GOAL PLANNING

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Special Thanks To

Mr. Shyam Sundar Yadav

"Centricity Would Like To Thank Our Honored Business Partner Mr. Shyam Sunder Yadav For H I S Valuable Inputs I N Creation O F This Goal Planning Presentation. We Wish H I M Continued Success".

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Types of Income

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There Are Two Types Of Income Sources :-

ACTIVE INCOME

- Wages, Salaries, Or Income From Self-Employment.
- Age Limit :- 60 Years
- Cannot Be Supplemented

PASSIVE INCOME

- Investments, Assets, That Generate Ongoing Revenue
- Age Limit :- No Limit
- Can Be Supplemented

E.G.: - Dividend Income, Interest Income, Capital Appreciation Income

"Building Wealth: Unlocking Passive Income Potential Through Strategic Active Income Planning!"

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ACTIVE V/S PASSIVE INCOME

Active Income	Passive Income
• Requires direct participation, time, and effort. • Earned from jobs, self-employment, or professional services. • Ceases or diminishes when you stop working.	• Generated from ventures or investments with minimal effort. • Income streams continue without day-to-day involvement. • Examples include rental income, royalties, dividends, and interest. • Requires upfront investment but offers ongoing income potential

Why do we need to create Passive Income: -

- Freedom
- Flexibility
- Recurring Income
- No Time – Bound
- Boss of your own life
- More time for Family & Friends

Why do you need to save?

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- Saving is the wise practice of setting aside resources for future use.
- It acts as a financial superhero, guarding against unexpected setbacks and paving the way for a secure and fulfilling future.
- By saving a portion of our income, we create a financial safety net that shields us from unforeseen expenses and provides a foundation for achieving our goals. Whether it's purchasing a home, starting a business, or embarking on exciting adventures, saving empowers us to turn dreams into reality without drowning in debt.

How do Savings help : -

Emergency Fund	Medical emergencies	Life Insurance	Travelling	Buying a car or other big-ticket purchase
Marriage	Buying a home	Child’s education	Planning for child’s Marriage	Planning your retirement

To preserve the value of our savings and take advantage of the upward trend in financial markets, we should direct our savings towards investments.

Wealth Creation Lifecycle:-

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Assuming the person starts earning at age of 20. (20 Age to 35 Age)

Compensation = ₹ 25,000 (Grows at 12%)

- Savings = 22% of total compensation for creation of Passive Income.
- Target emergency fund ₹ 10 Lakhs
- Setting aside premium for creation of Emergency fund* & a Term Insurance Contract. (8% of Compensation)
- Passive Corpus at end of 35 Years of age** = ₹ 60 Lakhs

At 36 Years of Age (36 to 45 Years of Age)

Compensation = ₹ 1,50,000 (Grows at 10%)

- Savings reduces to 20% due to additional responsibilities giving rise to additional expenses.
- Emergency funds value has reached the target level*. (Now no additional savings are translated into the creation of Emergency Funds) + Term Insurance premium fixed at ₹ 8,000 P.A.
- Expenses = 80%
- Passive Corpus at end of 45 Years age** = ₹ 2.50 Cr.

*Investments in Liquid fund at 6% IRR
** Investments in Equity Index Fund at 11% IRR
Note: - Emergency Corpus can be withdrawn at any time.

Wealth Creation Lifecycle:-

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After the age of 45 (46 to 60 Years of Age)

Compensation = ₹ 3,75,000 (Grows at 8%)

- Savings have further reduced to 15% due to increased EMI Expenses and Child's Higher Education.
- Emergency Fund at ₹ 17 lakhs Value)
- Expenses = 85%
- Passive corpus at end of 60 years of age** = ₹ 17 Cr.

