

Money Matters

Because your future deserves smart planning!

1. Are credit cards a good option? Is it safe, and can it harm one's financial stability?

- Credit cards are a good option if you maintain a good credit score by repaying on time every month.
- It is recommended to spend only 30% of the credit limit offered.
- If not repaid on time, the penal interest may be as high as 45% to 55%.
- Credit cards can increase your spending habits.
- Use credit cards carefully and responsibly to avoid falling into credit card debt traps.
- Mismanagement can lead to taking multiple cards to repay the first one.
- If used wisely, credit cards can be valuable tools for financial management by providing short-term liquidity, building credit history, offering rewards, aiding in expense tracking, serving as emergency funds, and ensuring fraud protection, provided balances are paid in full to avoid interest and debt.

2. What is the safety difference between investing in Gold bars and gold ornaments?

- Investing in gold ornaments involves additional costs like making charges and GST, which reduce returns. The varying making charges add further complexity to the investment.
- For gold bars, making charges will be comparatively low, which makes it a more convenient investment option.

- But investing in gold sovereign plans is generally the more comfortable and safer option.
- A key advantage of gold sovereign plans is their security and reliability, as they are backed by the Govt, eliminating concerns about storing physical gold.
- Also, with gold sovereign plans, you don't have to worry about these extra charges.
- Gold bonds are a more attractive choice for investors due to their lower costs and greater flexibility.

3. When should I consider paying income tax?

- Under the new income tax regime, income between 0 to Rs 3 lakh is exempted from tax.
- But, file your income tax return even if you do not come under the tax-paying bracket.
- Filing income tax returns, even without traceable income, provides benefits such as serving as income proof, enabling tax refunds, avoiding unwanted scrutiny, carrying forward losses, building financial credibility, and maintaining a financial history for future needs like loans, visa processing, credit cards, Govt schemes etc.

4. How can we invest wisely and what are the other investing ideas other than Gold?

- We must make sure we are investing in diverse platforms.
- Investing in a single platform can be risky.
- Some other platforms are,
 - Mutual funds
 - SIP
 - Property/Real Estate
 - Business/Start ups
 - LIFE INSURANCES
 - Chitty
 - RD/FD
 - Post office saving scheme
 - Gold and other Bonds

5. How can one invest in the stock market for the long term while minimizing risks?

- Share market investment involves buying and selling shares of publicly traded companies on a stock exchange. The goal is to earn profits through dividends, capital appreciation, or both.
- Long-term Investment: Holding shares for over 1 year.
- Short-term Investment: Holding shares for less than 1 year.
- Share market investment can be highly beneficial but involves risks. Thoroughly understanding the market is crucial before investing large amounts.
- There are many informative YouTube channels available to help you understand share market basics, and they offer valuable tips too. But solely depending on them is also risky!
- Begin with small investments to build experience before committing larger amounts. And do thorough research.
- Study the growth potential of the companies you plan to invest in, and be aware of signs indicating potential growth or decline.

6. Is it wise to choose post office finance schemes and treasury?

- Investing in post office finance schemes and treasury is not a wrong decision, however they offer limited returns compared to other investment alternatives.
- However, they are more reliable than SIPs and mutual funds.
- Post office schemes often involve lengthy formalities, and many are not easily accessible online, which can be time-consuming in today's fast-paced world.
- Fixed deposits in banks can be seen as more time-efficient and they usually offer better convenience compared to post office schemes.
- It is wise to maintain a fixed deposit equal to the amount needed for 2 years' living expenses, ensuring financial security in case of emergencies, such as loss of income.

7. Is taking a home loan a viable financial option, and which is more advantageous: purchasing a house or an apartment?

- A home is not considered as an investment; it's considered a "dead investment" as it doesn't generate returns.
- Both flats and individual homes have pros and cons. Flats are safe and easier to manage, while individual homes offer more privacy and freedom from association rules.
- Choosing between a flat or an individual home depends on personal preference. Renting a home is also a good option.
- Opinions on taking home loans vary. The risk is that high EMIs and interest rates can become difficult to pay back.
- If you're confident about your financial stability until the loan is fully paid, taking a loan could be an option.
- A decrease in property value could result in significant loss, making it important to consider market risks.
- To avoid the risks of home loans, it's better to start an SIP exclusively for purchasing a home or investing in a chitty.

8. Mutual Funds, Fixed Deposits, or LIC—which offers the best safety and returns?

- A mutual fund pools money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other securities.
- Typically offers higher annual returns (10%-20%) compared to fixed deposits and LIC.
- Involves higher risk as the value fluctuates with market conditions, but offers the potential for greater returns.
- Fixed deposits are savings accounts offered by banks and financial institutions, providing a fixed rate of interest for a specified period.
- Considered a savings plan, not an investment, as the returns are generally lower compared to mutual funds.
- Provides liquidity and can be accessed anytime in case of need, making it a safer option with lower risk.
- Returns are fixed and potential for growth is limited.

