Twitter Thread by Vidya

Vidya
@VidyaG88

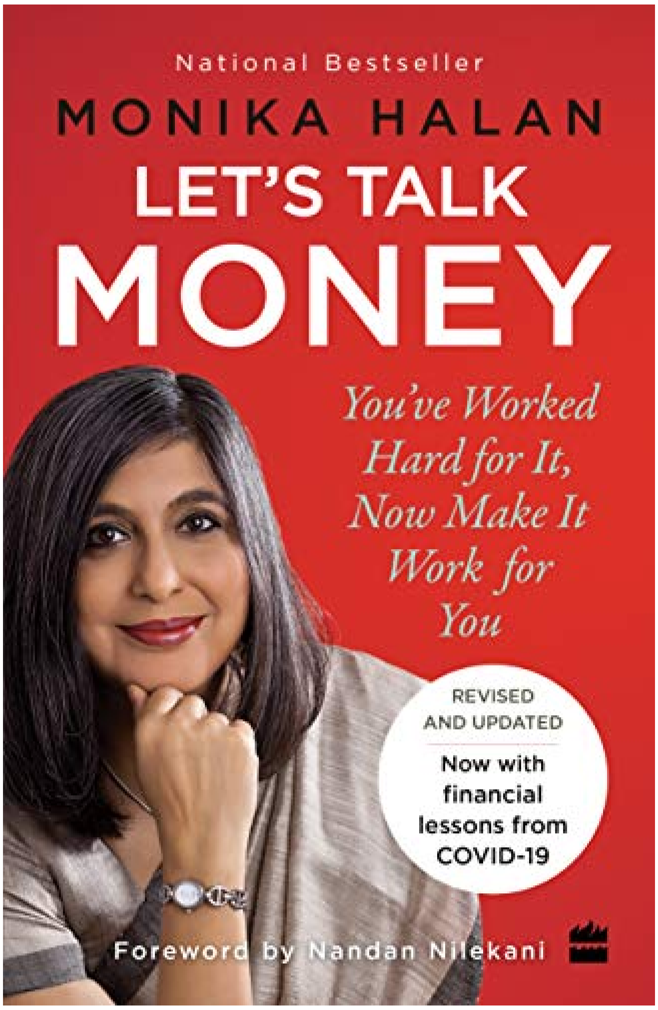
1/15
#LetsTalkMoney by @monikahalan is all about US understanding OUR Needs & Wants, & constructing OUR Money Box.

It helps BUILD a system in place , rather than focusing on a (non existent) single shot solution.

MUST READ FOR ALL !

