Securities and Exchange Board of India

INVESTMENT PLANNING
FOR HOME MAKERS

Securities and Exchange Board of India

"The content of the book is developed by Bombay Stock Exchange (BSE) under the guidance of the Advisory Committee for the Investor Protection and Education Fund (IPEF) of Securities Exchange Board of India (SEBI)"
(Graphics and print design by MCX-SX and FTKMC)

Disclaimer

Financial Education initiatives of the SEBI are for providing general information to the public. For specific information on securities law, rules, regulations, guidelines and directives framed thereunder, please refer to the same at www.sebi.gov.in

Published by:
Securities and Exchange Board of India, (SEBI)

SEBI BHAVAN
Plot No.C4-A, 'G' - Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051
Tel: +91-22-26449000 / 40459000 / 9114
Fax: +91-22-26449027 / 40459027
E-mail: fefeedback@sebi.gov.in

Every effort has been made to avoid errors or omission in this publication. Nevertheless any mistake, errors or discrepancy noted may be brought to the notice at the above mentioned address which shall be rectified in the next edition. It is notified that the publisher will not be responsible for any damage or loss to any one, of any kind, in any manner from use of this material.

TABLE OF CONTENTS

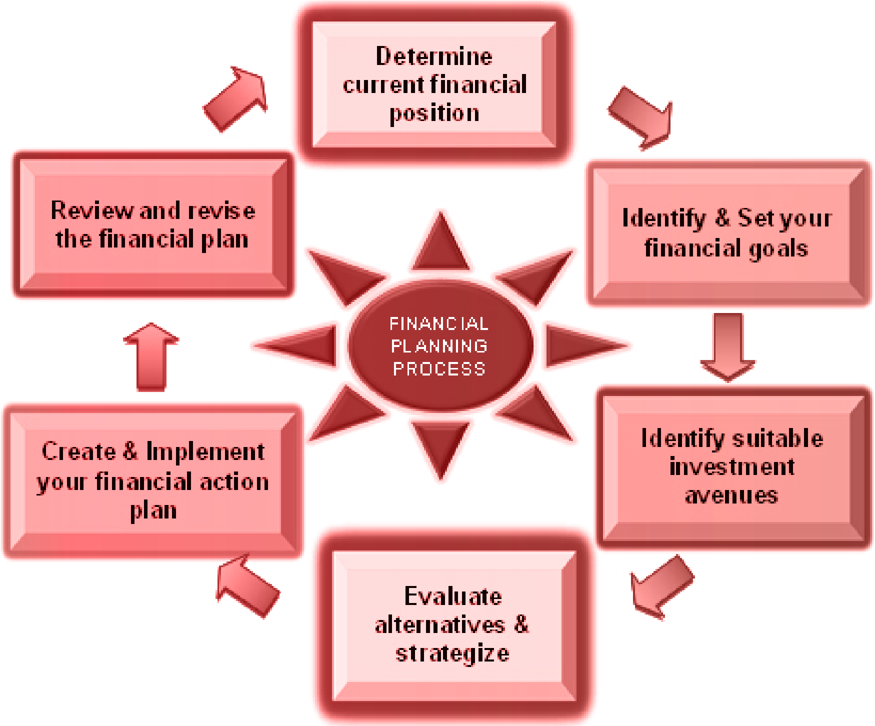
1. NEED FOR FINANCIAL PLANNING

Financial planning isn't just for 'some' people – financial planning is for everyone. Financial planning is one of the most important life skill. It is the process of meeting your life goals through the proper management of your finances. A bad financial plan may lead you to financial problems while; a good plan can provide you and your family with a comfortable life. Unfortunately, many think financial planning is just about money. That's not true – money is just the start.

Just like a house needs a strong foundation to withstand the elements, you need to have a solid financial foundation. Creating your financial foundation requires that you have the basics covered. Your life goals include buying a home, saving for your children's education, managing debt or planning for retirement.

Personal finance covers a wide variety of money topics including budgeting, expenses, debt, saving, retirement and insurance among others. Understanding how each of these topics work together and affect each other is important for laying the groundwork for a solid financial foundation for you and your family.

It is a six step process that helps you take a 'big picture' look at where you are and where you want to be financially. Using this process helps you work out what you need to do now and in the future to reach your goals.



2. IMPORTANCE OF UNDERSTANDING HOUSEHOLD FINANCES

Often only one person in the household is responsible for maintaining the family budget and managing household's finances.

What if you/your partner died or became incapacitated and could no longer manage the budget? You need to follow the following steps:-

Maintain a household budget
Get a big picture idea of all the money in play – the income, the debts, the recurring expenses, the investments and so on.

Understand your family finances and fill out a budget and a balance sheet. The purpose of these two financial tools is to give you a financial snapshot of your finances. Remember, if you put clean honest data in, you will get a true picture of your financial situation.