After the age of 60 Years – Retirement Age (61 to 80 Years Age)

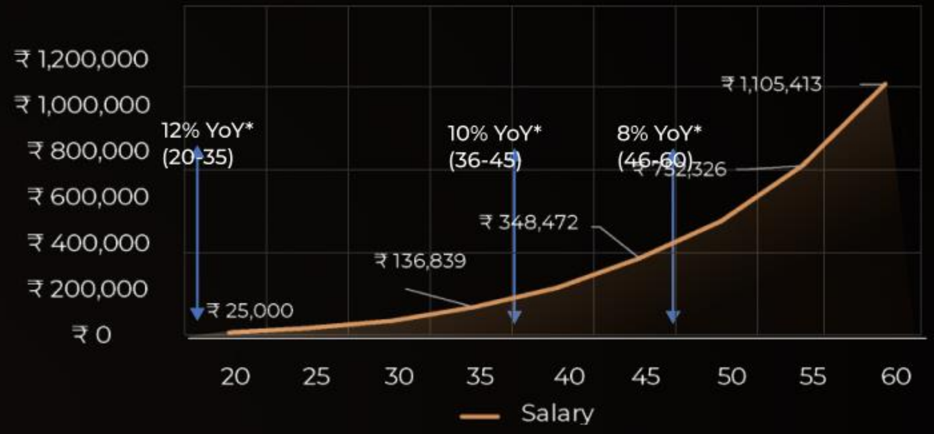
Compensation Stops

- Expenses grows with Inflation at 6%
- Withdrawal of Expenses starts from the passive corpus built.
- Emergency Fund at age of 60 = ₹ 44 Lakhs
- Passive Corpus at end of 80 years of age after withdrawal of expenses = ₹ 61.50*** Cr.

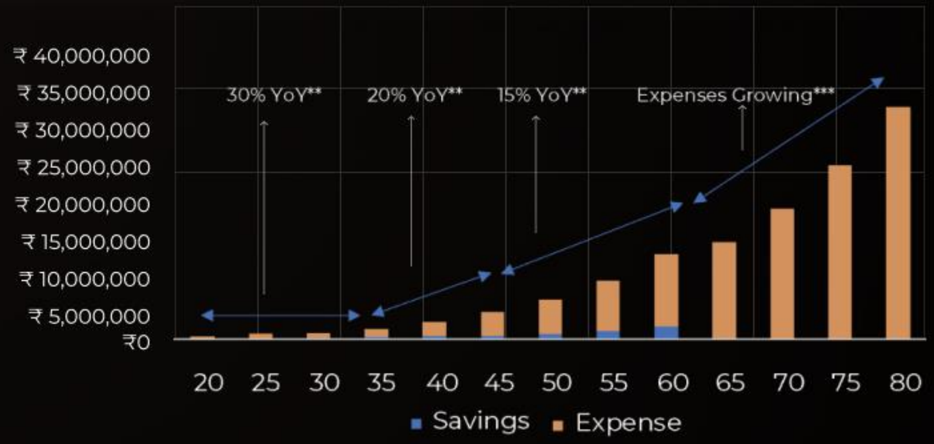
** Investments in Equity Index Fund at 11% IRR
*** investments have been shifted towards more safer avenues giving 7% IRR.
Note: - Emergency Corpus can be withdrawn at any time.

Active Income

MONTHLY ACTIVE INCOME GROWTH



PERCENT OF SALARY - CONSUMED & SAVED



*Compensation Growth
** % of Savings over Income, Expense % = (1-Savings %)
***Growth in expense considering inflation at 6%

