Unit	Syllabus
1	Introduction to Financial Planning -:Financial goals, Time value of money, steps in financial planning, personal finance/loans, education loan, car loan & home loan schemes. Introduction to savings, benefits of savings, management of spending & financial discipline, Net banking and UPI, digital wallets, security and precautions against Ponzi schemes and online frauds such as phishing, credit card cloning, and skimming,
2	Investment planning: Process and objectives of investment, Concept and measurement of return & risk for various assets class, Measurement of portfolio risk and return. Diversification & Portfolio formation. Gold Bond; Real estate; Investment in Greenfield and brownfield Projects; Investment in fixed income instruments- financial derivatives & Commodity market in India. Mutual fund schemes including SIP: International investment avenues.
3	Insurance Planning:-Need for Protection planning. Risk of mortality, health. disability and property. Importance of Insurance: life and non-life insurance schemes. Deductions available under the Income-tax Act for premium paid for different policies.
4	Retirement Benefits Planning :-Retirement Planning Goals, Process of retirement planning, Pension plans available in India, Reverse mortgage, New Pension Scheme. Exemption available under the Income-tax Act, 1961 for retirement benefits.

Unit – 1

Introduction to Financial Planning

A. Financial Goals

Money drives many decisions that we make day to day. Setting goals can help us take control and feel more confident about those decisions. Financial goals are the most important objectives you set for how you will save and spend money. They can be things you hope to achieve in the short term or long term.

When it comes to personal finance, everyone's situation is unique. No one has the same bills, rent, debts, or lifestyle. When you're ready to take control of your financial lifestyle, you need a plan that will answer your specific problems. **A financial goal is a target to aim for when managing your money. It can involve saving, spending, earning, or even investing.**

When you have a clear picture of what you are aiming for, working towards your target is easy. That means that your goals should be measurable, specific, and time-oriented.

Think about what is important to you as you begin to set goals. It is completely normal to have several goals;

Some of the financial goals are:

- Paying off debt.
- Saving for retirement.
- Building an emergency fund.
- Buying a home.
- Saving for a vacation.
- Starting a business.
- Feeling financially secure.
- Investment planning and method.
- Management of Cash and saving.
- Appropriate use of cash and credit.

There are several types of financial goals:

1) Short-term goals

2) Mid-term goals

3) Long-term goals

1) Short-term financial goals - These are smaller financial targets that can be reached within a year. This includes things like a new television, computer, or family vacation.

2) Mid-term financial goals - Typically, mid-term goals take about five years to achieve. A little more expensive than an everyday goal, they are still achievable with discipline and hard work. Paying off a credit card balance, a loan, or saving for a down payment on a car are all mid-term goals.

3) Long-term financial goals - This type of goal usually takes much more than 5 years to achieve. Some examples of long-term goals are saving for a college education, retirement, or a new home.

B. Time Value of Money

The time value of money (TVM) is the concept that the money you have in your pocket today is worth more than the same amount would be if you received it in the future. Understanding the time value of money can help you in making decisions ranging from which job has better salary terms, what's a good rate for a loan, or if the investment you're considering has good growth potential.

- The time value of money means that a sum of money is worth more now than the same sum of money in the future.
- The principle of the time value of money means that it grows only through investing so a delayed investment is a lost opportunity.
- The formula for computing the time value of money considers the amount of money, its future value, the amount it can earn and the time frame.
- For saving accounts, the number of compounding periods is an important determinant as well.
- Inflation has a negative impact on the time value of money because your purchasing power decreases as price rise.

Here's the basic formula for calculating the time value of money:

$$\textbf{Time Value of Money} = PV \times (1 + i/n)^{(n \times t)}$$

- **PV** is the present value of money.
- **i** is the interest rate or other return that could be earned.
- **t** is the number of years to take into consideration.
- **n** is the number of compounding periods of interest per year.

The time value of money is an important concept to understand for personal finance. It can help you decide how much to budget, evaluate a job offer, figure out if a loan is a good deal and help you save for the future. TVM showcases why your money loses value over time because of inflation.