Understand and estimate your current spending patterns
Constant debits:- EMI (equated monthly installment) payments, car loans, taxes are the amounts that are debited every month
Changing debits:- Electricity, phones, groceries and more utilities that are dependent on the usage. Bills for these services fluctuate and must be recorded on a monthly basis

Make sure you have access to everything
Just knowing that you own various assets won't be enough. If you want to take charge, you should have full access. Get a set of keys to any safety deposit boxes, make sure you are named account holder or the primary beneficiary on all major accounts, life insurance policies and property you own. Also ensure that you open a separate account in your name with a nominee (for emergencies) so that you can control some part of the finances.

Understand everything and why it is important
People tend to complete tasks more successfully when they understand the purpose of what they are doing. Just hearing from your partner that "this account is where we put our savings" isn't as good as explaining why you choose to put your savings there. Saying that we get the best interest rate at this bank helps.

Gradually share with your partner some financial responsibility
If you currently don't handle the money at all, start off with a small manageable task-preferably one with low stakes. For example, be responsible for paying one small bill each month - something with a generous grace period on the payment due date, like the electric bill. As you become more adept, manage additional tasks. Eventually, handle all the finances for one month (with supervision, of course). Then, let your partner switch off for months, with you handling the finances every other month until you both feel completely comfortable. This way you will not only boost your self confidence while handling financial matters, it will also provide freedom to your partner to think on other issues of the family.

Discuss contingency Plans
Make sure you know what your partner would do in an emergency or unplanned financial event. Don't just be conceptual - discuss actual, concrete strategies to handle unplanned events. Example:- if there was a sudden loss of income, which bills would need to be prioritized, and which expenses could be reduced or dropped altogether.

3. BASICS OF SAVINGS & INVESTMENTS

In many instances the terms saving and investment are used interchangeably.

However in an economic sense, savings is the excess of income over expenditure. And investment is the process of routing savings into optimal returns bearing assets.

The objective of savings is to save for the rainy day or to meet unforeseen eventualities. A person saving money is interested in the availability of funds at a future date.

The objective of investments is growth, security or income.

Money used to purchase shares, debt instruments or used to buy any asset where there is an element of capital appreciation/income is deemed an investment.

Investing means you're setting your money aside for longer – term goals. There's no guarantee that the money you invest will grow. In fact, it's normal for investments to rise and fall in value over time. But in the long run, investments can earn a lot more than you can usually make in a savings account.

Whether one's income is small or large, setting aside some of it for investments requires self-discipline. By maintaining discipline to postpone buying certain items now, you can enjoy the longer term benefits of having that money work for you through savings and investments.

The Price of Postponing Investment

You know that the more time you have to invest, the more money you are likely to end up having. But the flip side of that is true too. By waiting to invest, you're paying an opportunity cost. It's easy to say that you don't have enough money to start saving and investing now. – "I'd rather wait until I have more money." But that decision probably costs you more than you think because the power of compounding works both ways. It costs you because waiting means giving up earning compound interest from even just a small amount of money.

Budgeting

The first step in your financial planning is budgeting. Budgeting is a process for tracking, planning and controlling the inflow and outflow of income. It entails identifying all the sources of income and taking into account all current and future expenses, with an aim to meet an individual's financial goals. The primary aim of a budget planner is to ensure savings after the allocation for spending.

Benefits of budgeting -

- It helps in planning and controlling excessive expenditure
- It can help refine goals based on realistic resources
- Helps in decision making
- Helps in using funds efficiently

Steps for budget planning:-

- Determine available funds (cash on hand, funds in the bank, interest etc)
- Estimate expected income and when it is expected to be available
- Define needed expenses. Rank the order of expenditure by their importance
- Eliminate less essential expenditure or limit expenditures
- Set and maintain a minimum cash balance
- Revise, review, cross reference and then assemble into a final budget.
- The budget should be flexible to anticipate conditions which might have been overlooked during the planning process
- Once finalised it should be closely monitored

Other Key Points

- When estimating income that is highly variable, the estimate should be conservative. Being surprised by an income surplus is far more pleasant than having an unexpected shortfall
- If the budget is planned too tight, adherence to it may become an issue
- Review your budget regularly, make changes if new expenses are anticipated

Realize that unexpected things come up in life. You may have to break your budget plan, or reconstruct it, occasionally. However try to avoid debt to cover the shortage and stick to your budget as much as possible.

Inflation effects on Investments

When you are planning your investment, it is critical that you take into account the effects of inflation on your investments. At its most basic level, inflation is simply a rise in prices. This means that, over time, as the cost of goods and services increase, the value of a rupee is going to go down because you won't be able to purchase as much with those rupees as you could have in the last month or last year.

How does inflation affect my investment decision?

This is the question on many investors' minds and it is especially important issue for people living on fixed income, such as retirees.

The impact of inflation on your portfolio depends on the type of securities you hold. If you invest only in stocks then inflation should not be much of a worry. Over the long run, a company's revenue and earnings should increase at the same pace as inflation.

Fixed-income investors are the hardest hit by inflation as they are particularly vulnerable to the effects of inflation. If you are locked into a particular interest rate, and if inflation increases your earnings will not keep up and you may earn a negative real return.