Magic of Passive Income

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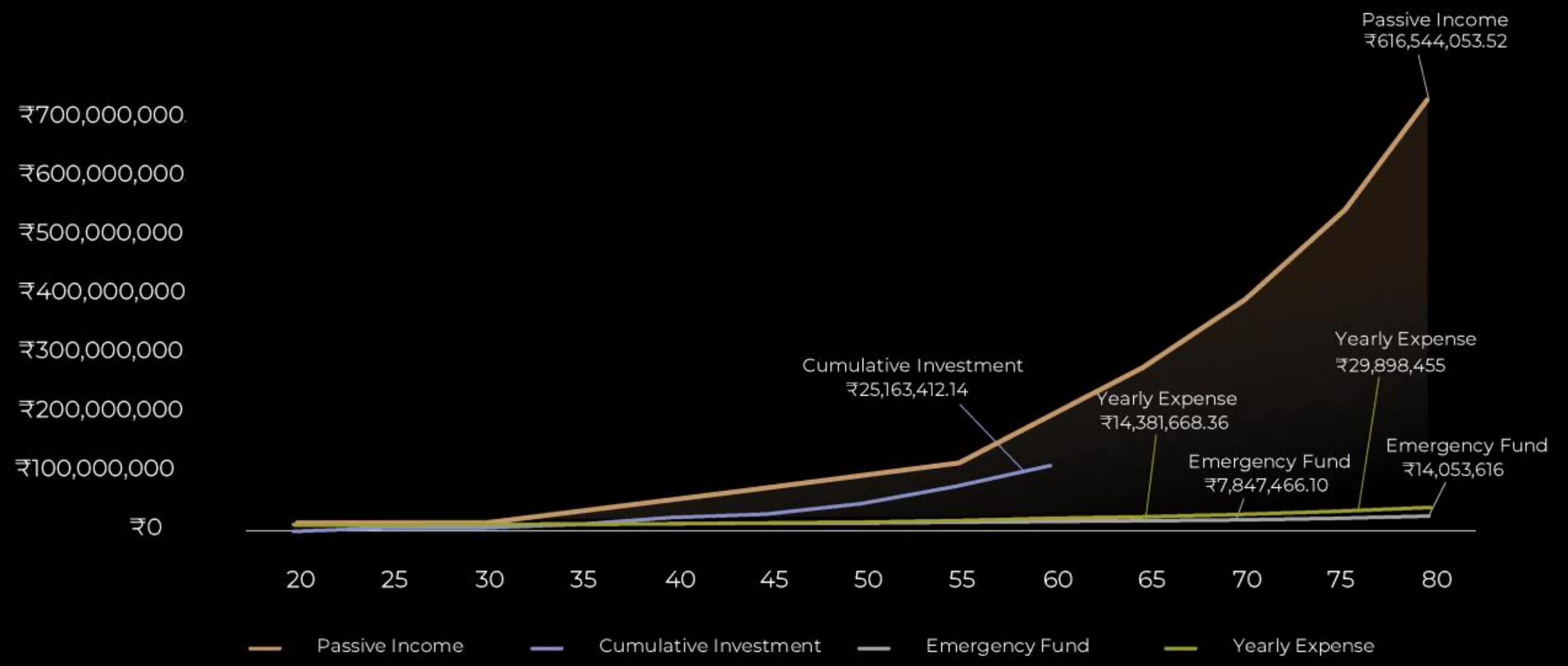

"Redirecting Savings towards Investment consistently unleashes the power of compounding growth to achieve a staggering 28-fold return, post adjusting for inflation adjusted expenses!"

Note: Inflation assumed : - 6% p.a.

- Emergency Fund accumulation of ₹ 10 Lakhs done until age of 36. Hence assumed RoR of 10% (Investment in Liquid Funds)
- Term Insurance Fixed premium paid until Age 60 (₹ 8000 p.a.)
- Investment assumed to be Equity Index Fund, IRR = 12% (Until age 60).
- Investment assumed to be in Debt MFs, IRR = 7% (Ahead 60Yrs. of Age)

"Unlock Your Financial Potential: Align Your Funds Like a Pro and Secure Your Financial Future!"

