Financial Education for Home makers

An initiative of SEBI & NISM

Agenda

- Need for and advantages of financial education
- Basics of savings and investments
- Choosing the right investment options
- Asset allocation strategy
- Savings and investment related products
- Protection related products
- Borrowing related products

Need for financial education

- Deterioration of personal finances
- Proliferation of new and complex financial products

Advantages of Financial Education

- Helps build a secure financial future
- Prepared for financial emergencies
- Protection from marketing gimmicks
- Feeling a sense of accomplishment
- Disciplined approach to money
- Awareness of questionable practices
- Setting a good example for your family
- Benefit other aspects of your life

Financial planning

Basics of Savings and Investment

- Savings
  - Short term
  - Value remains stable
  - Lower returns over long term
- Investing
  - Long term
  - Value moves up and down in short term
  - Potentially higher returns over long term

BUDGETING


Planning
the
Budget
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271
498
1266
32107
5906
8/704
2004
2005

- What is budgeting?
  - A process for tracking, planning and controlling the inflow and outflow of income.

- Benefits of budgeting
  - Checks or balances to prevent overspending
  - Unexpected need for funds
  - Discipline
  - Helps maintain standard of living

- Steps for budget planning
  - Calculate your income
  - Determine your bill for essentials
  - Note down your total debts
  - Determine your bill for non-essentials
  - Calculate your savings

WHAT IS INFLATION?

Inflation Effects on Investments

	Investment
Initial investment	Rs. 1,000
Interest on investment	5% p.a.
Value after a year	Rs. 1,050
Inflation	6% p.a.
Your expenses after a year	Rs. 1,060

RISK AND RETURN

Risk and Return

- Risk and investing go hand in hand
- Risk increases as the expected potential return increases
- Even “no-risk” products such as savings accounts and government bonds carry the risk of earning less than the inflation rate
- It is crucial to manage your risk

Power of Compounding

- Most powerful tool for creating wealth
- Longer the better
- Start early

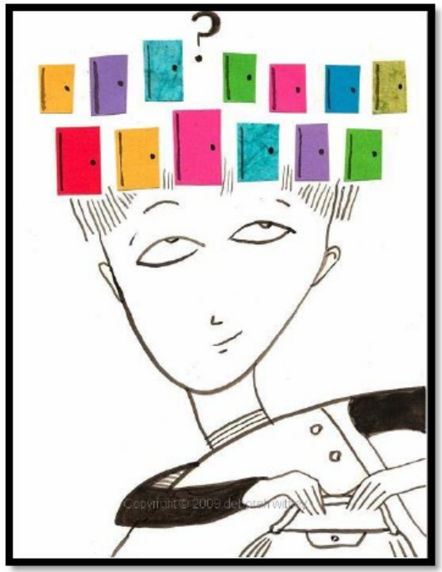
Time Value of Money

- The value of the money today is not the same as it will be in the future

Choosing the right investment option

Three Criteria to look for:

- Safety
- Liquidity
- Returns



Investment options

- Short term
  - Savings bank account
  - Money market funds / liquid funds
- Long term
  - Equity shares
  - PPF
  - Bonds and debentures

Asset Allocation Strategy

- Each asset class has different risk – return characteristics
- Hence, investments are allocated across various avenues
- This is known as “Asset allocation”

Asset allocation strategy

- 3 important variables:
  - Your time frame
  - Your risk tolerance
  - Your personal circumstances

Savings & investment related products

- Bank deposits
- Small savings schemes
- Bonds / debentures
- Company fixed deposits
- Mutual funds
- Equity shares

Protection Related Products

- Insurance
  - Life insurance
    - Term life insurance
    - Endowment policies
    - Annuities / Pension plans
    - ULIPs
  - Health insurance
    - Comprehensive health insurance
    - Hospitalisation policy
    - Critical illness plan
    - Specific condition coverage

New Pension System, 2009

- Available to all Indians between 18 and 55 years
- Defined contribution system
- On maturity, either
  - Withdraw the money, or
  - Buy immediate annuity, or
  - Both: Minimum 40% for buying annuity and maximum 60% withdrawn
- Non-withdrawable account till the age of 60

Borrowing Related Products

- Personal loans
- Home loans
- Reverse mortgage
- Loan against securities
- Credit card debt

Need and Importance of a PAN Card

- How to get a PAN Card?
- It is necessary to quote the PAN in many important transactions

Understanding ‘Ponzi’ schemes

- How to spot one?
- The ultimate unravelling of a Ponzi scheme
- Examples of Ponzi schemes

Nominee and his rights

- What are rights of a nominee over an asset?
- Does the asset become his own when he dies?
- What is the procedure for making a claim?
- What happens when there is no nominee at all?

Women Centric Products

- Special life insurance plans
- Special health insurance plans
- Bank accounts with special benefits for women
- Women debit cards
- Credit cards for women
- Loan schemes for women

Education planning for children

- Insurance policies
- Investment products

Security Tips on ATM card and PIN

- Do not keep the PIN issued by the Bank together with your ATM Card.
- Change your PIN immediately when using your ATM Card for the first time and destroy any documents containing PIN information.
- Do not write down your PIN.You should memorise it.
- Do not send your PIN via email/SMS and never use the same PIN to access other services.
- Do not write down your PIN on the card face and do not disclose your PIN to anyone including any joint account holder.

Security Tips on ATM card and PIN

- Do not, under any circumstances, disclose your PIN to anyone who claims to represent the Bank or who claims to be the Bank's employee or other authorised person, or the police.
- Do not use combinations that are readily accessible/deducible such as your identity card number, telephone number, date of birth etc.
- For security reasons, change your PIN regularly
- If you enter an incorrect PIN a certain number of times consecutively, your ATM Card will be captured by the ATM
- Do not accept assistance from strangers. If you encounter any problems at the ATM, contact the Bank directly.
- If your ATM Card is lost or stolen, please inform your bank immediately.

THANK YOU!