Example:-

Suppose that a year ago you invested Rs 1,000 in a bond with a 10% yield. Now that you are about to collect the Rs 1,100 owed to you, is your Rs 100 (10%) return real? Of course not! Assuming inflation was positive for the year, your purchasing power has fallen and, therefore, so has your real return. We have to take into account the chunk inflation has taken out of your return. If inflation was 6% p.a., then your real return is really 4% p.a. only because items that you purchase for Rs 1,000 will now be Rs 1,060 (6% inflations rate) and therefore your real return is only Rs 40 and Rs 100.

What are the steps that an investor can take to avoid the adverse effects of inflation?

Try to determine your "real rate of return" which is the return you can expect after factoring in the effects of inflation. In addition to being aware of the current rate of inflation, it is crucial to be aware of what inflation rate the experts are anticipating. Both the value of current investments and the attractiveness of future investments will change depending on the outlook for inflation.

Risk and Return

Risk and investing go hand in hand. Risk can be defined as the chance one takes that all or part of the money put into an investment can be lost. The good news is that investing risk comes with the potential for investing reward – which is what makes the whole process worthwhile.

Low levels of uncertainty (low risk) are associated with low potential returns, whereas high levels of uncertainty (high risk) are associated with high potential returns. According to the risk-return tradeoff, invested money can render higher profits only if it is subject to the possibility of being lost.

Because of the risk-return tradeoff, you must be aware of your personal risk tolerance when choosing investments for your portfolio. Taking on some risk is the price of achieving returns; therefore, if you want to make money, you can't cut out all risk. The goal instead is to find an appropriate balance - one that generates some profit, but still allows you reasonable safety of your investment.

Types of Risk
When most people think of "risk" they translate it as loss of principal. However, there are many kinds of risk. Let's take a look at some of them:-

Capital Risk: Losing your invested monies
Inflationary Risk: Investment's rate of return doesn't keep pace with inflation rate
Interest Rate Risk: A drop in an investment's interest rate
Market Risk: Selling an investment at an unfavourable price
Liquidity Risk: Inability to convert your investment into cash when you need it
Legislative Risk: Changes in tax laws may make certain investments less advantageous
Default Risk: The failure of the institution where an investment is made

Remember risk can never be eliminated altogether, but it can be managed.

Power of Compounding

Compounding is a simple concept that offers astounding returns: if you park your money in an investment with a given return, and then reinvest those earnings as you receive them, your investment grows exponentially over time. With simple interest, you earn interest only on the principal (that is, the amount you initially invested); with compounding, you earn interest on the principal and additionally earn interest on the interest.

Just to give an example:-
Assuming Mala and Gita invest Rs.1,00,000 this year. Both of them earn an interest of 10% p.a. However, Mala has invested in a simple interest scheme, where the interest is given to her every year. However, Gita has invested in a scheme with compounded interest. So, at the end of 1st year, both of them will have earned interest of Rs.10,000. However, in the 2nd year, Mala invests the same Rs.1,00,000 and gets interest of Rs.10,000. However, Gita's investment increases to Rs.1,10,000 and her interest earned increases to Rs.11,000. As the years increase, the income for Gita also increases proportionately. This is the power of compounding, essentially useful for meeting long term financial goals.

Compounding, thus, is a wonder tool that lets you make the most of small investments made over long periods of time to accumulate phenomenal wealth. It works best if you start investing early, and leave the money alone. Compounding is, in fact, the single most important reason for you to start investing right now. Every day you are invested is a day that your money is working for you, helping to ensure a financially secure and stable future.

4. INVESTMENT OPTIONS AVAILABLE

The choice of the best investment options will depend on personal circumstances as well as general market conditions. An investment for one objective may not suit the needs of the other. Right investment is a balance of three things: Liquidity, Safety and Return. Liquidity means the ease of converting investments to cash. Some liquid investments are required to meet exingencies. Safety refers to the level of risk of the investment. Some investments may promise high returns while the money may be lost. However, investments which offer decent returns and safe return of principal are most suitable. Inflation is a risk, which reduces the real income of an investment. Return refers to the income generated by the investment. Risky investments offer high or no returns and safe investments offer steady but lower incomes.

There are several short-term and long-term financial investment options available, some of which are given below. These are covered in brief the details of these are available in the Part A material of Financial Education Programe.

Investment Options

Banks

The first type of investment option is the deposits and accounts in banks. They offer savings bank accounts, recurring deposit accounts and fixed deposit accounts. The chief feature here is safety but lower return and also offer high liquidity. Saving accounts are highly liquid but carry low interest. These can be used for day-to-day expenses and exingencies. Fixed deposits carry higher interest and can be used for planning for short to medium term goals like education, etc. The recurring deposit schemes are useful for putting away money every month.

Government Schemes

The Government of India has launched many Income Tax Saving Schemes including:

- National Savings Certificates (NSC)
- Public Provident Fund (PPF)
- Post Office Scheme (POS)

Besides, ELSS offered by Mutual Funds and Infrastructure Bonds of Financial Institutions / Banks also offer tax benefit.

