

THE FINANCIAL PLANNING



What is financial planning

- It is the process of developing a personal roadmap for your financial well being.
- It is a financial plan that tells you how to use your money to achieve your goals
- It is concerned with planning one's financial investments.

Why invest?

- Expenses increase by geometric progression, while our income increases by arithmetic progression.
- the only way to secure old age is to invest now, when one is young and capable of earning.
- Simply put, it is the practice of making your money work for you, rather than you working for your money

- the secret to getting rich is to pay yourself first (i.e., invest for your future), before you pay others (utilities, shops, etc).
- A good investment strategy needs both, time and money



Benefits of financial planning

- Helps monitor cash flows and reduces unnecessary expenditure.
- Creates wealth and ensures better wealth management to achieve life goals.
- Helps reduce tax liability
- Maximizes returns from investments.

What is mean by Investment?

- Employment of funds with an expectation of some positive rate of return
- Every investments will have the characteristics of return and risk

Investment avenues

- Corporate securities
- Deposits in banks and non banking companies
- Mutual fund schemes
- Post office Deposits and certificates
- Life insurance policies
- Provident fund schemes
- Government and semi Government securities

Emerging avenues

- Stock markets
- Mutual funds
- Unit Linked Insurance Plans

Stock markets

- Market for long term funds
- Market for trading of company's stocks, shares, derivatives, etc
- Classified in to two
- Primary markets and secondary markets

What is SENSEX?

- Index of Bombay Stock Exchange
- Most popular stock market index in india
- First compiled in 1986
- Consists of 30 stock
- Base year 1978-79, base value 100
- Current sensex value is 17300

What is NIFTY?

- Index of National Stock Exchange
- Most widely used index in india
- First published in 1995
- Base year 1995, base value 1000
- Consist of 50 stock from 21 sectors
- Current value of Nifty is 5250

Uses of an Index

- Lead indicator of the economy
- Barometer to monitor market movement
- Benchmark for portfolios
- Use in Index funds
- Underlying asset in index derivatives
- Reflection of expectation about future

Primary markets

- Markets for new issues
- Initial Public Offers/Qualified Institutional Placements
- Book Building
- Application for shares
- Allotment
- Listing
- Possibility for listing gains

Secondary markets

- Markets for already issued shares
- Stock exchanges- BSE and NSE
- Trading: floor trading to electronic trading
- Dematerialization: NSDL and CDSL
- Clearing and Settlement (T+3 rolling)

Type of Trading

- Investment:
- Speculation
- Gambling

Investments

- Buying for long term
- Dividend income and
- Long term capital gain

Speculation

- Taking high risk for high return
- Planned game for very short period
- Based on rumors, guess work, intelligence

Gambling

- Taking high risk for enjoyment
- Blind trading
- Greed and Panic

Type of speculators

- 1. BULL
- Expect market to go up
- Bulls buy first sell next

- 2. BEAR
- Expect market to go down
- Bears sell first buy next

Security Analysis

- Fundamental analysis
- Technical analysis
- Efficient market hypothesis

Factors to watch

- Global markets
- Macro economic factors like inflation, interest rate, GDP data etc
- General sentiment (institutional & retail)
- Company specific news
- Technical levels



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SENSEX [17,589.28 -111.85]

NIFTY [5,253.55 -28.25]

My Watch :: NIFTY :: [goTX CLASSIC] - 28 of 75

Symbol	Exchange	Series	%Change	BuyQty	BuyPrice	SellPrice	SellQty	LTP
RELIANCE	+ NSE	EQ	1.52	138	1,104.00	1,104.40	200	1,104.5
MARUTI	+ NSE	EQ	-0.35	8	1,455.00	1,456.45	16	1,456.4
DLF	+ NSE	EQ	-1.16	149	374.15	374.20	1679	374.1
FINANTECH	+ NSE	EQ	-0.19	1	1,562.30	1,563.00	15	1,563.0
LT	+ NSE	EQ	-0.60	22	1,665.55	1,665.90	4	1,665.5
MRF	NSE	EQ	2.47	10	6,245.00	6,248.90	1	6,241.0
NAGARFERT	+ NSE	EQ	-0.98	19958	35.25	35.30	680	35.3
SUZLON	+ NSE	EQ	-2.03	3323	91.40	91.45	2449	91.4
ICICIBANK	+ NSE	EQ	-1.33	200	882.50	882.80	3	882.5
RANBAXY	+ NSE	EQ	-0.11	4	525.30	525.40	5	525.3
INFOSYSTCH	+ NSE	EQ	-2.07	339	2,529.45	2,529.50	47	2,529.5
SOBHA	NSE	EQ	5.73	389	266.10	266.25	349	266.2
ASHOKLEY	+ NSE	EQ	2.12	10048	52.80	52.85	217	52.8
ACC	+ NSE	EQ	0.84	25	915.25	915.85	419	915.2
TATAMOTORS	+ NSE	EQ	-3.70	45	783.15	783.20	64	783.1
TATAMOTORS	BSE	A	-3.49	250	783.35	783.70	65	783.7
ZANDUPHARM	BSE	B	0.36	2	5,702.00	5,708.00	1	5,702.0
SBT	BSE	B	0.11	1	562.05	566.00	10	562.0
CALSREF	BSE	B	1.92	105000	0.52	0.53	2479247	0.5
MRF	BSE	B	2.63	4	6,237.00	6,244.85	1	6,244.5
SHASUNCHEM	NSE	BE	-3.93	454	39.05	39.45	471	39.0

