxation for income earners from sectors like shipping income or air.

Scope of DTAA

India has the DTAA agreement with more than 84 countries which includes major countries like Australia, Canada, Germany, Mauritius, Singapore, UAE, the UK, and the US.

You can check these agreements here: https://www.incometaxindia.gov.in/pages/international-taxation/dtaa.aspx

DTAA can be comprehensive in nature like covering all aspects of income. It can be limited in nature, only with the scope of addressing income related to inheritance, shipping etc.

The rules are different for each country & respective treaty. For eg, the tax treaty with Mauritius has zero tax on equities capital gains, but the US imposes capital gains on such investments.

Situations you can benefit from DTAA

1. Temporary deputation in another country and income arising in a foreign country.
2. Being NRI, you wish to invest your foreign income in India.
3. Fees for technical work and royalty are taxed at 25% in India. Under DTAA the rates are in the range of 10-15% for most of the countries.
4. Equity investing through certain countries like Mauritius or Singapore can be advantageous in comparison to US, UK or UAE.

Requirements to claim Benefits under DTAA

The most important document that you need is the **Tax Residency Certificate** or TRC in short.

A TRC is a certificate from the Government of the country in which such person is a resident. This is like an evidence of a person's residency in that country. The income tax authority provides the certificate after filling the form and depositing the prescribed fees.

One needs to submit TRC to the deductor (bank or institution) to avail the lower tax concession.

Apart from TRC, one also need to be ready with a copy of PAN card, self-declaration-cum-indemnity form, copy of passport and visa etc as supporting documents.

This article gives you a birds' eye **of DTAA or Double Tax Avoidance Agreement**. The details can be worked out as per situation with your accountant.

2018 Review – A to Z – Fun, Laughs & Lessons

What went good, what was bad – Let's welcome 2019. A 2018 Review of learning & lessons – Through Alphabets.

Want to be a Zillionaire? Read at the end – How You can be ONE (Fun)

2018 Review

A Asset Liability Mis-match (ALM) – New Word

Yes Institution too did what "poor joe" does. Earn below what you need to pay. Poor Joe does it by not understanding inflation, and institution did it by not understanding the interest burden. They borrowed for 3 to 5 years and lent in form of loans for 10-20 years. How will they pay to the person asking his money after 5 years if new money does not come? A super duper Ponzi scheme. Result – Genuine home buyers are not getting loans disbursed!

B Bitcoin – The "Global Greed Fiasco"

No 2018 Review can be complete without mentioning Bitcoins. Bitcoin to the tulip trade of the 1600s – Same fate. After trading at levels of more than $19000/bitcoin in 2017, it traded around $4000 at the beginning of December. And, many in India called me "F" Conservative when I wrote – Bitcoins do not qualify as an asset so no allocation- "under my watch". Remarkable example – How the entire world came together – with their GREED and inflated a super bubble. Never witnessed before – Only Read, but now seen with naked eyes.

C Crude Oil

Brent Crude oil had a very interesting year. It kicked off the year at $66.50 per barrel, then rose up to above $85/ per barrel, & fall back to $59 by early December.

Many say Modi's fate is controlling international crude prices. Before someone says "Modi Tael Chor Hai" (PM is an Oil Scammer) – let me just tell what I felt. We import 90% of oil requirement and still sell more than 2 crores vehicles a year. We are just building and selling future – Iron Junkyard. I just cannot wait to see Electric Cars in India.

D Diversification

2018 reminded us yet again of the importance of a well-diversified portfolio. Investors had a tough time with both Equity & Debt, as well as property. Debt NAVs corrected – Blowing the bluff that Debt MFs are equivalent to Fixed Deposits. Very well deserved lessons for a seller who SELL for greed and buyers who FALL for greed.

E Elections

My own state saw a washout. Elections are equivalent to wars now with the only difference – your enemy is your own countrymen.

Investor saw elections as a reason to invest or not. Any reason which makes them forget their own goals, own strengths is worth talking and understanding. Really it is time we check elections or they will be a headache in our country which thrives on emotions.

F Finance Ministry

For all bad reasons this time "finance ministry" took the blame. Whether it was RBI conflicting views or Raffel or markets correcting. He proved GST was good Demo will be good too. Still, everybody says PMO is efficient FM is not. Spare the guy – he is Cinderella of the ministries. He just needs to lose a shoe.