The incomes from investments are exempt from Income Tax and the investments in these schemes are deductible subject to certain limits from the taxable income. These are especially useful for tax planning and are also safe investments. Beside tax benefit is available for ELSS(Equity Linked Savings Scheme) and Infrastructure bonds.

Bonds

A Bond is a loan given by the buyer to the issuer of the instrument, in return for interest. Bonds can be issued by companies, financial institutions, or even the Government. The buyer receives interest income from the seller and the par value of the bond is receivable by the buyer on the maturity date which is specified. Bonds could be Tax Saving Bonds or Regular Income Bonds

Debentures

These are similar to bonds, but are issued by companies. There are different kinds of debentures, which can be offered. They are as follows:

- Non convertible debentures (NCD) – Total amount redeemed by the issuer
- Partially convertible debentures (PCD) – Part is redeemed and part is converted to equity shares with or without the option to the investor
- Fully convertible debentures (FCD) – Whole value is converted into equity. The conversion price is stated when the instrument is issued

Company Fixed Deposits

These are similar to bank fixed deposits, issued by companies to attract small investors. However, they are repayable only on maturity. They offer attractive interest rates, however, they are insecured. Ratings are guide to investor for safety.

Mutual Funds

A mutual fund is a body corporate that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as Assets under Management. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate.

They are a useful tool of investment for those who are not well-versed with the securities markets. They are professionally managed by fund managers who are well trained. The risk is spread out by owning shares in a mutual fund instead of owning shares and bonds.

Various Types of Mutual Funds

Each fund has a predetermined investment objective that tailors the fund's assets, regions of investments and investment strategies. At the fundamental level, there are three varieties of mutual funds:

- Equity funds (stocks)
- Fixed-income funds (bonds)
- Money market funds

Mutual Funds can also be classified as open-ended or closed-end, depending on the maturity date of the fund. Open-ended funds do not have maturity date and their units can be purchased or sold from / to Asset Management Company. Closed-end funds have specific maturity date, after which the investment is refunded and are can also be listed on a stock exchanges.

Open-ended Funds

- An open-ended fund does not have a maturity date
- Investors can buy and sell units of an open-ended fund from / to the Asset Management Company (AMC), at the mutual fund offices or their Investor Service Centres (ISCs) or through the stock exchange.
- The prices at which purchase and redemption transactions take place in a mutual fund are based on the net asset value (NAV) of the fund

Closed-end Funds

- Closed-end funds run for a specific period
- On the specified maturity date, all units are redeemed and the scheme comes to a close
- The units shall be listed on stock exchanges to provide liquidity.

- Investors buy and sell the units among themselves, at the price prevailing in the stock market

The other types of funds are variants and the investor can choose the type of fund depending on specific needs.

Equity Shares

Equity shares represent ownership in the company and they are listed and traded on stock exchanges which facilitate buying and selling. The prime stock exchanges in India are The Stock Exchange Mumbai, known as BSE and the National Stock Exchange known as NSE. The stock exchanges facilitates coming together of buyers and sellers, thus providing liquidity and price discovery.

Investing in equities is riskier than and definitely demands more time and skill than other investments. However, this risk also carries good rewards. In the long run, equities outperform other modes of investment. Stocks are probably the best bet against inflation too.

There are two ways in which investment in equities can be made:
- Through the primary market (by applying for shares that are offered to the public)
- Through the secondary market (by buying shares that are listed on the stock exchanges)

Investment Philosophies

	Rate of return	Rate of return	Risk	Liquidity	Tax Benefit	Convenience
	Annual Income	**Capital Appreciation**				
Financial Securities						
Equity	Low	High	High	High	Yes	High
Non-convertible Debentures	Medium	Low	Medium	Average	Nil	High
Financial Securities (Non-securitized)						
Bank deposits	Low	Nil	Low	High	Yes	High
Provident fund	Nil	Medium	Nil	Low	Yes	High
Life insurance	Nil	Average	Nil	Low	Yes	High
Mutual funds						
Growth/equity	Low	High	High	High	Yes	High
Income/debt	Medium	Average	Low	High	Yes	High
Real assets						
Real estate	Low	Medium	Low	Low	Nil	Average
Gold/silver	Nil	Low	Average	Average	Nil	Average

The table contains indicative figures from the past experience, they are of no guarantee. Investors are requested to make their own decision and bear in mind that market investment are subject to risk.

INVESTMENT PHILOSOPHIES
- Evaluate risk of every investment
- Have clarity on short term and long term needs of the family
- Decide the investment based on the needs
- Do not invest in any scheme that you do not understand
- Do not invest on trust. Have everything backed up by documents

- Take into account tax implication of every income
- Do not blindly follow market tips and rumours
- Anything that appears unnaturally high or low will have some hidden catch
- Do not invest in schemes where you may protect the interest but lose the principal
- Equity investment are subject to market risk. study your investment option well before investing.
- Before investing in share market, study financial of the company,history, background of the promoters and objectives of the issue and its future prospects.
- Read and properly understand risk associated with investing in securities.
- Assess the risk return profile of the investment as well as liquidity and safety aspects before investment.