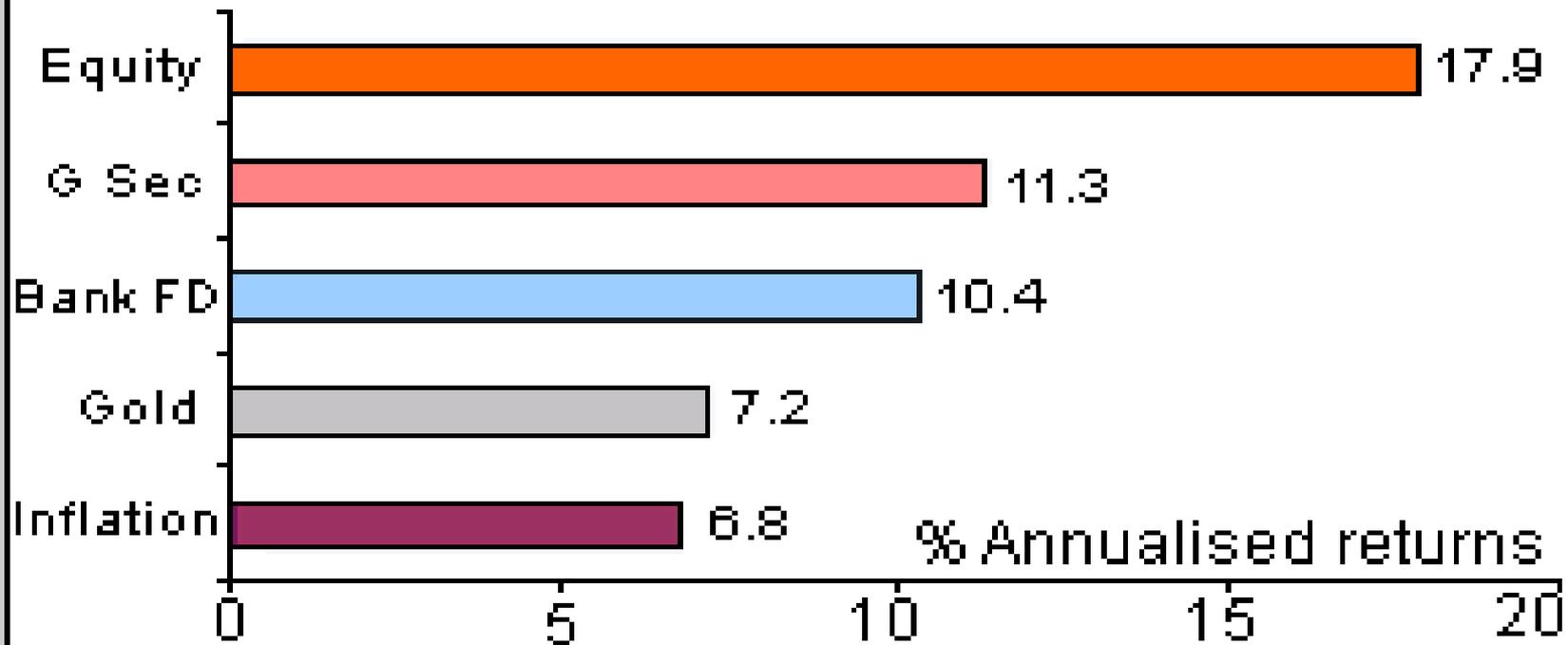
 **Market Depth - [NSE/EQUITY] - RMEDIA (EQ)** ✕

#Buy	Buy Price	Buy Qty	#Sell	Sell Price	Sell Qty
1	92.50	2000	1	92.60	75
1	92.45	310	1	92.80	1922
3	92.40	103	2	92.85	110
3	92.30	421	7	92.90	300
4	92.25	230	2	92.95	285

Total Buy Qty	51209	Total Sell Qty	211465	Last Trd.Qty	25
High Price	96.50	Low Price	92.15	Last Trd.Price	92.60
Open Price	96.00	Close Price	95.30	Avg.Trd.Price	94.64
52 Week High	308.00	52 Week Low	50.50	NetChange*	-2.7
Circuit High	114.40	Circuit Low	76.25	NetChange %	-2.83
Volume	707258	Last Trd.Time	15:29:59		<input type="button" value="Refresh"/>  

Why equities?