G GDP & Growth

This is what you see only thing CONSISTENT. The change India is undergoing and the pace of change – Just remarkable. There have been a few disruptions already (Jio, Jandhan, Amazon, Aadhar etc), there will be 1000 at least more in the coming 1000 weeks. Forget 7% or IMF figures- Open your eyes and just look around.

H House Prices & Properties

House prices if high makes everyone happy. An amazing kind of sensex in mind. 2018 saw no revival, so gloominess will still prevail in 2019 too.

I IL&FS Fall

Only 2 public auctions of Luxury Cars & household item caught ears. Imran Khan seeling cars buffaloes of Nawaz Shariff & New Management selling JAGS & MERCS acquired by old management of IL&FS. A name – which means around 350 companies in one, with huge land, office spaces, and business. The failure led jitters to MFs and stocks. Why buffet says " a bad business with honest management is worth looking at than a good business with bad management."

J Junk Loans – Junk Future

Forget election promises, but this year 2019, its start of 2 new thoughts:

- Should you be OK if you are not serious paying back your loan? Farmers make 60%+ of our countries occupation by number and they have been told not to pay. So someone can show mercy at you too?
- Income Taxpayers, need to think – is this the way you like to be treated? Pay someone else loans? The whole transaction seems

K Know your limits

A comfortable retirement remains a huge concern for many. Debt means low or fewer returns, Equity means sleepless nights. Risk Assesment – Never Heard of! Asset Allocation- Only Theory!

L LTCG introduction

Equity party over? – We say we never thought we were having a party!

Long Term Capital Gain issue slowed the pace and increased questions especially in the mind of HNIs (one who can pay the tax). ULIPs seller smiled and pounced the opportunity. LTCG never was or should have been the reason to invest in equity. It was a perk, pulled back.

M MF Reclassification

MFs were keen on “becoming holy”. SEBI made it sure that they clean the system and start by knowing what they are working on. Mutual Funds have become a household name now. MF Sahi Hai campaign helped and so the internal things like Reclassification & Rationalization.

N Neerav Modi

A man small in height shook the second largest Public Sector bank in India- PNB. Due to his wrongdoing now PNB is selling its HQ to maintain liquidity. Still, out of sight the man and the scam was like a jolt on many banks.

Due to one or the other reason ICICI Bank, Yes Bank, Axis Bank, KMB all had a rough 2018. Important lesson. Trust comes before money.

O Optimism

The year had some very positive moments. I am not talking about hi-profile weddings!

Do you remember how the world came together to extract the underwater trapped soccer boys in Thailand?

Best moments when the boys saw the daylight again. Hope is what keeps us going and these moments uphold the faith.

P Prime lending rate – not a benchmark now

Another milestone is Loans rates getting attached to an external benchmark. RBI to Banks- Now play the interest rate game on your balance sheets.

For borrowers, nothing better than this exists in developed markets too.

Q Quantitative easing- FED Rate

More than our rates, we were watching when Fed Reserve (RBI equivalent for the USA) will increase rates. Trump wanted no increase but FED had announced 5 cuts. More than economy, it was a family –feud now. Twitter handle of POTUS & FED was the busy entire year. Trump eventually fired a few to say –he is the king.

R Rupee fall

Felt bad to look at the harmless dove rupee chased by vultures. Many said, “ ye to crude ki Mahima hai” (its all because of crude oil price volatility), some blamed NRIs. Someone pulled out, that entire world’s currencies are affected, Rupee is “comparatively” a Shaktiman.

Lesson: International Factors can be bad for an all Indian portfolio. Be ready for a connected world.

S SEBI

When markets are volatile, they work overtime. Their vigilance, the guiding hand was seen and felt all over the year. They came out with many measures for the future. Equity investors will be benefitted. Equity MF investors got low expense ratio – Kudos!

T Trump & Trade-war

As always, Donald Trump definitely managed to outsmart global leaders during 2018. Whether you like or not, he simply still cannot be ignored. He was busy fighting Russians, his own staff, his wife (oops), German Chancellor, France’s PM, Canadian PM, Chinese PM, – the famous trade war. A great case for future researchers.

U Urjit Patel & Party

Something does not feel right when you see Urijit Patel, Raghuram Rajan, Arvind Subramaniam and many more acquire – SILENCE. We will be good in the future, but it feels good when you are in safe & trusted hands. Why do we have to land every time and change pilot? What’s bothering them?