Protection Related Products

Insurance Policies

Insurance, as the name suggests is an insurance against future loss. However, although life insurance is most common, there are other schemes that generate regular income and cover other types of losses.

The products include Life Insurance, Term Life Insurance, Endowment Policies, Money Back Policies, Annuity/Pension Policies/Funds, New Pension Scheme, 2009, etc.

Health Insurance

Health Insurance policies insure you against several illnesses and guarantee you stay financially secure should you ever require treatment. They safeguard your peace of mind, eliminate worries about treatment expenses, and allow you to focus your energy on more important things.

There are several health insurance or medical insurance plans in India. These can be divided into the following categories based in the coverage offered:
- Comprehensive health insurance coverage
- Hospitalisation Plan
- Critical Illness Plans
- Specific Conditions Coverage

5. NEED AND IMPORTANCE OF PAN CARD

- The permanent account number or PAN has grown in importance and is today a vital part of any financial transaction. The tax department allots the PAN to an individual for the purpose of identification and to relate to various transactions and information pertaining to him.
- If your income exceeds the basic exemption limit, you should apply for PAN by May 31 of the relevant assessment year. Any person whose turnover or gross receipts exceeds Rs.500,000 should apply for PAN before the end of the said accounting year

How to get a PAN card?

1. Application for PAN should be made in prescribed form (Form 49A) and submitted in any of the I-T pan service centres set up such as by Unit Trust of India Investor Services Limited (UTIISL) across the country

2. From July 1, 2003, I-T PAN Service Centres have been set up in all cities or towns where I-T offices are located. For further convenience of PAN applicants in major cities there will be more than one I-T PAN Service Centre
3. Location and other details about I-T PAN Service Centres in any city can be obtained from local Income Tax Office or offices of UTI or UTIISL in that city or from Web site of the Income Tax department (http://www.incometaxindia.gov.in) or of UTIISL (http://www.utiisl.co.in)

It is necessary to quote the PAN in documents related to the following transactions:-

1. Sale or purchase of immovable property valued at Rs 500,000 or more
2. Sale or purchase of a motor vehicle requiring registration other than two-wheelers
3. A time deposit of more than Rs 50,000 with any banking company and deposit of more than Rs 50,000 with post-office savings bank
4. Contract of sale or purchase of all securities including shares, bonds, debentures, derivatives, mutual fund units
5. Cash payment of Rs 50,000 or more for purchase of bank drafts, pay orders or bankers cheques in a day
6. Application for installation of telephone, including cellular telephone
7. Opening a bank account
8. Application for issue of a credit card
9. A cash deposit of Rs 50,000 or more with any bank during any one day
10. Payment of Rs 50,000 or more to a mutual fund for purchase of units or to a company for acquiring its shares or to a company/institution for acquiring its debentures/bonds or to RBI for acquiring bonds

6. UNDERSTANDING PONZI SCHEMES

A Ponzi scheme is a fraudulent investing scam that promises high rates at little risk to investors. The scheme generates returns for older investors from their own money or money paid by subsequent investors, rather than any actual profit earned. The perpetuation of the returns that a Ponzi scheme advertises and pays requires an ever-increasing flow of money from investors to keep the scheme going.

How to Spot one?

The Ponzi scheme usually entices new investors by offering returns other investments cannot guarantee, in the form of short-term returns that are either abnormally high or unusually consistent. In other words it seems too good to be true. Investor must be very careful about such investment, there is nothing like extra ordinary returns.

The ultimate unravelling of a Ponzi scheme

- As more investors become involved, the likelihood of the scheme coming to the attention of authorities increases
- External market forces, such as sharp decline in the economy will cause many investors to withdraw part or all of their funds not due to loss of confidence in the investment, but simply due to underlying market fundamentals
- The scheme will collapse under its own weight as investment slows and the promoter starts having problems paying out the promised returns
- The promoter will vanish, taking all the remaining investment money

7. NOMINEE AND HIS RIGHTS

Inheritance has often been a bone of contention, with a plethora of community specific laws in the country and the legal formalities and hassles that a family has to go through after a bread winner has departed.

A nominee is like a trustee who basically takes care of the assets left behind by the owner and is obliged under the law to distribute them among the legal heirs of the deceased.

What are the rights of a nominee over an asset? Does the asset become his when he dies?

A nominee cannot assume ownership by virtue of the death of the original owner unless he is a legal heir. And even then, he will have to get a succession certificate from the court stating this fact.

If there is a will, it has to be duly authenticated by the court.

What is the procedure for making a claim?

It is more or less the same in case the owner dies leaving behind a will or dies intestate that is, without making one. The legal heirs will have to file a petition in a court in their district. The court will then advertise in the newspaper to invite objections, if any. If no one contests the transfer of the ownership of the deceased's assets, the court will clear the succession.

What happens when there is no nominee at all?

In such a case, the legal heirs will be required to apply for and obtain a certificate of succession, on the basis of which the assets will be distributed among the heirs, in their respective proportion.

