SES'S L.S.RAHEJA COLLEGE OF ARTS AND COMMERCE

Course: Personal Financial Planning Unit: I Prepared by: Raju D. Gole

What is Personal Finance?

Personal finance is defined as the management of money and **financial** decisions for a person or family including budgeting, investments, retirement planning and investments.

> Principles of Personal Finance.

10 Principles of Personal Finance

- 1. The best protection is knowledge
- 2. Have a plan
- 3. Understand Time value of money
- 4. Understand taxes
- 5. Expect unexpected (liquidity)
- 6. Differentiate wants from needs
- 7. Protect yourself
- 8. Understand risk relative to return
- 9. Don't play financial mind games
- 10.Pay yourself first

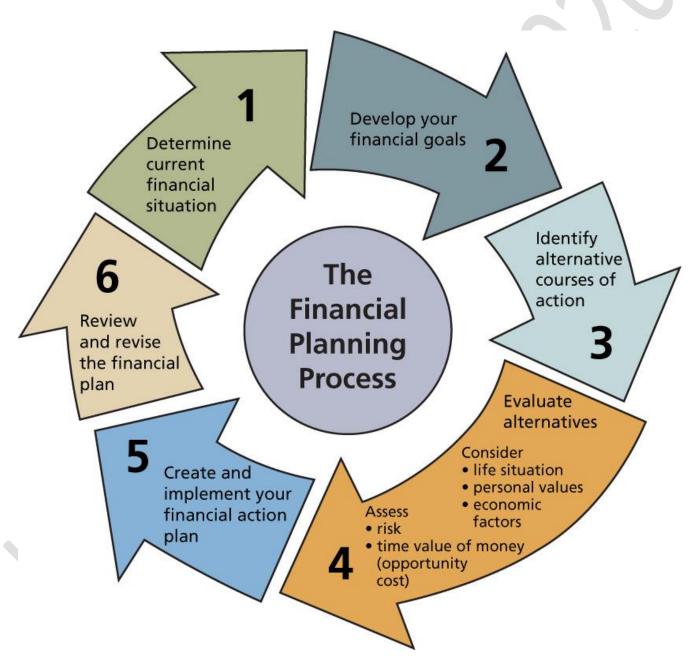
Education Planning

Educational planning involves designing an investment strategy that specifically addresses the **educational** needs of your family. Specifically, it involves forecasting what those needs will be and helping you create a **plan** to satisfy those needs.

> Tax Planning

Tax planning has two parts: a) Reducing your **tax** liability on the different types of income earned by you such as salary, interest and so on. b) Reducing your **tax** liability by investing in **tax** saving instruments which directly reduces the **tax** payable on your income.

> Process of Financial Planning



NOTE: ABOVE MENTIONED POINTS ARE ONLY ILLUSTRATIVE AND NOT EXHAUSTIVE. PLEASE EXPLAIN THE ANSWERS IN DEATAIL WITH PROPER EXAMPLES WHEREVER NECESSARY. ALSO REFER NOTES & BOOK(S) FOR THE SAME.

Important Questions

- **a.** Explain the steps necessary to create an effective Personal financial plan.
- **b.** What is personal Finance? Explain its Principles.
- c. Explain in brief; principles of personal financial planning.
- d. Explain Education planning and Tax planning as principles of PFP.
- e. Explain the Process of Financial Planning.
- f. Explain points to be considered while developing a financial plan.