C. Steps in Financial Planning

Step 1 - Defining and agreeing your financial objectives and goals
The goals and objectives will be the guide to the financial plan and should provide a roadmap for your financial future. They should contain the following features:

- Quantifiable and achievable
- Clear and have a defined timeframe
- Separate your needs from your wants

They should be agreed and documented with your financial adviser to assist you to measure progress. They should also be reviewed periodically to capture changing circumstances and to ensure they remain relevant.

Step 2 – Gathering your financial and personal information
The financial planning process and its success will depend on the quality and clarity of the information communicated to your adviser. Your adviser will complete a detailed financial fact-find to capture all relevant information in relation to your finances. This will include:

- Income and expenditure
- Assets and liabilities
- Risk attitude, tolerance and capacity

Step 3 – Analysing your financial and personal information.
Your financial adviser reviews the information provided in step 2 and uses it to produce a report that reflects your current financial profile. The following ratios are produced to improve your understanding of your financial circumstances and to pinpoint areas of strength or weakness:

- Solvency Ratio
- Savings Ratio
- Liquidity Ratio
- Debt Service Ratio

Your attitude, tolerance and capacity for risk are assessed using a psychometrically designed risk tolerance questionnaire in relation to investment assets. This is also analysed to assess your asset allocation for investment or pension goals.

Step 4 – Development and presentation of the financial plan
The financial plan is developed based on the information received in step 2 and analysis completed in step 3. Each of the goals and objectives in step 1 should be addressed and a recommendation for each identified. It will include:

- Net worth statement (a balance sheet)
- Annual consolidated tax calculation
- Annual cash flow report (displaying surplus or deficit)

The report is presented, explained, discussed and then signed by both client and adviser.

Step 5 – Implementation and review of the financial plan
Once the analysis and development of the plan is complete, the adviser will outline the recommended courses of action. This can involve implementing:

- A new pension or investment strategy
- Changing debt provider
- Additional life or serious illness insurance
- Income and expenditure adjustments

The Adviser may carry out the recommendations or serve as your coach, coordinating the process with you and other professionals such as, accountants or investment managers. They may also handle the interaction with financial product providers.

Financial planning is a dynamic on-going process that requires continuous monitoring. Review of the actions recommended in the plan should take place regularly, and the goals should be reviewed annually to take account of a change in income, asset values, and business or family circumstances.

Conclusion - Financial Planning that follows a properly defined and documented process will give the greatest chance of a successful outcome. It will not guarantee financial security or wealth but will provide an opportunity to pursue both and requires proper analysis, discipline and expertise.

D. Personal Finance/ Loans – Education Loan, Car Loan & Home Loan Schemes

Personal finance is the process of planning and managing personal financial activities such as income generation, spending, saving, investing and protection. The process of managing one's personal finances can be summarized in a budget or financial plan. The main areas of personal finance are income, spending, saving, investing, and protection.

- Income

Income refers to a source of cash inflow that an individual receives and then uses to support themselves and their family. It is the starting point for our financial planning process.

Common sources of income are: Salaries, Bonuses, Hourly wages, Pensions, Dividends. These sources of income all generate cash that an individual can use to either spend, save, or invest. In this sense, income can be thought of as the first step in our personal finance roadmap.

- Spending

Spending includes all types of expenses an individual incurs related to buying goods and services or anything that is consumable (i.e., not an investment). All spending falls into two categories: cash (paid for with cash on hand) and credit (paid for by borrowing money). The majority of most people's income is allocated to spending.

Common sources of spending are: Rent, Mortgage payments, taxes, food, entertainment, travel, credit card payments ect.

The expenses listed above all reduce the amount of cash an individual has available for saving and investing. If expenses are greater than income, the individual has a deficit. Managing expenses is just as important as generating income, and typically people have more control over their discretionary expenses than their income. Good spending habits are critical for good personal finance management.

- Saving

Saving refers to excess cash that is retained for future investing or spending. If there is a surplus between what a person earns as income and what they spend, the difference can be directed towards savings or investments. Managing savings is a critical area of personal finance.

Common forms of savings include: Physical cash, Savings bank account, Checking bank account. Most people keep at least some savings to manage their cash flow and the short-term difference between their income and expenses. Having too many savings, however, can actually be viewed as a bad thing since it earns little to no return compared to investments.