Nomination need not be only for inheritance like property, etc., but also in all investments including bank deposits, bonds, debentures, etc. It is advisable for the homemaker to have separate bank and demat accounts in sole name and nominate someone like the husband, child, etc. This gives a sense of independence and by investing wisely, you can satisfactorily see your money grow.

8. WOMEN CENTRIC PRODUCTS

Are we still living in a man's world? If one considers the rate at which women-centric banking products are being launched, one may not be wrong in concluding that 'Woman Power' is here to stay.

Today banking players are increasingly competing with each another to introduce innovative products in order to address the diversified needs of women, hailing from all walks of life, be it the urban working woman, the homemaker, the semi-urban entrepreneur or the rural self help group (SHG) member.

Some women centric products offered by banks include:-

- Special Life Insurance Plans: some of the life insurance plans are exclusively for women. Such plans offer additional benefits for women that are not available in other plans available in the market. These benefits include coverage of congenital disability benefit, pregnancy complications etc.
- Special Health Insurance Plans: In some of the insurance plan Women Rider is an example of special rider exclusively for women.
- Bank Accounts with special benefits for women: some of the banks offer Smart Privilege Account for women. Through these accounts, women get the added advantage of special loan or deposit rates, facility of recurring deposits, lower minimum balance, etc.
- Women Debit and credit Cards: Some of the banks offer women specific cards with special benefits such as discount on locker fees; cash back facility, accidental insurance cover, free bill pay facility etc.
- Loan Schemes for Women: Various PSU banks are offer special loan rates for women. For some of the PSU banks offer lower (0.25% less) interest rate on home loans to women.
- Women-centric financial products aren't just a marketing gimmick. The financial organizations have identified the special needs of women and are accordingly catering to these needs by way of such specialized products.

Given the choice, it might be preferable for women to choose a product tailored for women over some general product available in the market. Always ask if there are special schemes available, and compare the benefits of the women-centric products to the other products available in the market. Additionally, make sure that you are not being charged a higher fee or commission for choosing a product tailored for women.

9. EDUCATION PLANNING FOR CHILDREN

Educating your children is a major expense – the sooner you start saving for it the better. Many parents believe that educating their children in private schools is worth it. But also the financial burden is heavy. Further higher education in India, especially professional courses is becoming expensive by the day. Cost of the professional education is quite steep and we need to plan early.

While earlier a single income was more than sufficient, today even with two incomes we may not be able to finance our children's higher studies. Many parents pay school fees, as with most household bills, on an ad hoc basis when they arrive in the mail. Many parents use their general savings to pay school fees. And if you have to save for two kids, your investment just doubles

Some available options include:

Insurance policies

- Insurance companies offer policies money back or endowment, which give a defined payout at a defined period.
- Herein, one keeps paying a premium every year and gets a lump sum amount when the child has grown-up and is ready for college. Such policies can be used to plan for the higher studies, if you have time on your side.
- Besides, if something unfortunate happens to the parent, not only does the child still get the sum assured on maturity, but the interim premiums are also waived off.
- However, the return from such policies is relatively low, barely covering the inflation. So it is possible that you may end-up with some shortfall in case the education expenses move higher than the average inflation levels.

Investment Products

- One can invest in pure investment options such as PPF, NSC, and Mutual Funds etc.
- There are many 'child' oriented investment products available in the market today. They may not always be a good investment option. In fact, there is no need to specifically go for child-oriented products. Even normal investment products like PPF, MFs etc., which suit your profile, can serve the purpose; many times in a much better manner
- However there is no need to panic. You would most likely be still in an earning phase when your child is ready to go to college (and getting much higher salaries), which can supplement your savings. You can always fill the gap in your savings with a small loan and/ or a scholarship.

10. SECURITY TIPS ON ATM CARD & PIN

- Do not keep the PIN issued by the Bank together with your ATM Card.
- Change your PIN immediately when using your ATM Card for the first time and destroy any documents containing PIN information.
- Do not write down your PIN. You should memorise it.
- Do not send your PIN via email/SMS and never use the same PIN to access other services.
- Do not write down your PIN on the card face and do not disclose your PIN to anyone including any joint account holder.
- Do not, under any circumstances, disclose your PIN to anyone who claims to represent the Bank or who claims to be the Bank's employee or other authorised person, or the police. It is not necessary for anyone to know your PIN. The Bank will never ask for your PIN by any means such as email, SMS, phone, etc.
- Do not use combinations that are readily accessible/deducible such as your identity card number, telephone number, date of birth, driver's licence number or any popular number sequence (such as 987654 or 123456) for your PIN. Avoid using the same digit consecutively or the same sequence of numbers more than twice (such as 112233 or 383838) as a PIN.
- For security reasons, change your PIN regularly
- If you enter an incorrect PIN a certain number of times consecutively, your ATM Card will be captured by the ATM
- Be alert to your surroundings before conducting any banking transactions. Make sure no one sees your PIN and cover the keypad when you enter your PIN on any device, such as an ATM or other self-service terminal.
- Should you notice any suspicious devices at any ATM or any suspicious activities around you when performing an ATM transaction, cancel your transaction immediately and inform the Bank.