#BookRecommendation

A ■ on it .
■



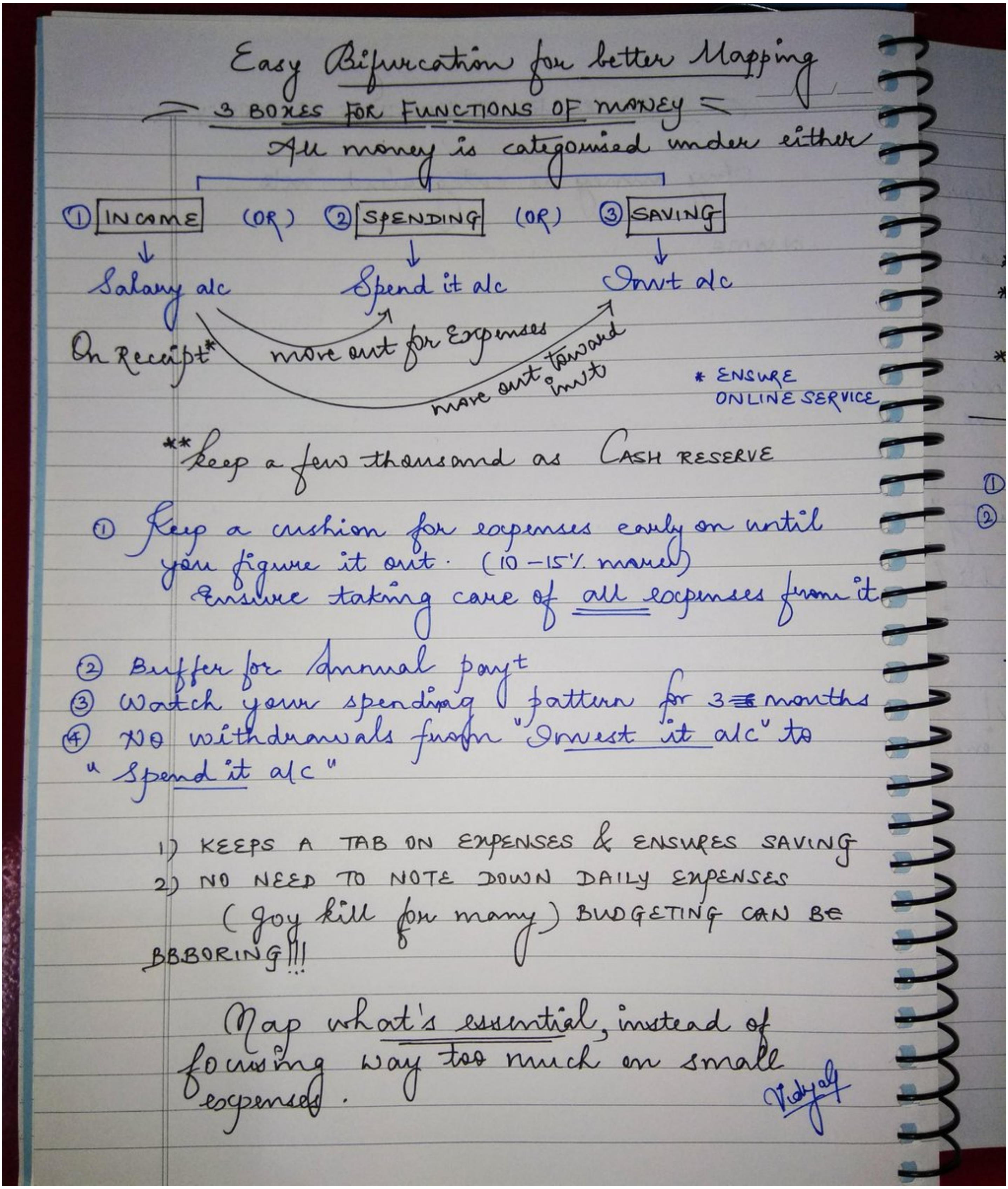
2/15

Firstly, build your own system to manage Cash Inflows & Outflows .
Find a way that's least troublesome but automatically separates the 2.

#Budgeting & #Allocation must not be a cumbersome task !

Easy bifurcation helps in Better mapping.

A bird's eye view on the same ■



Easy Bifurcation for better Mapping

= 3 BOXES FOR FUNCTIONS OF MONEY =

All money is categorised under either

① INCOME (OR) ② SPENDING (OR) ③ SAVING

↓ Salary a/c — ↓ Spend it a/c — ↓ Invt a/c

On Receipt* — move out for Expenses — move out toward invts

* ENSURE ONLINE SERVICE

** Keep a few thousand as CASH RESERVE

① Keep a cushion for expenses early on until you figure it out. (10 – 15% more)
Ensure taking care of all expenses from it.

② Buffer for Annual paymt
③ Watch your spending pattern for 3 months
④ NO withdrawals from "Invest it a/c" to "Spend it a/c"

1) KEEPS A TAB ON EXPENSES & ENSURES SAVING
2) NO NEED TO NOTE DOWN DAILY EXPENSES
(Joy kill for many) BUDGETING CAN BE BBBORING!!!

Map what's essential, instead of focusing way too much on small expenses.

Vidya

3/15

Moving onto Emergencies . This pandemic has made so many of us realise the importance of it .

Another interesting facet :

Unwillingness to take risks comes from the FEAR of not having money when needed - typically why Bank F.Ds are preferred.

Hence the EMERGENCY fund.

4/15
*It shall DIFFER from person to person.
*Understand HOW to go about it & BUILD up your fund.
*It takes 2-3 months time to figure out our expenses & 6 months - 1year atleast to build up this fund.
*So be patient ! ■
Don't jump the gun .

#EmergencyFund pointers:

Emergency Fund is meant for ACTUAL unplanned emergencies

↓

*(SHALL DIFFER FROM PERSON TO PERSON)

* Ensures a cushion.
* We don't need to tap into our investments unnecessarily interrupting compounding.
* Gives time to plan for future.