V Volatility

You: How will be 2019?

Financial Advisor: Same like 2018… Volatile.

Elections again in the first half, year-end for corporates and many reasons still not in sight. Roller coaster coaching classes – The next best business.

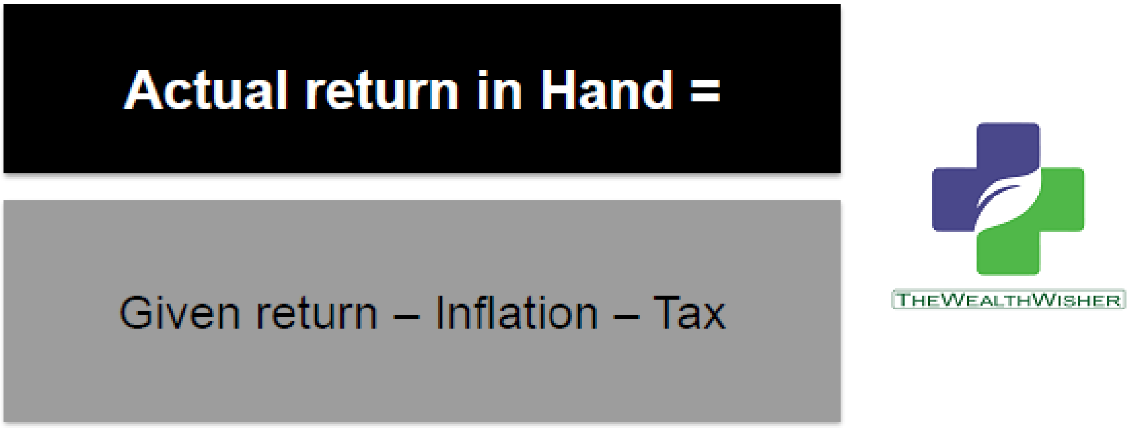
W Why me?

Because you still go knowingly or unknowing, to place where you will die!

What??

Ha ha… this is the title of a famous book " All I Want To Know Is Where I'm Going To Die So I'll Never Go There, by Peter Bevelin.

You know if you don't plan you will be a mess. If you do not give time to your investments you will have a bad time. If you don't act – you will be nowhere near the responsibilities, the goals & dreams. Yet you ignore. Hope 2019 will be a year of turn around and reverse walk.



The Concept of REAL RETURNS

Concept of Nominal Returns Vs Real Returns

eturns … too have a variety? Yes … Any investment that you make or if it promises a return talks about only “Total Returns” or “Nominal Returns”. But these are not “Returns in Hand”. Let’s check the difference between **Nominal Returns Vs Real Returns**.

As the total returns have components and when adjusted with these then only you get “Real Returns”. If you are salaried it is similar to the concept of CTC. CTC has component and deductions like EPF or Income Tax. Your “Net Take Home” is different from Monthly CTC.

If you are a businessman, your earnings are subject to Income Taxes or expenditures that you incur to generate business. So there is a difference between Gross Proft & Net Profit after Expense & Taxes.

So what is this concept of Nominal Returns Vs Real Returns?

Some say that Real Returns are superior to Nominal returns. Is it so? Is Nominal Returns concept a lie?

Let’s find out!

Different return measures provide information about different things. It is not, as some suggest, that one is inherently superior to another.

Rather, they measure different things, provide a different context, and are appropriate in different circumstances.

When we talk about Nominal Returns & Real Returns, ***Nominal Returns*** are what an investment generates before taxes, fees, and inflation.

It is simply the net change in price over time.