- When you have completed your ATM transaction, please retrieve your ATM Card as instructed on the ATM. Never try pushing your card back into the ATM.
- Remember to take your cash and ATM Card after each ATM cash withdrawal.
- Keep all transaction receipts and check them against your account records.
- Do not accept assistance from strangers. If you encounter any problems at the ATM, contact the Bank directly.
- If your ATM Card is lost or stolen, please inform your bank immediately.

11. A HOUSEWIFE'S GUIDE TO INVESTING IN GOLD

Gold- The king of the metals has a strong hold over our collective consciousness which is perhaps incomparable. It is indeed rare to come across a housewife in India who does not know the current price of gold. Imagine how convenient it would be if you could buy gold from your home.

What has investing in gold got to do with the stock market?
You can invest in gold by buying units of gold Exchange Traded funds (ETFs). Gold ETFs are mutual fund schemes which invest in gold. Mutual funds are regulated by Securities and Exchange Board of India (SEBI) and are not to be confused with the unregulated and unregistered chit funds. Gold ETF are special types of exchange traded funds (ETFs) which tracks the prices of gold (i.e. whose value is based on price of gold) and are convenient and inexpensive alternative to owning physical gold.As a retail investor you can peacefully invest in gold through gold ETFs with the full assurance that they are governed by a proven legal framework. Gold ETFs buy standard Gold (99.5% purity) and place it with custodian banks for safekeeping. Against this gold, units are issued, which are equivalent to about 1 gram of gold. These units are traded in the stock Exchange like any other share.

Advantages of Gold ETFs:
You can accumulate gold over a long period by buying say, one unit of gold ETF every month. At the end of say 10-15 years, you will have sizeable investment in units, which you can readily encash for your daughters/son's marriage. Your investment in Gold ETFs are held in demat / electronic form and can be traded on a stock exchange just like buying and selling stocks

Investment in gold ETFs eliminate the hassles and drawbacks of physical gold (e.g. impurity risk), no loss on account of making charges, locker chagres of banks are more taxefficient and allow you to invest in small amounts. However you will be charged for Demat account.

Returns of all Gold ETFs schemes are more or less similar to physical gold because they reflect the price of gold in the spot market.

How to invest in Gold ETFs?
Gold ETFs are listed and traded on Stock Exchanges. They are held in demat form just like the stocks. You require a DMAT account to invest in them (and for that you also require a PAN). Besides, you also require to open a trading account with a broker. Typically, each unit in Gold ETF represents one-tenth of an ounce of gold (1 gram). In other words, small sum is required to gain exposure to the gold price for specific information on gold ETFs please visit stock exchanges website or AMFI website.

12. BORROWING RELATED PRODUCTS

With today's heightened cost of living, debts become a usual thing. A number of people apply for personal loans, car loans, mortgage loans, and a whole lot of others. There seems to be a loan for everything. Often, financial troubles begin as a result of too large debt.

DIFFERENT TYPES OF LOANS AVAILABLE

Personal Loans

Personal loans are usually taken when you have to meet unexpected needs that are beyond a persons immediate financial means. People often get into financial trouble by taking out personal loans just for the extra money, or to purchase frivolous items, and then find that they can't make the monthly payments required.

Key Features

- Be ready for high interest rates of 14-18% p.a, high fees and even higher monthly instalments
- The application process can be time consuming, taking weeks to be approved and funds disbursed, quite impractical for those unexpected immediate needs
- Rates and terms of the personal loans can vary tremendously, careful comparison is wise, helping to ensure that the consumer does not pay more than necessary for those emergency funds
- Take your time and do the homework before taking a personal loan
- Not advisable except for emergency requirements

Housing Loan

A home loan is just another loan with your house as the collateral. If you are buying your first home then it is important to understand the ins and outs of home loans. There are many variations according to the economy and what the market is doing that determines things that are going to apply to your home loan.

Key Features

- Banks finance 75-80% of the property value
- Banks have recently started to offer lower fixed 'teaser' rates for a short period of time. Then after some time the interest rates jump up and become variable. Be careful to read the fine print.
- Most housing loans have a minimum lock in period of 3 years or more.
- Heavy penalty charges for pre payment
- Hidden fees include appraisal fees and other charges associated with the loan
- If you want to sell the house the loan becomes payable immediately

Reverse Mortgage

The whole idea of a reverse mortgage is entirely opposite to the regular mortgage process where a person pays the bank for a mortgaged property. This concept is particularly popular in the western countries.

Key Features

- A senior citizen who holds a house property, but lacks a regular source of income can put his property on mortgage with a bank or housing finance company. The bank/ housing finance company pays the person a regular payment
- The good thing is that the person who 'reverse mortgages' his property can stay in the house for his life and continue to receive the much needed regular payments. So effectively the property now pays for the owner.