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Creation of Emergency Fund for 6 Months → Catering to potential risks → Goal Planning

Catering to potential risks
- Medical Insurance
- Life Insurance
- Accidental Cover

Goal Planning
- Short Term Goal
- Medium Term Goal
- Long Term Goal

Investment Goal Priority Tree

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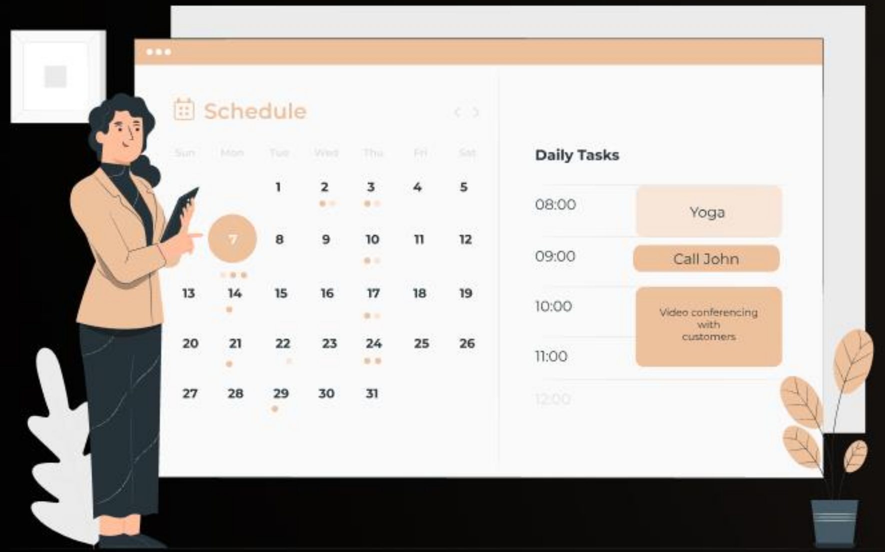
Short-Term Goal (1-3 Years)

1. Funding a vacation or travel plans.
2. Setting aside money for upcoming education expenses.
3. Planning a down Payment for a car.



Planning for a Down payment of Car

Assuming Car Price at end of 3 Year	₹ 10,00,000
Down Payment Required	20% (i.e., ₹ 2,00,000)
Suggested Investments Avenues	Corporate FD's, Debt MFs, Hybrid MFs,P2P
Tenure	3 Years
Expected Return	10%*
Investment Mode	• SIP – Rs. 4,800 for 36 months Or • Lumpsum – Rs. 1,50,250

Investment Goal Priority Tree

Medium-Term Goal (4-10 Years)

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1. Starting a business or expanding an existing one.
2. Accumulating funds for a wedding or special event.
3. Saving for a child's education (Primary).
4. Funding a home renovation or upgrade.
5. Saving for major life milestones like a dream home.

Planning for a Child's Primary Education

Assuming Child's Primary Education cost at end of 8th year.	₹ 20,00,000
Suggested Investments Avenues	Hybrid MFs, Equity MFs,P2P
Investment tenure	8 Years
Expected Return	13%**
Investment Mode	• SIP – Rs. 11,947 for 96 months Or • Lumpsum – Rs. 7,52,300

Investment Goal Priority Tree

Long-Term Goal (10+ Years)

1. Building a substantial investment portfolio for passive income.
2. Building wealth for financial independence.
3. Saving for a child's education (Higher).
4. Retirement planning
5. Estate planning and leaving a legacy

Planning for Child's Higher Education

Assuming child's higher education cost at end of 20th Year	₹50,00,000
Suggested Investments Avenues	Hybrid MFs, Equity MFs, Gold
Investment tenure	20 Years
Expected Return	15%**
Investment Mode	• SIP – Rs. 3,340 for 240 months Or • Lumpsum – Rs. 3,05,500

*Considering Hybrid MFs as Investment.
** Combination of Equity Fund & Gold.