- LIC provides life insurance coverage and offers savings, retirement benefits, pension plans, and health insurance.
- It combines insurance with investment, providing both return and coverage.
- Offers returns of around 5%-6%, which are relatively lower than mutual funds, and the insurance component reduces the return value.
- Mutual funds tend to provide higher returns but come with higher risks due to market fluctuations.
- Fixed deposits are low-risk, low-return options that offer liquidity but are not suitable for long-term wealth creation.
- LIC offers a balance of insurance and investment, but with lower returns compared to mutual funds.
- The general principle is: the higher the risk, the higher the potential for returns.

9. How do you select the best health insurance policy, and what key factors should you consider?

- Health insurance should be applied for as early as possible in life to ensure better coverage and lower premiums.
- Opt for health insurance providers with a good reputation and thoroughly study their policies before making a decision.
- Be aware of the diseases and ailments covered under the policy. Inquire in detail about specific coverage and the waiting period for various conditions.
- Check the network of hospitals included in the health insurance policy to ensure you have access to quality healthcare when needed.
- Once you have chosen a policy, ensure it is renewed regularly to maintain continuous coverage, as insurers cannot deny you during the renewal process.
- Family health insurance policies can cover multiple individuals, but the total claim amount will be shared among all covered members (e.g., a family of four with a claim amount of 1,00,000 can claim a maximum of 1,00,000 in total).
- Consider term insurance for your family members, as it offers financial protection in case of an unfortunate event.

- Always provide accurate health information during the application process. Lying about pre-existing conditions can result in claim denial. Clear and truthful documentation is essential.

10. How to effectively manage savings, optimize spending within your income, and make informed investment decisions?

- We have been conditioned to save rather than invest, but it's important to understand the difference.
- **Savings:** Unspent money from your income, gathered for future needs.
- **Investment:** Acquiring assets that generate income beyond your salary.
- Investing is crucial, regardless of income size, and should be encouraged.
- The golden rule: **Spend only after investing.**
- Ideal Income Management Ratio (**50:20:30 Rule**)
- **NEEDS** (50%) – Essential expenses like food, travel, and children's expenses.
- **WANTS** (20%) – Non-essential expenses that can be avoided.
- **INVESTMENT** (30%) – Reserved strictly for wealth-building assets.
- Never compromise your investment amount for any expenditure.
- If financial issues arise, adjust spending on wants rather than reducing investments.
- Financial discipline is essential, even with a low salary.

Steps to Maintain Financial Discipline

- Categorize expenses based on the 50:20:30 rule.
- Track spending regularly using mobile apps like Money Manager.
- Set strict financial rules for yourself.
- Consistently follow these rules for at least six months to make them a habit.
- Diversify investments across SIPs, mutual funds, stocks, FDs, LIC, etc.

11. Which insurance policies are worth considering?

Health Insurance

- Covers medical expenses, including hospitalization, treatments, and preventive care. Choose a policy with broad coverage, minimal waiting periods, and a good hospital network.

Term Insurance

- Provides financial protection to dependents in case of the policyholder's demise. It offers high coverage at low premiums but has no maturity benefits. Ideal for securing your family's future.

Insurance for other Valuables

- Protects assets like jewellery, electronics, and property from theft, damage, or loss. Ensures financial compensation and peace of mind with customizable coverage.

12. What key factors should beginners consider to transition from viewing stock market investments as mere savings to a serious income-generating strategy?

- Commit to learning about the stock market in detail and make it a serious study process.
- Dedicate at least two years to consistently studying and understanding market trends.
- Follow reliable online channels that provide fundamental and advanced stock market education.
- Start with a small investment to gain practical experience and understand market dynamics.
- Develop a clear strategy with valid reasons for buying and selling shares.
- Stay updated on the performance and trends of the stocks you invest in.

13. What are the strategies for generating passive income that align with my passions and interests?

- **Invest in Established, Profit-Earning Businesses:** Look for opportunities to invest in businesses that are already generating profits. This allows you to benefit from established systems while focusing on areas you're passionate about.
- **Pursue Income-Generating Ventures Linked to Your Passion:** Explore avenues that connect with your hobbies or interests. Whether it's creating digital content, offering online courses, or crafting products, leveraging your passion can lead to fulfilling income streams.
- **Prioritize Your Primary Income Source:** While building passive income, it's important to prioritize your main source of income, like your job, to ensure financial stability. Let your passion-driven projects complement, rather than replace, your primary earnings.

14. Is silver a viable investment option?

- Similar to gold, silver also incurs labour charges when purchased in the form of coins, bars, or jewellery, which can increase the overall cost of the investment.
- Silver investments may be subject to taxes, reducing the net returns on your investment.
- The costs associated with buying and selling physical silver can eat into potential profits, making it less attractive as a high-return investment.