Takeaways from P V Subramanyam's Financial Planning Seminar

- Financial planning should be goals focussed – Speed doesn't matter but the compass/direction matters a lot. If you think you are going in the wrong direction, one need to do a self-correction.
- Financial planning is dull and boring but very essential to do.
- There is no due date for financial planning, so people will keep procrastinating. Therefore sometimes it's better to keep a professional who will push you.
- Financial planning is essential these days as the concept of Joint families is coming to an end with almost every one living in Nuclear Families. (With Joint families, if one family was suffering, others would pitch in financial or non-financial resources to help them)
- Financial Planning is a process; it should be continuous and done every day. (Like taking a bath)
- Will is important. Not only for old age people but also for young people. If an older person in the family passes away, there would be a minor inconvenience but if a younger earning person passes away then the older people in the family face a lot of difficulties and have to run from post to post to get things done.
- Employer's Insurance is usually not enough. Also see all the terms and conditions before buying Insurance.
- The most expensive loan (% wise) should be repaid first. What many people do is that they repay the biggest loan (amount wise) first which is wrong.
- **Check your Credit report. If you are a person like PV Subramaniam who has never borrowed, your score should be good.** If you have repaid on time and never defaulted, again your score should be good, if your score is bad then get a detailed report.
- Anyone who has a Real Estate property, needs a will compulsorily. Regardless of property, everyone needs to make a will.
- Create a list of assets, why you own it and if there is no logic or rationale behind holding it, sell it.
- Investing in learning is more important than investing in equity.
- Investing in learning is difficult while investing in equity is comparatively easy.
- **Risk profiling is not about what risk client can take but how client has faced difficult situations and how his risk has evolved too. Risk profiling is very volatile. Risk profiling or risk taking ability is a function of how much risk the client can take and how much risk he needs to take. (Person of age 80 need not take risk)**
- **Credit card is not an income source**.
- **Paying interest on EMI to save tax is wrong. Not a great idea at all. Why to pay 100 Rs to save 30 Rs tax?**
- **Buying real estate growing at 4% by paying 11% interest just to save on tax is completely wrong!**
- Borrow for house rather than car.
- Pay credit card bills before 4-5 days of due date. If you pay on due date and it gets stuck and you get charged late fees, ask for reversal with the bank if you are an esteemed or a very old customer who is banking with them from a very long time.

- Credit card is best used to pay utility bills as you can get points and utility bills are a necessity and not a luxury which makes you overspend. They can be automated for payments toward utility too.
- **Debt Trap – Spending more than you earn.**
- All Loans are the same (Marriage Loan, Home Loan, Personal Loan, Education loan and all other loans). They are all based on your ability to pay.
- At every level of money, financial planning is needed.
- **Uncertain future should not be an obstacle for financial planning. In contrast, that is the sole reason why financial planning should be done in the first place.**
- General Insurance industry grew 17% in 10 years but its profit growth was -3%. This shows companies were undercutting each other with predatory rates. (What happened with telecom, same is happening here)
- Jet airways slashed its fares after Air India slashed its fares. Air India was backed by continuous flow of funds from government, but Jet was reeling under fuel costs pressure and it couldn't afford to cut fares, still it did. Rest is history. This can happen in any Industry. So we need to be prepared.
- **If you are in any business, just hope that Mr Mukesh Ambani or Jeff Bezos doesn't enter that business.**
- To teach kids the value of money, make sure you show them the outflow of money, inflow of goods and services.
- **First step is Value Buying then Value Investing. Instead of Amazon.in, go to Colaba Causeway or Bandra Fashion Street to buy value products, and then practice Value Investing.**
- Instead of a Cancer Insurance, Buy a medical insurance. Cancer insurance is a brilliantly over-marketed product.
- Company's HR has a vested interest for its employees to be financially illiterate. They don't want employees to get financially independent and break free from a job, rather they want them to be burdened with EMIs and retire with the firm.
- **We hate it when someone makes money. But they must have done with proper financial planning, instead of cussing or being jealous, get to financial planning and retire rich!**
- Stock market TV channels are not interviews with ads, they are all Advertisements! Someone or the other speaking is sponsored by someone.
- Invest wisely, insure adequately.
- **Financial planning is done to develop realistic goals, turn problems into challenges, interconnect goals and help understand the alternatives.**
- Don't overdo emergency funding.
- Government has right to change mind every year, but that doesn't mean you goals change every year or after every RBI MPC meeting. That would be akin to changing view on your long term holding after every quarterly result.
- **Wealth – "Not having it brings misery, but having it does not ensure happiness". Wealth is like health.**
- Having the ability to manage wealth is far greater and important to just having wealth.
- **Make personal balance sheet, list all assets and liabilities. Maximizing net worth should be the goal of financial planning.**

- Khopdi to Chopdi – Brain to words on paper – Write it down!
- Medical Insurance and Retirement planning are mandatory for everyone. All other products or insurance are circumstance based.
- **If you don't have the ability to say no, anybody can come and con you! Therefore, be aware and be prepared!**
- Anil Kumble wickets – 619, Balls bowled – 44,500. Same logic for SIP, there will be months with 80% returns and months with 0% returns. No one knows that month, so staying invested is the only key. Don't time the market.
- **Returns come from being inactive, not active. Sounds stupid or unsexy but this is the truth!**
- **Kitna Milega (How much will I get)? Is a very stupid question to which only stupid answers will be received. No one knows what returns you will get in Mutual funds or equities!**
- Frequency of compounding is good for both borrower and lender, not just lender!
- Always see real rate of interest earned or effective rate of interest. If someone in earlier times earned 12% on bank deposits, and you now earn 8%, it doesn't mean the 12% earned higher. That time inflation was 12% so his real rate of interest was 0% (12-12) while u earned real rate of interest of 4% (8-4).
- **Biggest expense in a person's life is Income tax; second biggest expense is Asset management cost.**
- What worked in the last 10 years, necessarily doesn't work for the next 10 years – Air India in 2019 did not get selling price it asked in 2009 of its Nariman point building. 1970-1980s, if you bought an Ambassador car for Rs 30,000 you could use it for 10 years and again sell at the same price as Ambassador Prices went to Rs 60,000. But the same now can't hold true.
- Google and Dominos both went public but Dominos returns are double of Google.
- **The best Indian companies (HDFC) are owned by foreigners.**
- Asset allocation depends on life of person. Don't go through textbook definition or formulae. There are 80 year olds fully invested in equity as they are well off and have no liabilities or their financial needs are taken care of by someone else. Bottom line being every individual is different!
- **Debt is risky in long term; Equities are risky in short term.**
- **JP Morgan was asked 200 years ago "What will the market be like going ahead", they replied "Volatile".**

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