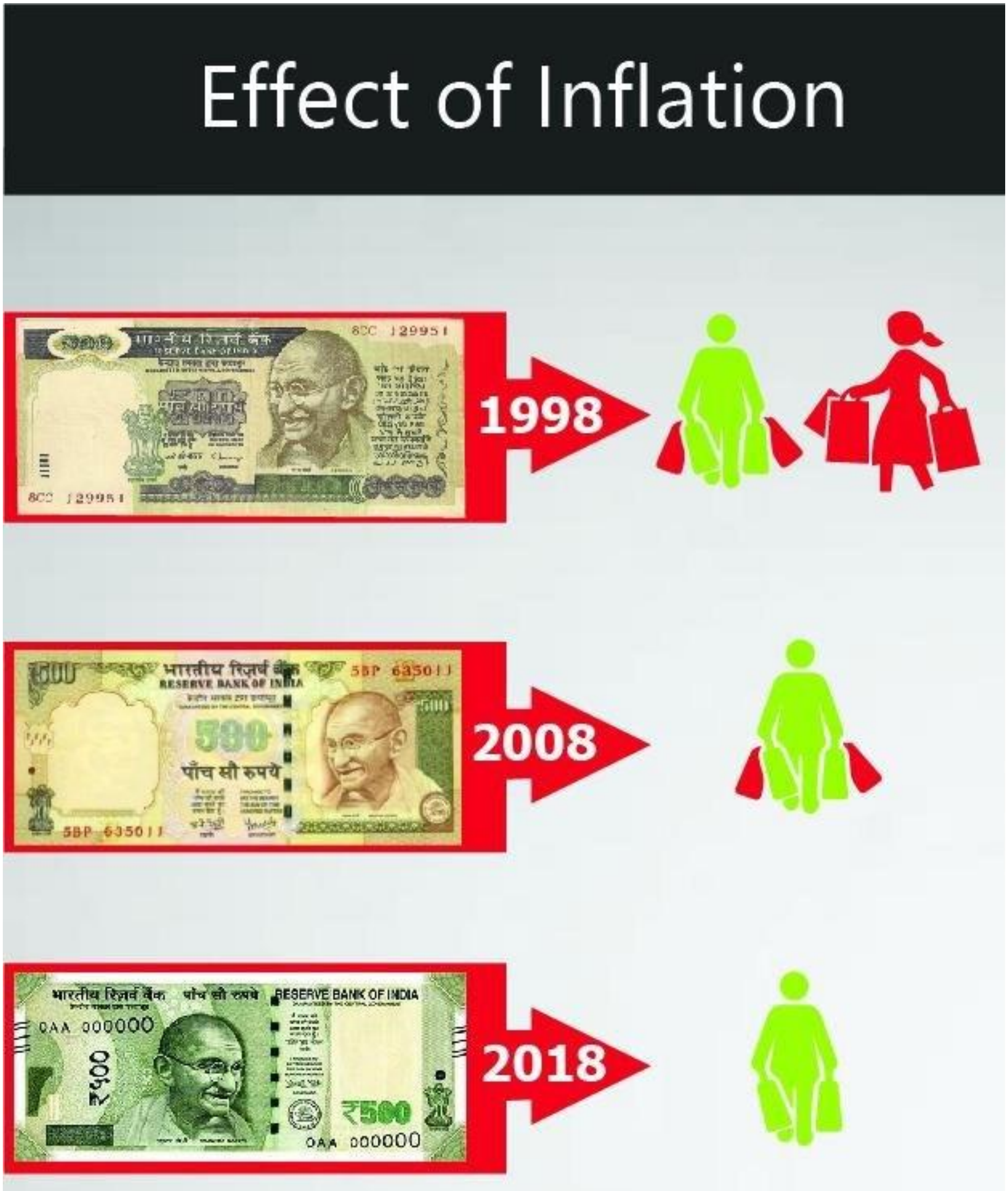
Whereas ***Real Returns*** are the actual value of your returns, typically after adjusting for inflation, income tax, and fees.

You also need money to fight an invisible evil

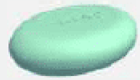
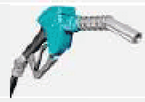
"I"

INFLATION

The general rule in economics is that the value of money today will not be equal to the same amount of money in the future. Also known as the time value of money, this is a central concept in finance theory, which takes into account factors such as interest rates and inflation.



When calculating returns over time, it is important to keep this in perspective and know the difference between normal returns (returns on paper) and real returns (adjusted for today's purchasing power) differ.

Product		1997	2008	2012	2018	2025
Soap		7.85	21.20	28.40	40.00	?
Masala Dosa		14.00	40.00	60.00	80.00	?
Petrol (Per Ltr)		25.48	50.00	70.46	82.00	?
LPG Cylinder		137.85	300.00	412.00	612.00	?
Clothing's		510.00	1200.00	2000.00	2500.00	?

*The above examples are for illustration purpose only

Can you beat inflation?