Investment Avenues : -

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INVESTMENTS AVENUES TO CHOOSE :-

Bank

- Savings Bank A/C
- Fixed Deposits
- Recurring Deposits
- Public Provident Fund
- Sukanya Samriddhi Scheme
- Postal Life Insurance

Commodities

- Gold
- Silver

Real Estate

- Commercial Real Estate
- Residential Real Estate

Equity

- Unit Linked Incentive Scheme
- Equity Mutual Funds
  - Large Cap Fund
  - Flexi cap Fund
  - Focused Cap Fund
  - Large & Mid Cap Fund
  - Mid Cap Fund
  - Small Cap Fund
  - Sectoral Fund
  - Thematic Fund
  - International Fund
- Direct Equity
- PMS
- Equity AIFs

Debt

- Insurance Traditional Plan
- Debt Mutual Funds
  - Liquid Fund
  - Ultra Short Fund
  - Low Duration
  - Short-term Funds
  - Corporate Bond Fund
  - Banking & PSU Fund
  - Medium Duration Fund
  - Long Duration Fund
  - Credit Risk Fund
  - Dynamic Bond Fund
- Bonds
- Debt AIFs

Hybrid Market

- Hybrid Mutual Funds
  - Conservative Hybrid
  - Equity Savings Fund
  - Dynamic Asset Allocation
  - Aggressive Hybrid

SLR = S - Safety , L - Liquidity & R - Return

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Considering Safety, Liquidity, & Return Equally In Investment Is Important Because They Are Interconnected Factors That Collectively Determine The Suitability, Profitability, And Accessibility Of An Investment, Ensuring A Balanced And Informed Decision-Making Process.

S

Investment safety is crucial as it relates to potential losses and market fluctuations. Managing safety involves evaluating risk tolerance, aligning with goals, and employing strategies like diversification and risk management. Balancing risk and reward is essential for investors to achieve their objectives.

L

Liquidity is the ease of buying or selling an investment without affecting its price. It enables quick conversion of investments to cash, facilitating timely reactions, seizing opportunities, and efficient portfolio management. Illiquid investments restrict access to funds, and the appropriate liquidity level depends on goals, risk tolerance, and time horizon.

R

Return is the financial gain or loss from an investment, reflecting the reward for risk-taking. It can come from capital appreciation or income. Different investments offer varying returns, typically with higher risk associated with higher returns. Achieving a suitable balance requires assessing objectives, time horizon, and risk tolerance.

Combination of SLR will determine your Investment avenues after considering cost & taxes!

SLR = S - Safety , L - Liquidity & R - Return

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Instrument	Safety	Liquidity	Return
Traditional Insurance – Traditional Plan	High	Low	Low
Withdrawable - Fixed Deposit	High	Medium	Medium
Non-Withdrawable - Fixed Deposit	High	Low	Medium
Recurring Deposit	High	High	Medium
PPF	High	Low	Medium
Sukanya Samriddhi Scheme	High	Low	Medium
GOLD	High	Medium	Medium
SILVER	High	Medium	Medium
Savings Bank	High	High	Low
Debt Mutual Funds	Medium	High	Medium
Hybrid Funds	Medium	High	High
Bonds	Medium	Medium	High
ULIP	Low	Medium	High
Equity Mutual Funds	Low	High	High

Different Kinds of Insurance Plans:-

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Combination of plans to consider:-

- What if you meet with a Medical Emergency?
- What if you meet with an accident?
- And what if Death comes in your way?

Medical Insurance

Medical insurance provides financial protection for healthcare expenses, including doctor visits, hospitalization, medications, and surgeries, reducing the burden of medical costs and ensuring access to necessary healthcare services.

Accidental Insurance

Accidental insurance provides financial protection for injuries, disabilities, or death resulting from accidents. It offers compensation and support to individuals or their beneficiaries, providing coverage for unexpected incidents.

Life Insurance

Life insurance is a contract that pays a lump sum to beneficiaries upon the policyholder's death, providing financial support to loved ones after their passing.

Time Value of Money
(Money Today ≠ Money Tomorrow)

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What is Time Value of Money?

