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10 Powerful Thumb rule of Personal Finance - Everyone Should Know ■■

1) Rule of 72

The formula estimates the amount of time it takes for an investment to double in value, earning a fixed annual rate of return.

If you earn 6% on your investment annually it will take (72/6=12) 12 years for your investment to double.

#personalfinance

2) 100 minus age rule

The rule is designed to help you determine the asset allocation between equity and debt. You need to subtract your age from the number 100 to get the equity allocation%

If your age is 30, equity allocation should be 70% (100-30)

3) 50/30/20 Rule

This basic rule of thumb is to divide your monthly after-tax income into three spending categories:

50% for needs,

30% for wants

20% for savings or paying off debt

4) The 35 percent rule

The whole idea behind the 35% rule is that , EMI as a percentage of your income should not exceed 35-40%

Anything above that might put a strain on your finances. In case your EMI is more than that, you should avoid taking any more loans.
#StockMarket

5) Emergency Fund rule

Save about 3-6 months of your expenses and keep it as an emergency fund.

You never know what future prevails so having a cushion to fall on is the wise choice.

6) Term Insurance Rule

You need an insurance coverage of 15-20 times of your annualized monthly expenditure.

#investing

7) The 20/4/10 rule

If you are taking a loan to purchase a car, you should be able to pay 20% down payment, the loan tenure should not be more than 4years and the EMI should not be more than 10% of your monthly income.

8) 10% Retirement rule

We hardly think about retirement from a young age. However, if we start investing just 10% of our income from a young age we can save a huge corpus of money to retire.

If you save just Rs.2000 every month and it grows at 10% it sums to 1.15cr in 39 years.

9) 10-5-3 Rule

One should have reasonable returns expectations

10■ : From Equity / Mutual Funds
5■ : From Debts (Fixed Deposits or Other Debt instruments)
3■ : From Savings Account

10) House Purchase

The value of a house should be equal to 2-3 times your family's annual income. So if you & your spouse are earning a total of Rs 20 lakh, you should buy a house in a Range of Rs 40-60 Lakh.

These rules are very easy to calculate & apply, however, they only provide a general direction and may not necessarily give you the exact picture.

Your finances need to be personalized according to your risk profile, situations, goals etc.

Get a complete picture of your financial profile and actionable steps to boost your net-worth, only at https://t.co/sDoc7tenOY