Twitter Thread by Money Purse {■■■ ■■■■■ }



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■ Thread on NINE PERSONAL FINANCE RULES WE ALL MUST KNOW

1) Rule of 72 (Double Your Money)
2) Rule of 70 (Inflation)
3) 4% Withdrawal Rule
4) 100 Minus Age Rule
5) 10,5,3 Rule
6) 50-30-20 Rule
7) 3X Emergency Rule
8) 40■ EMI Rule
9) Life Insurance Rule

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1) Rule of 72

No.of yrs required to double your money at a given rate,U just divide 72 by interest rate
Eg,if you want to know how long it will take to double your money at 8% interest,divide 72 by 8 and get 9 yrs

At 6% rate,it will take 12 yrs
At 9% rate,it will take 8 yrs

2) Rule of 70

Divide 70 by current inflation rate to know how fast the value of your investment will get reduced to half its present value.

Inflation rate of 7% will reduce the value of your money to half in 10 years.

3)4% Rule for FinancialFreedom

Corpus Required=25tms of your Estd Annual Exp.

Eg-if your An exp after 50yrs age is 5L and you wish to retire corpus req is 1.25crs.

Put 50% in Debt & 50% in equity.

Withdraw 4% every year,i.e.5L

This rule works for 96% of time in 30 yrs period

4) 100 minus your age rule

This rule is used for asset allocation.Subtract your age from 100 to find out,how much of your portfolio should be allocated to equities

Suppose your Age is 30 so (100-30=70)

Equity:70%
Debt:30%

But if your Age is 60 so (100-60= 40)

Eq 40% & D 60%

5) 12-5-3 Rule

One should have reasonable returns expectations

12■ Rate of return - Equity / Mutual Funds
5■ - Debts (Fixed Deposits or Other Debt instruments)
3■ - Savings Account

6) 50-30-20 Rule - about allocation of income to expense

Divide your income into

50■-Needs(Groceries,rent,emi, etc)

30■ -Wants / Desires (Entertainment)

20■-Savings(Equity,MFs,Debt,FD, etc)

At least try to save 20■ of your income. You can definitely save more.

7) 3X Emergency Rule

Always put atleast 3 times your monthly income in Emergency funds for emergencies such as Loss of employment, medical

emergency, etc.

3 X Monthly Income

In fact, one can have around 6 X Monthly Income in liquid or near liquid assets to be on a safer side.

8). 40■ EMI Rule

Never go beyond 40■ of your income into EMIs.

Say if you earn, ■ 50,000 per month. Then you should not have EMIs more than ■ 20,000 .

This Rule is generally used by Finance companies to provide loans. You can use it to manage your finances.

9) Life Insurance Rule

Always have Sum Assured as 20x of your Yearly Income.

20 X Annual Income

Say you earn ■ 5 Lacs annually, you should atleast have 1cr insurance by following this Rule.

These rules are equally useful for young, youth and old. Hope you will find them simple, useful and handy.

Remember: These rules are just basic guidelines, there are exceptions & better ways for every rule.

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