→ BUILD UP YOUR EMERGENCY FUNDS (KEEP ASIDE 6months – 2yrs)

① Include all Expenses (Earlier Cash flow helps)
② Increase / Decrease as PER REQUIREMENT*

Age, Liabilities, Sole Bread winner etc

WHERE TO PARK YOUR FUNDS

* Fixed Deposit (split into different F.D's to avoid loss of interest, if broken)
* Flexi F.D's (sweep out the amt you need)
* Liquid Funds

They are primarily not meant for planned events. Be okay with minimal returns on these funds.

Park in Quality Banks only!

Vidyal

5/15

Moving onto #HealthInsurance .

It takes just one Hospital visit to realise the importance of a comprehensive Health cover . ■■

Sharing a few points that must not be missed prior to taking a policy .

The book explains EVERY POINT in DETAIL along with examples.

Get your OWN Medical cover!

Even if you are covered by your Employer, get a Personal Comprehensive Medical cover ASAP!

WHY?

Things change overnight. The Pandemic has clearly thrust this lesson upon us that,

"The ~~or~~ only certainity IS uncertainity"

The future is highly unpredictable!

Get a cover EARLY ON, the fitter, the better!

Obviously premium also reduces early on.

HOW MUCH DO I NEED?

Depends on: Place of Residence
What Kind of Hospital sought after
Privacy concerns etc:

Still somewhere to the tune of ₹15 LAKHS per person in METROS and lesser in rural areas. → Family floater option

Vidya

6/15
The book also talks about
* Strategies for older people who purchased insurance years ago

* On the Importance of Critical Illness & Personal Accident cover .
HIGHLY underrated !!

Despite being into investing since over 10+ yrs, I haven't done it yet ■ ■
#NoteToSelf

7/15
Moving onto Necessity for a #LifeInsurance Cover .
Required ? ■

YES. VERY MUCH! ■

An untimely death would make us leave many things midway , including leaving our loved ones in a financial lurch .

It's best to separate investment from insurance products .

→ A sum assured of 8–10 times annual take-home income | 15–20 times annual expenditure.

1) Figure out how much shall be required to run the family in the same way you would want to run it in the coming years.

2) Dependent parents? Spouse?

Basically calculate Income Replacement cost

This must factor in DEBTS, if any.

WHAT THE BENEFICIARY GETS, IF YOU DIE.

Always opt for a pure life insurance policy — AKA "A TERM PLAN".

Don't go in for fancy bundled products!

The purpose of a life insurance cover is to pay the beneficiary a lump sum on your death. If you outlive policy, NO MONEY comes. SIMPLE AS THAT!

Don't think of it as a WASTE.

* Pure term policy triumphs
Endowment, Money-back plans or ULIP's

The fancier the pitch, the higher the intention to obfuscate & hide the real returns.

Vidya

8/15
The book then explains :
* The amount of cover required
* The time to go in for such a life cover
* Which policy to go in for
* When to terminate a life cover

All this and more in EXTREMELY simple words .

Understand it and build a base to research on the net !

9/15
* Some other pointers especially for Beginners.
(Also served as a good reminder for me , as I need to rejig my Asset Allocation)

* A short reality check on other
#DebtProducts
#Gold
#RealEstate

Gotta read the book to know more ! ■■
#NoSpoonFeeding

Few other takeaways

* Money is never in plenty, especially in the early years. But getting into debt to fund current spending is <u>not the way</u> out.

  Either EARN MORE or SPEND LESS!
  (I prefer doing both ü)

* Invest only <u>after having</u> other hygiene factors in place.
  DON'T TRY TO RUN WITHOUT LEARNING TO WALK.

* Every financial product we purchase, must <u>solve</u> our problem, <u>not amplify</u> it.

* Plan out & bifurcate events & accordingly ensure cash inflows.

  SHORT TERM   MEDIUM TERM   LONG TERM

  (Assign monetary value to these)

There is NEVER a good time to begin.
Regardless <u>BEGIN NOW</u>.

Make a plan & go for it !!!

10/15

Moving onto - The most misunderstood Asset class aka #Equity !

* The book helps understand the difference between getting an Equity exposure vs Direct investment in stocks .