Time Value of Money is the idea That the money available at the present time is worth more than the same amount in the future due to its earning capacity.

What is Inflation?

Inflation refers to rise in prices, which can lead to decline in purchasing power over time.

Relation of Inflation with respect to the Value of money?

The impact inflation has on the time value of money is that it decreases the value of a dollar over time. The time value of money is a concept that describes how the money available to you today is worth more than the same amount of money at a future date.

- Inflation rate to be taken @ 5%
- CAGR to be taken @ 10%
- Amount taken in lakhs

2008

A bag full of vegetables would have costed around ₹250

2022

A bag full of vegetables costs around ₹500

"As we can see that inflation has substantially increased thus eroding one's purchasing power therefore one should invest so as to preserve their capital."

Time Value of Money – Let's hear John's story

John has won a lottery of ₹1,00,000 and has 2 options either he can take the money today or can take the same amount of money next year. So John goes to his friend to take the advice on the same:

Hey buddy!
I just won a lottery of ₹1,00,000

That's great!!

They have given me an option either to take the money today or after a year. What should I do?

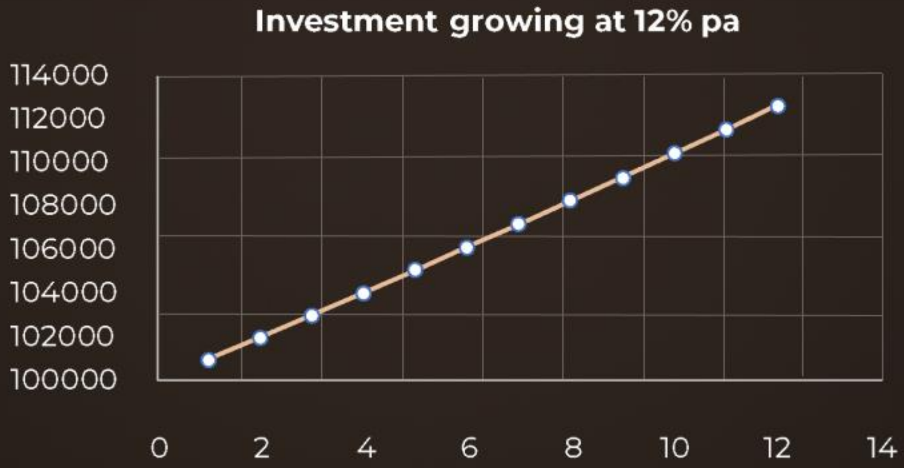
You should definitely take the money today as the value of money today is worth more than the same amount of money received tomorrow.

Let us understand the statement the value of money received today is more than that of tomorrow:-

Suppose you get ₹1,00,000 and you invest the same at 12% rate of return for one year. Your value of ₹ will reach to ₹1,12,000 as we can seen in the chart given

Conclusion:

John should take the money today itself as the value of ₹1,00,000 received today would be more than that received in the future.



What is Portfolio Diversification?

Portfolio diversification simply means diversifying your financial portfolio by investing your funds in multiple asset classes. This is done to ensure that the risk gets distributed across all the asset classes, and the good performing assets cover up the poor performance of any asset class.

Diversification is one of the most effective portfolio strategies to tackle market volatility. For instance, the equity portion may fall if the stock markets are down. However, the investments in gold will increase. Also, the income generated from investments in bonds provides a consistent cash flow to the investors.

