



A Complete Guide to Financial Planning for Women

In recent times, women have shattered stereotypes left, right and centre, having gone on to achieve brilliant things. An area that was largely out of female domain until recently was financial management. But studies show that a whopping 68% of Indian women manage their own money or at least have equal say in their family's financial decisions.

With more and more women taking money matters into their own hands, financial planning becomes a key area of interest. Many women worry about their financial future. However, equipped with the right knowledge, financial planning can be straightforward and extremely useful to manage money in the long term.

What is Financial Planning?

Before getting into the nitty-gritties of how to plan your finances, it's important you understand what financial planning really is.

Financial planning is a blueprint for financial success that lays out your cashflows, savings and investments. In other words, it is a comprehensive plan of your present and future financial status that takes into account your incomes, expenses, investments, assets and liabilities so that you can achieve your short-term and long-term financial goals.

Financial Planning for Women

Financial planning for women can look a little different from what it is for a man. There are certain aspects such as motherhood and career breaks for reasons such as caregiving that are often unique to women. These aspects need to be factored into financial planning. Here's how you can go about planning your finances as a woman:

1. **Check Your Cashflows:** Financial planning begins with understanding your cashflows. Keeping a tab on your active and passive income is easy. It's harder to keep track of your expenses. Start by creating a budget and monitoring where your money goes so you know how much you have for savings and investments.
2. **Identify Your Goals:** The next step in financial planning is to estimate your short-term and long-term financial goals. You need to visualize what your life will look like

and plan your finances accordingly. For instance, if you plan on starting a family and want to take a career break, you will need to take this into account. You can then save and invest accordingly.

3. **Account for Life Expectancy and Inflation:** The average Indian lives for about 70 years. Women live ~2.7 years longer. In reality though, under the current healthcare system, you may live to even be a 100. You need to account for this time and include retirement planning into your financial planning. Another thing to keep in mind is inflation because a lakh today won't be of the same value 10 years from now. Your investments need to be in line with inflation.
4. **Follow the 50/30/20 Rule:** Financial experts have a thumb rule when it comes to using your money – use 50% of your income to meet essential needs, save and invest 30% and use the remaining 20% for leisure and hobbies. However, this rule is just a guideline because every individual's financial goals will differ and hence, financial plans too must be customized.
5. **Have an Emergency Fund:** Having an emergency or contingency fund is an absolute must for financial planning. It is a resource that you can dip into without touching your long-term savings. As a general rule, you should have at least 6 months' worth of expenses to meet unexpected situations like a health issue, an accident or a job loss. It may also make sense to have a tiered emergency fund. For example, you could meet a part of your needs through a credit card, a part through bank deposits and a part through liquid mutual funds.
6. **Taxation and Estate Planning:** Apart from these, a financial plan should also take into consideration the tax implications of your investments. This doesn't mean investing only in tax savers. It means planning your money in a way that you have the least tax implication. It is also wise to begin estate planning, i.e. managing your family wealth, as soon as you can.

Takeaways

- Financial planning is important for a woman's financial freedom.
- Getting an early start on planning your finances can secure your long-term financial future.
- You should keep your short-term and long-term financial goals in mind for judicious money management.
- Revise your plan frequently to make sure you are on track.

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