Twitter Thread by Nikita Poojary



Nikita Poojary
@niki_poojary



7 POWERFUL PERSONAL FINANCIAL HACKS that you wish you knew yesterday.

THREAD: Thumb rules that will make you better in managing your personal finance.

Collaborated with @AdityaTodmal

@AdityaTodmal 1. Rule of 72: To estimate when your money will be doubled.

Lets say you are investing in an instrument that gives you 8% p.a.

How long will it take to double your investment:

72 /Rate of interest i.e. 72/8 =9 years.

@AdityaTodmal Conversely, if you come across any plans where they say you'll double your money in 7 years.

Now you can compute the interest rate.

i.e. 72/ 7years = 10.29% p.a.

@AdityaTodmal 2. Rule of 144 : To estimate when your money will be tripled.

114/rate of interest p.a. = No. of years required to triple your money.

Eg: lets say you are getting 12% p.a. in an instrument.

Your money will be tripled in 114/12 = 9.5 years.

@AdityaTodmal 3. Rule of 70: Estimates the impact of inflation on your wealth.

70 / expected long term inflation = No. of years by when your wealth will be worth half of what it is today.

Your total wealth is Rs. 1 cr. & long term inflation rate is 5%.

70/5 = 14 years.

@AdityaTodmal Therefore, real wealth (today) of Rs. 1cr. will be worth Rs. 50lacs after 14 years.

@AdityaTodmal 4. 100 minus your age rule : Asset allocation rule.

Subtract your age from 100 to find out, what % of portfolio allocation should be towards equities.

Eg 1: Age 30
Equity : 70%
Debt : 30%

Eg 2: Age 60
Equity : 40%
Debt : 60%

@AdityaTodmal 5. *3X Emergency Rule:

Set aside a corpus of at least 3x your monthly income for emergencies such as loss of employment, medical emergency, etc.

You can set aside this in liquid funds.

@AdityaTodmal 6. 20X life cover rule:

If you are sole bread winner for the family, and somewhere in the age bracket of 30, life cover should be 20x of your annual package.

Eg: Annual package of Rs.12lacs.

Sum assured: 12 lac *20 = 2.4crs. prems would be ~20k.

@AdityaTodmal 7. 50-20-20-10 Rule -

Divide your income into:
50■ - Basic Needs - Groceries, rent, EMIs if any
20■ - Wants - Vacations, Hobbies
20■ - Investments - Equity, MFs, Debt, FD, etc
10% - Upgrading Skill sets
Atleast aim to save 20■ of your income, more the merrier.

@AdityaTodmal These are basic guidelines one can follow to manage their personal finances.

Following these wont take you anywhere in the short run, the magic happens in the long run due to compounding.

@AdityaTodmal If you enjoyed this thread here's another one:

https://t.co/d19J5eAdzr

> Power of Compounding
> \u201cCompound interest is the eighth wonder of the world. He who understands it, earns it \u2026 he who doesn't \u2026 pays it.\u201d Albert Einstien pic.twitter.com/9bk2lkjvjD
>
> — Nikita Poojary (@niki_poojary) September 18, 2021

@AdityaTodmal Hope you discovered something new (because that's the point!)

If you did, share it with a friend

Hop back up to retweet the first tweet.

See past threads here:
@AdityaTodmal
&
@niki_poojary