Certainly. But putting your money in a Fixed Deposit is not the way to go about it. To fight inflation, the key is to invest in a product which gives you a higher rate of interest than inflation and ultimately leaves you with a surplus to meet your goals.

If not, you will find that the value of your investment has actually reduced! Shocked? Let's see why this happens.

For example: Let's say your bank pays you interest of 4% per year on the funds in your savings account. If the inflation rate is currently 4% per year, then the real return on your savings today would be 0%.

In other words, even though the nominal rate of return on your savings is 4%, the real rate of return is NIL, which means that the real value of your savings did not increase during a one-year period.

What about Taxation?

If you take into account the tax implications, the real return will be even lower. Hence, assuming that the stated return is 9 percent at an inflation rate of 4 percent, translating into a real rate of 5 percent, a 30 percent tax on 9 percent interest income would knock off 2.7 percent, which is the real return. That doesn't sound as good, does it?

Nominal Returns vs Real Returns in Bank FD

Nominal FD Returns 9%

Inflation 4%

Tax 30%

Real Return = Nominal Return – (Rate of Inflation + Fees & Cost + Taxes)

Real Returns = 9% minus (4% + (30% of 9))

Real Returns = 9% – (4% + 2.7%)

Real Returns = 2.3%

Want Another Example?

Nominal Returns vs Real Returns in Equity Mutual Funds

Nominal Returns 12%

Inflation 4%

Tax 10% (Assuming the money is taken out after one year, making ot a long term capital gain)

Real Return = Nominal Return – (Rate of Inflation + Fees & Cost + Taxes)

Real Returns = 12% minus (4% + (10% of 12))

Real Returns = 12% – (4% + 1.2%)

Real Returns = 6.8%

Can YOU increase Real Returns?

Yes to some extent.

You CANNOT CONTROL INFLATION.

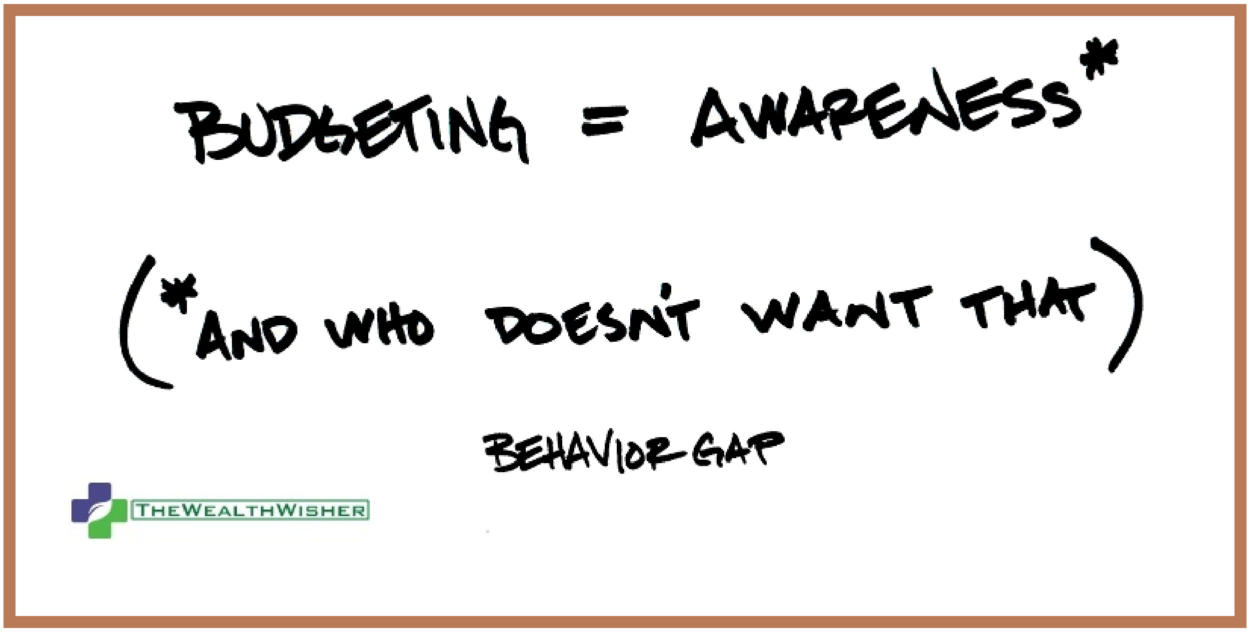
But you can increase returns by choosing products or schemes. This does not mean you simply start trading in equity. This should be a right balance as per your Risk Taking Ability & time horizon of the goal for which you are investing. I am talking about asset allocation here.