The following is explained extremely well in this chapter

■

Equity is a slow cook and not instant Noodles

DETAILED EXPLANATION ON

* What is SENSEX?
* Role of SEBI.
* Large Cap, Mid & Small Cap index.
* Equity Exposure to Portfolio.
* ~~Volatility~~ volatility of Returns over a larger holding period.
* Equity vs Real Estate.

→ Time in the market matters as it smoothens out the volatility of markets.

RULES OF EQUITY INVESTING

→ Patience

AVOID [Poor choice of Products / Poor fund Manager] Go in for ETF/ index funds!

→ Reasonable Expectations

→ Avoid ULIPS

Markets are not for gambling.

If you want to punt, go to the casino!

11/15

The book then explains #MutualFunds , terms associated to it & the asset classes one can purchase via MF in detail along with the sub divisions

* Debt
* Gold
* Equity
* Real Estate (REIT)

All this in common parlance, thereby ensuring EVERYONE understands it !! ■

Some beautiful explanation on:

I. Emphasis is placed on
① Right Diversification.
② Investment Horizon for choosing a product.
③ Understanding the underlying logic.

Only then can we match the product to our need.
The outcome will depend on HOW WELL one understands the product one buys!

II. MF SCHEMES
→ Growth ⟶ (Long term)
→ Dividend ⟶ (Profit Booking)
→ Dividend Reinvestment → (Growth & profits reploughed)

III. ELSS
* Tax Benefit u/s 80C
* Lock in for 3 years (but beneficial)
* Opt for "Growth" schemes over Dividend

IV. Balanced funds — A HYBRID
Convenience Offered
Preferred choice

V. Role of Expense Ratio
VI. Cost of Equity Funds depending on the category of funds

12/15
Systematic Investment Plan (#SIP)
is making periodic Investments .

* Keep SIP target first , then spend rest.
* Allows us to average out our price over a period & cushions volatility .
, as no one can time markets .
* Builds discipline

Use it correctly !
■

1. you understand that you can invest in debt, equity and gold through mutual funds;
2. you understand that managed funds cost more, carry more risk, but also can give higher returns;
3. you understand that the lowest cost and safest way to get an equity exposure is to use index funds or ETFs that track the Sensex or Nifty50;
4. you understand that churning your mutual fund portfolio benefits the seller and not you and, therefore, you should choose carefully and stay invested for years.

13/15

Each product in our money box MUST justify its space & be chosen out of logic & not out of ignorance.

A few important pointers WRT evaluating the financial product .

Note: Since I am familiar with most concepts I haven't elaborated them .

The book explains them.

■

VERY IMPORTANT POINTERS

An investment oriented financial product must be evaluated on 8 parameters

1) COST:

Entry Load, On going cost, Exit Load

↓

ZERO OR tiny front costs

2) RETURN: * Don't get carried away by absolute Returns!

* Stay away from LOW RETURN Market linked products like participating Insurance plans

* Check AVG annual return for 3/5/10 years.

See Benchmark Returns

See Category Returns

Then DECIDE!

3) LOCK IN: Check for duration if closed end Equity funds. / ELSS – 3YRS

ULIPS – 5 yrs (traditionally)

Don't confuse PREMIUM paying term with POLICY TENURE!

↓

Much Longer......

14/15

#FinancialFreedom needs to be planned out well .

It is a journey wherein we need to factor in our ever evolving requirements , inflation and future uncertainty.

The sooner we begin,the better it shall be.

This needs to be rejigged at times depending on circumstances.

ON RETIREMENT

Ball park figure needed : 18 – 35 times of annual spending at 60 yrs

Financial freedom is about having enough to not worry about the expenses (seen & unseen) that shall be incurred.

It does not mean one shouldn't work!
It means having the freedom to CHOOSE.

Having control over your time

2 THUMB RULES (General Est)

① Save your age (OR) ② Multiply your spend

Getting the RIGHT amt for retirement is difficult. One Needs to strike a BALANCE

Can't go overboard saving, not living life
Can't be a spendthrift either!

I personally use "Multiply your spend" thumb rule, as I began early and like the clarity it gives me.

15/15

Lastly,

Few books have been written in such a simplistic ,yet wholesome manner. ■■

IT'S A NO BRAINER THAT ONE HAS TO BUY THIS BOOK !
Knowledge is the best investment that one could ever make & this book is full of it !

Thanks for this, @monikahalan !

THE END