

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.