How have different asset classes fared?
Cumulative Annualized Returns (1980 - 2006)



Source CLSA

Mutual fund schemes

- Collective investments scheme
- Diversification
- Professional management
- High Liquidity

Types of mutual fund

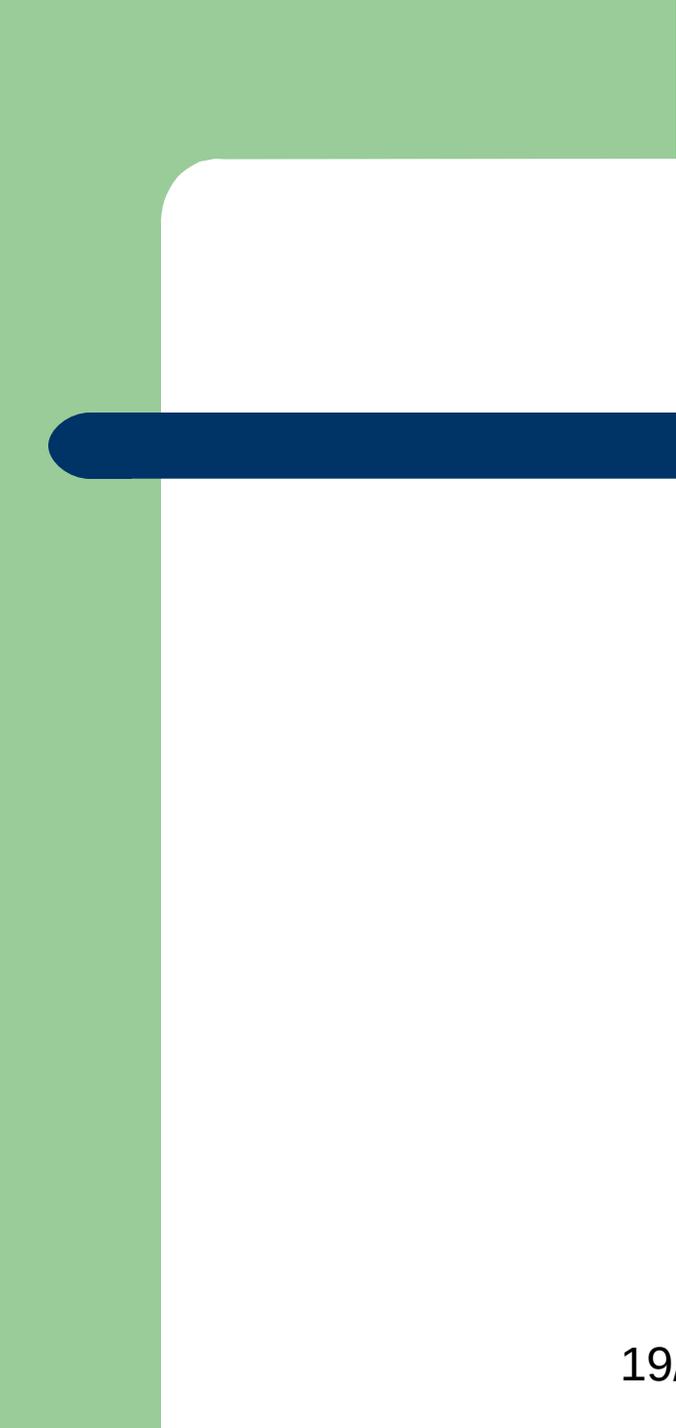
- Open ended
- Closed end
- Growth fund
- Dividend pay out/ Div reinvestment
- Diversified fund
- Sectoral fund
- Index funds
- ELSS schemes

MF investments

- Lump sum investment
- Systematic investment (SIP)
- Min 5000 lump sum
- Min 500 for 12 months or 1000 for six months
- Entry load and Exit load
- Fund Management charge

ULIP

- Unit Linked Insurance Plan
- Premium paying period min 3 years
- Insurance coverage 5-20 times of 1st premium
- Mortality charge
- Premium Allocation charge
- Fund management charge
- Surrender charge



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Financial planning



Thank You

abbasvattoli@yahoo.com

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