Different asset classes perform well in different times

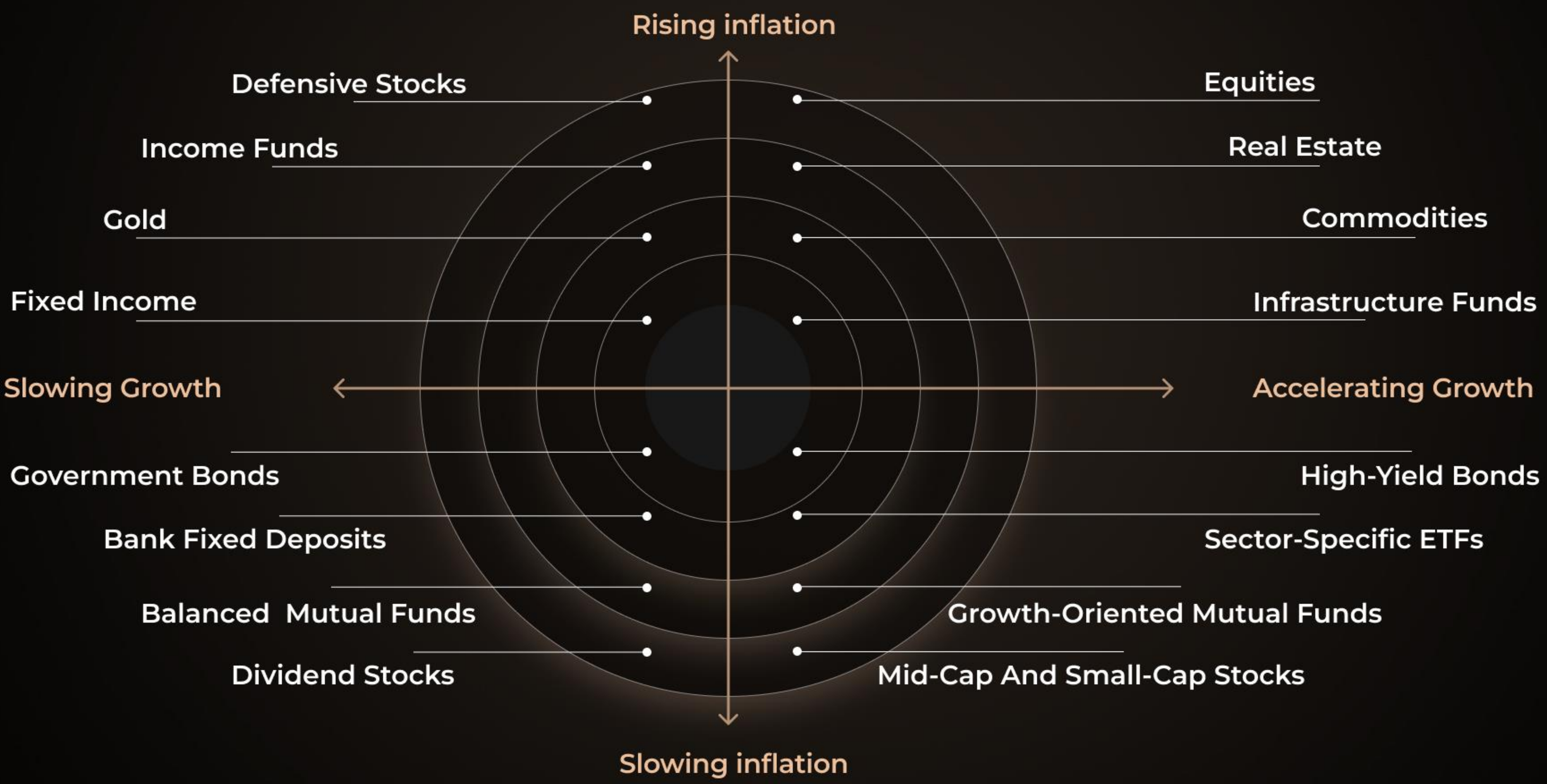
Achieving the right asset mix can cushion your portfolio in weak market conditions.