Also, you can increase returns by choosing products or schemes which charge less (or no tax) in Taxes & Fees. So a decrease in expenses can increase Real Returns.

Again caution here – Taxes in equity compared to Debt may seem less but you have to take care of asset allocation. Many times, investor have been duped or missold ULIPs or balanced funds in form of Fixed Deposits.

So the next time you have money to invest, keep in mind the *Concept of Nominal Returns Vs Real Returns*, and not the advertised returns.

Thus, as per your risk appetite, you might consider investments such as equities, Equity Mutual Funds or Debt Mutual Funds which historically have been relatively insured from inflation, as compared to FDs. The distinction between ***nominal returns vs real returns*** will help you increase overall returns.



The Pain Point in Financial Planning: Budgeting

Any Financial Planner, before starting his calculation is eager to know how much you earn and SPEND. All of us know what we earn … but spending… not so easy for most of us. The reason is we don't make or take interest in Budgeting. We lack Budgeting Techniques.

Budgeting is the pain point in [financial planning](). But look at the irony.. the calculation in a financial plan start from your household budget.

We are interested in growing our money. The quickest way to double your money is to fold it in half and put it back in your pocket. Of course, that is just a joke.

But wouldn't it be great if it were true? You fold your Rs 2,000 note and put it in your pocket, and voila, it turns into two Rs 2,000 notes. Each one of us would be rich beyond our wildest dreams.

But alas, we live in the real world, where a Rs 2,000 note gets spent faster than we can imagine. Hence, in such a world, every rupee saved is literally a rupee earned. And while there might be no shortcut to immense wealth, the fact is that almost anyone can become rich by properly and sensibly planning his finances.

Yes, I am not exaggerating. Almost anyone can really become rich through financial planning. No matter what income you earn, at what stage in life you are.

One of the biggest benefits of financial planning is that it helps you to focus on your future.

Through financial planning you can:

- Protect your savings and income
- Structure and allocate your money
- Invest regularly and earn something extra
- Set and achieve goals
- Be ready for contingencies

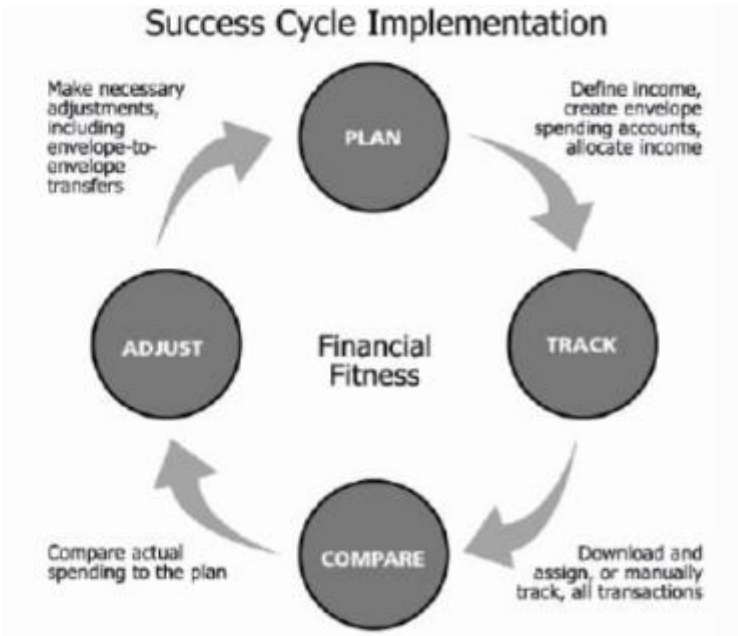
It starts with simple Budgeting Techniques

Channeling your inflows.

We tend to associate it with cost-cutting, but budgeting is actually nothing related to that. In simple words, budgeting is the act of determining how much money is coming in and how much is going where.

To gain control over your finances, you need to know how much you are earning and where you are spending. This knowledge can be very helpful in saving money you might come to know about a high expense area and realize that a good amount of your income is being wasted there.

Budgeting will help you identify such expenses and help you control them.



Here's how you can create a budget. The process might seem tedious, but pulling through will make the other financial planning tasks much easier.