- Investing

Investing relates to the purchase of assets that are expected to generate a rate of return, with the hope that over time the individual will receive back more money than they originally invested. Investing carries risk, and not all assets actually end up producing a positive rate of return. This is where we see the relationship between risk and return.

Common forms of investing include: Stocks, Bonds, Mutual funds, Real estate, Private. Investing is the most complicated area of personal finance and is one of the areas where people get the most professional advice. There are vast differences in risk and reward between different investments, and most people seek help with this area of their financial plan.

- Protection

Personal protection refers to a wide range of products that can be used to guard against an unforeseen and adverse event. Common protection products include: Life insurance, Health insurance, estate planning etc.

This is another area of personal finance where people typically seek professional advice and which can become quite complicated. There is a whole series of analysis that needs to be done to properly assess an individual's insurance and estate planning needs.

The Personal Finance Planning Process - Good financial management comes down to having a solid plan and sticking to it. All of the above areas of personal finance can be wrapped into a budget or a formal financial plan. These plans are commonly prepared by personal bankers and investment advisors who work with their clients to understand their needs and goals and develop an appropriate course of action.

Personal Loans: Personal loans help households meet any shortfall they experience in buying a house or a car, in children's higher education, or even in cases of medical contingencies, among other things. Here's a low down on personal loans to understand them better. It is an unsecured loan taken by individuals from a bank or a non-banking financial company (NBFC) to meet their personal needs. It is provided on the basis of key criteria such as income level, credit and employment history, repayment capacity, etc. Unlike a home or a car loan, a personal loan is not secured against any asset. As it is unsecured and the borrower does not put up collateral like gold or property to avail it, the lender, in case of a default, cannot auction anything you own.

Education Loan: Education loans are unsecured loans that can be used to cover expenses related to education, such as tuition fees, books, living expenses and other such expenses as transportation costs, etc. If you wish to avail an education loan but are unemployed or still studying, a co-signer may be required to avail an education loan, like an eligible adult such as a friend, parent or relative. The repayment of the loan can be done once the student has completed his/her education. Given the flexible terms and conditions associated with the repayment of an education loan, availing one is fairly simple and straightforward. there are two wide categories of the education loans on the basis of location.

- Domestic Education Loan – For educational courses within the geographical limits of the country. The borrowers have to meet various eligibility criteria and the lenders will approve the loan if the student has got a secured seat in an institute that meets the requirements of the lenders.

- Study Abroad Education Loan - For educational courses outside the geographical boundaries of the country. Like a domestic education loan, the borrower should get a secured seat in a college or university among the list of eligible educational institutions to approve the loan.

Car Loan: Owning a car was once a luxurious commodity to have. But in today's economically developing world, a car is a necessity and convenience to travel from one corner of the ever-expanding city to the other.

Though everybody may not have enough cash to purchase the car with a lump-sum payment, numerous lenders can help you realise your dream of buying the car through a car loan. Applying for a car loan is now hassle-free, easy, and paperless. The financing can go up to 85%-90% of the on-road price of the car. Some banks offer up to 100% financing on the vehicle's on-road price to certain conditions. The loan tenure can range from one year up to seven years. The loan amount can be up to three times the annual income of the applicant. Some lenders offer instant financing facilities for cars.

Home Loan : As the name suggests, a home loan is the amount of money an individual borrow from banks or other financial institutions after meeting certain loan eligibility criteria to purchase a residential or commercial property. The money borrowed has to be paid back to the lender in easy monthly installments (EMI) at a particular rate of interest. There are many banks and financial institutions that offer loans to help you buy or construct your dream home. Loans are also available for renovation or extension purposes.

Types of Home Loans in India

Home Loan - The most common type of loan to avail for the purchase of any property. You can up to 80-90% of the property market price in form of housing finance.

Home Renovation Loan - It provides finance for renovating or improving the condition of your home.

Home Construction Loan - This type of loan is taken to construct a new house.

E. Introduction to savings, benefits of savings

Savings is the balance that remains after the meeting of the consumption needs of an individual. People who buy on credit and have incremental EMI commitments would have little or none to save on a monthly basis. Savings help in pooling up funds for the future. Savings can be as simple as keeping aside money on a monthly basis or even investing small amounts on a monthly basis. Savings can help in meeting financial commitments at a future date, for example, to buy a house.