Domestic equity | Fixed income | Gold | Foreign equity

Calendar year									
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
35.8	29.9	8.7	11.3	27.9	7.9	26.8	28	22	13.9
9	10.5	0.3	9.8	14.2	6.7	23.8	17.3	19.1	11
8.3	4.4	-5	8.4	6	5.9	14.4	15.8	4.4	4.4
-4.5	-7.9	-6.6	1.9	5.1	-3.1	9.5	10.4	-4.2	3.6

Equity: BSE Sensex; Debt: Short Term Bond Fund Index; Global Equity: MSCI ACWI; Gold: MCX prices | **Source:** Ventura Securities

Understand the market cycle



RISING INFLATION & ACCELERATING GROWTH
RISING INFLATION & SLOWING GROWTH

Diversified Equity Funds

Diversified Mutual Funds
Multicap PMS

Gold

Gold ETF
Sovereign Gold Bonds

Infrastructure Funds

Sector-oriented Mutual Funds
Sector-oriented ETF
Infrastructure AIF

Defensive Equity Funds

FMCG Funds
Pharma Funds

Fixed Deposits

REITs/INVITs

Inflation Indexed Bonds

RISING INFLATION & ACCELERATING GROWTH
RISING INFLATION & SLOWING GROWTH

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Balanced Funds

Balanced Advantage Mutual Funds
Multi-asset Mutual Funds
Multi Cap PMS

Long Term Bonds

State Guarantee Bonds
High Credit Quality – AAA bonds
Long duration debt mutual funds

Sector-specific Funds

Banking Funds
Manufacturing Funds
IT Funds

Mid-cap and Small-cap Equities

Flexi-Cap Mutual Funds
Focused Mutual Funds
Multi-Cap PMS

High-yield Fixed Income

High Yielding NCDs
Credit Risk Fund

Fixed Deposits

Corporate FD
Bank FD
P2P Lending

REITs/INVITs

Dividend Funds

UNCORRELATED ASSETS BEHAVE DIFFERENTLY

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A mix of uncorrelated assets in portfolio ensures better risk-adjusted outcomes.

	Indian Equity	Debt	Gold	US Equity
Indian Equity		-0.07	-0.50	+0.40
Debt	-0.07		-0.05	+0.13
Gold	-0.50	-0.05		-0.09
US Equity	+0.40	+0.13	-0.09	

Here Is An Explainer Video:

Correlation of asset classes based on their annual return from January 2010 to September 2024.

Note: Gold has a negative correlation with Indian Equity and US Equity. Debt has a negative correlation with Indian equity (-0.07) and low correlation with US Equity (+0.13). Indian equity has a positive (+0.40) but low correlation with US Equity.

Source: WhiteOak Capital AMC.

WEALTH CREATION

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Wealth creation is the process of accumulation of assets, investments, and resources over a period. It combines key aspects like strategic planning, risk-taking, and long-term investment perspective for meeting the financial goals of wealth creation.

Building wealth over time is a matter of following three basic steps and sticking to them.

The first step is to earn enough money to cover your basic needs, with some left over for saving.

The second step is to manage your spending so that you can maximize your savings

The third step is to channelize it according to goal priority (Health Insurance, Life Insurance, Accidental cover, Creation of emergency Fund and then investments.

STRATEGIES FOR CREATION OF WEALTH : -

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- Determine your Financial Goals
- Explore the power of compound interest
- Monitor your financial assets regularly
- Find the right plan for your Goals.

PRESERVE YOUR WEALTH

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Wealth preservation is a critical aspect of financial Planning, as it focuses on protecting and maintaining the value of assets accumulated over time.

It is particularly important for high-net-worth individuals and families, who face unique challenges and opportunities related to their wealth.

Wealth preservation strategies aim to minimize potential risks, protect against unforeseen events, and ensure the long-term viability of assets.

They often include diversification, tax management, risk management, and estate planning, among other tactics

You

Financial Planning

Risk Management

Asset Allocation

Estate Planning & Wealth Preservation Strategies

Wealth Accumulation & Retirement Planning

Key wealth preservation strategies

- Diversification and Asset Allocation
- Tax Management
- Risk Management
- Asset Protection
- Estate Planning
- Inflation Protection
- Business Succession Planning

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THANK YOU