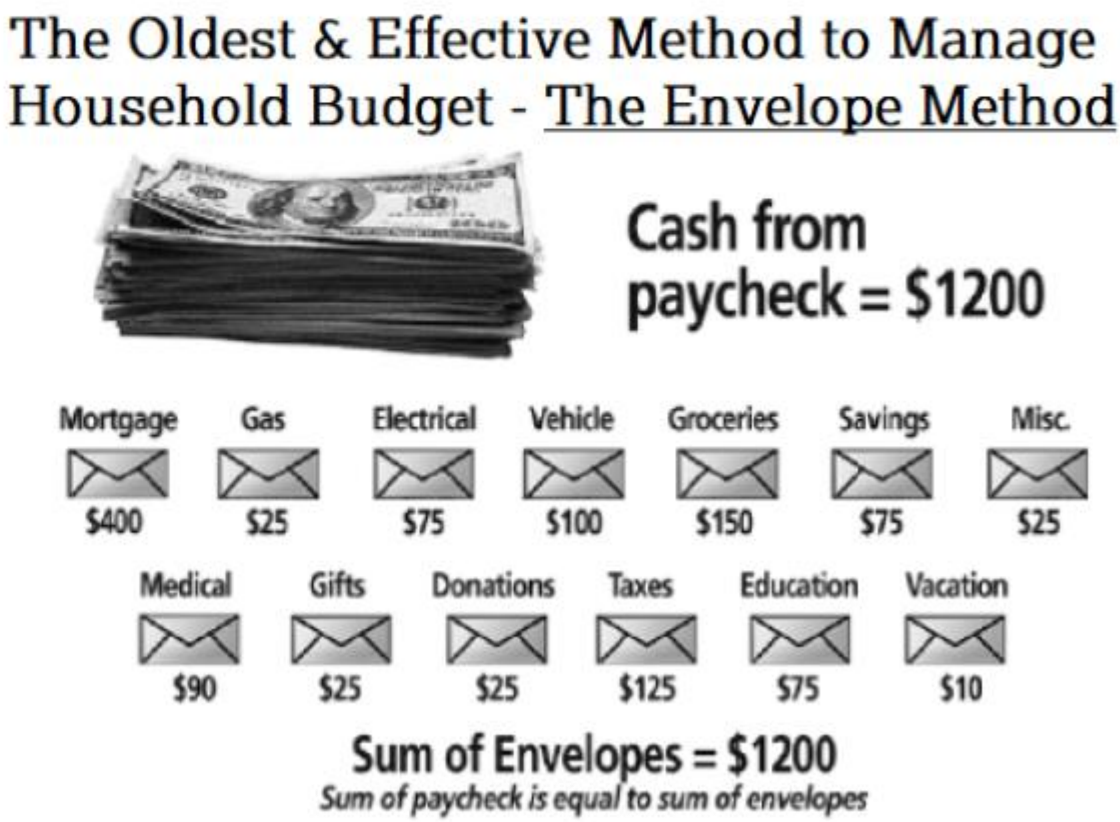
(1) **Gather:** Get hold of as much of your financial information that you can. Bills, statements, account information, slips, invoices, etc. Ask your spouse for any information that he or she would have.

(2) **Record:** Make a note of all of your incomes. Your salary, your spouse's salary, investment earnings, dividends etc. Any money coming in should be considered as income, even lottery winnings, and bonuses.

(3) **List:** Make a list of your monthly expenses. This should include everything from big expenses like a car loan to small expenses like chocolate. Make sure your list includes recurring as well as one time expenses.

(4) **Categorize:** Break the list into fixed and variable expenses. A loan would be a fixed expense while restaurant bills would come under variable expenses. The variable expenses are where you will be able to make adjustments.

(5) **Adjust:** Now that you have a fair idea of where your money is going, it's time to adjust expenses. For example, you might find that you are spending a bit too much on eating out and cutting that expense could make meeting your medical bills much easier. Assign budgets to your expenses and plan to stick to them.



You may also check other methods like Excel Sheet & Budget Planner here. Formats available for free download,

Remember that budgeting isn't a one-time thing, it needs to be reviewed on a monthly basis. At the end of the first month, look at the budgets that you met. The realization that budgeting has helped you actually save money is all the motivation you will need to keep going.

So if you are still thinking how… better start doing it…

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