Savings can help you earn more money with investments. Even money kept idle in a bank saving account earns interest annually.

Funds saved or set aside also enable an individual to stand against unforeseen emergencies. Such emergencies can arise at any time for an individual due to any reason.

Management of spending and financial discipline - A spending plan is an informal document used to determine the cash flow of an individual or household. A personal spending plan, similar to one's budget, helps outline where income is earned and where expenses are incurred.

When paired with a financial goals worksheet, the personal spending plan can be used to create a roadmap for monitoring spending, as well as helping determine the most appropriate methods for saving.

Complete financial sector work in a defined and disciplined business strategy. They follow the rules and laws set out by regulators which keep a check on their work and financial discipline. But in our personal financial life we are so mismanaged, that many times we find it difficult to go for a movie in the last days of month. We don't take holistic view of our finances and what effect one decision is going to give on other.

Prepare a monthly spending budget and stick to it.

- Invest with a goal. Goals give direction and help you in selecting right product.
- Avoid loans for your desires. Better do a financial planning check before going in for a big purchase.
- Invest monthly to become regularise in your savings and this will also help you maintain consistency.
- Motivate yourself by visualizing the goals and the end result for which you are working.

F. Net Banking and UPI and Digital Wallets

Net Banking : Internet banking, also known as online banking or e-banking or Net Banking is a facility offered by banks and financial institutions that allow customers to use banking services over the internet. Customers need not visit their bank's branch office to avail each and every small service. Not all account holders get access to internet banking. If you would like to use internet banking services, you must register for the facility while opening the account or later. You have to use the registered customer ID and password to log into your internet banking account.

UPI and Digital Wallet :

1) Unified payment interface (UPI) transaction is a direct bank-to-bank transfer whereas digital wallets act like intermediaries between bank accounts.
2) UPI uses virtual payment address and identity whereas digital wallets use mobile number.
3) UPI transaction limit is Rs 1 lakh per transaction while the wallet transaction is limited to Rs 10,000 per month for non-KYC customers.
4) UPI transactions can take place between any two banks whereas digital wallet transactions occur between two accounts in the same digital wallet app.
5) UPI allows future transactions, whereas, digital wallets are for instant transactions.

G. Securities and precautions against Ponzi schemes and online frauds such as phishing, credit card cloning and skimming

Ponzi Schemes : A Ponzi scheme is an investment fraud that pays existing investors with funds collected from new investors. Ponzi scheme organizers often promise to invest your money and generate high returns with little or no risk. But in many Ponzi schemes, the fraudsters do not invest the money. Instead, they use it to pay those who invested earlier and may keep some for themselves.

With little or no legitimate earnings, Ponzi schemes require a constant flow of new money to survive. When it becomes hard to recruit new investors, or when large numbers of existing investors cash out, these schemes tend to collapse.

Ponzi schemes are named after Charles Ponzi, who duped investors in the 1920s with a postage stamp speculation scheme. Some characteristics of Ponzi schemes.

- High returns with little or no risk.
- Overly consistent returns.
- Unregistered investments.
- Unlicensed sellers.
- Secretive, complex strategies
- Issues with paperwork.
- Difficulty receiving payments.

Online frauds such as phishing, credit card cloning and skimming:

Online fraud is fundamentally different to fraud that occurs at brick-and-mortar businesses as it’s harder to be certain that the person you’re selling to is who they say they’re. Some fraudsters adopt more sophisticated methods than just trying to make purchases on a stolen card. When accepting payments online, it’s important to be aware of the different kinds of fraud and what your liability is.

- Phishing and spoofing: The use of email and online messaging services to dupe victims into sharing personal data, login credentials, and financial details.
- Skimming is another common tactic that can lead to credit card fraud. A skimmer is an electronic device that is hidden within a legitimate card reader without the merchant's knowledge and used to steal data during real-world transactions. When a shopper makes a purchase using the affected card reader, the skimmer copies the information stored in the credit card's magnetic strip.
- Card cloning commonly occurs after your credit card data has been stolen. Once a skimmer captures your card's unique information, it can be copied onto a blank card or overwritten onto another stolen card. The cloned card may then be used to make direct purchases, obtain a cash advance or buy money orders.