- The way this works is that the bank will have the right to sell off the property after the incumbent passes away or leaves the place, and to recover the loan. It passes on any extra amount to the legal heir

Draft Guidelines of reverse mortgage in India prepared by RBI have the following salient features:

- Any house owner over 60 years in eligible
- The maximum loan is upto 60% of the value of residential property
- The maximum period is 15 years
- The borrower can opt for monthly, quarterly, annual or lump sum payments at any point, as per his discretion
- The revaluation of the property has to be undertaken by the Bank or HFC once every 5 years
- The amount received through reverse mortgage is considered as loan and not income
- Reverse mortgage rates can be fixed or floating and hence will vary according to market conditions depending on the interest rate regime chosen by the borrower

Loan against Securities

The main purpose of taking loans against shares is to preserve investment, apart from taking care of personal needs. People also resort to such a loan to meet their contingencies and get liquidity without actually selling the shares. It is advisable to take loan against securities only when you are expecting a certain sum of money a few months down the line and you need some funds in the interim.

Key Features

- RBI allows banks to lend up to 75% of the value of demat shares and 50 per cent of the value of physical shares. However, banks can, and do, fix their own limits with respect to the extent of funding within that range
- Banks have an approved list of securities that they lend against and this list varies from one lender to the other. This list also gets revised from time to time
- Loans against mutual fund units are based on their NAV value
- The amount of loan that you will get depends on the valuation of the security, applicable margin, your ability to service and repay the loan and other conditions
- Interest rates usually range between 14-18%
- Charges vary from bank to bank and usually include processing fees (1-1.5%) and documentation charges
- Only fully paid shares are accepted
- Scrips in the name of corporate, minors, Firms, HUF, and NRIs are not eligible for finance under this scheme

Credit Card Debt

Credit card debt is usually resorted to when all other option including personal loans are exhausted. Credit card debt is unsecured therefore it carries very high interest rates. A credit card gives you the power to spend money even when you don't have the funds. Lots of young people misuse it by spending on frivolous things

Stay away from credit card debt: Lots of young people are having problems with credit debt. Paying only the minimum is costly and will ensure that you have debt for a long time. Try to consistently pay as much as you are able towards your debts - you will be glad you did.

Key Features

- Interest rates on credit cards are probably the highest compared to other credit facilities. The interest ranges from 18-36% p.a
- Debt keeps accumulating via interest and penalties. If you are not paying off your outstanding balance before the interest free period expires then you will be paying a high interest rate. This can make it hard to reduce your credit card debt

- As most credit card limits are low some borrowers tend to neglect the fact that the interest payment is relatively small on a month to month basis. This is a dangerous practice because the amount of interest you pay can quickly jump to exceed the value of your actual debt
- Be very careful of having multiple cards and be very careful of taking up the marketing promotions from credit card providers when they actively try and get you to increase your credit card limit

Steps to Avoid Excess Debt

- **Set debt limits**
  - Decide how much you can afford to be in debt. Then, make sure that your total debt is below this amount
  - You may also want to set a limit on how much money out of each paycheck you are willing to spend on debts. Having this sort of limit can be very useful in ensuring that you do not overextend your credit

- **Shop carefully for debts**
  - If you do need a loan, be sure to do your research well. Always understand how much you will pay for your loan in interest and look for the lowest interest rates and the most affordable debt you can find. This will ensure that you do not end up overspending on interest rates
  - Once a year, check to make sure that you are still getting the best interest rates and best loan deals possible

- **Don't give into temptation**
  - Once you show that you can handle some debt, many companies will be eager to offer you more credit. Companies may start sending you credit card offers and your lenders may offer you additional credit products
  - While it may be tempting to take out lots of new debt, you need to be wary of doing so. Only take out a loan or credit service when you really need to

- **Automatically have money go towards your bills**
  - Many banks and employers will allow you to have some money automatically deducted from your paycheck
  - This can be a great way to ensure that your bills get paid promptly. Plus, since you won't even see the money, you are less likely to miss it

Securities and Exchange Board of India

For future financial education programs on any of the following modules:

1. School children
2. college students
3. Middle income group
4. Executives
5. Retirement planning
6. Home makers
7. Self help group

OR

Any of the following topics on securities markets namely;

1. How to read an offer document
2. How to invest in the primary market through stock exchanges.
3. How to trade in securities/guide to investors.
4. D-mat account and depositories.
5. Mutual funds-do's and Dont's
6. Collective investment schemes- Do's and dont's
7. Buy back of shares, delisting of securities,
8. Takeover regulations
9. Investor grievances-how to resolve it

Please write to SEBI at feprogram@sebi.gov.in

Or

DEPUTY GENERAL MANAGER
Investor Awareness Division
SEBI BHAVAN
Plot No - C4-A, G - Block
Bandra Kurla Complex Bandra (East)
Mumbai 400051
Tel: +91 022 26449142

Contact details of SEBI offices in India

HEAD OFFICE

SEBI BHAVAN

Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051
Tel: +91-22-26449000 / 40459000 / 9114 / Fax: +91-22-26449016-20 / 40459016-20
E-mail: sebi@sebi.gov.in
(Maharashtra, Madhya Pradesh, Chhatisgarh, Goa, Diu, Daman and Dadra & Nagar Haveli)

Northern Regional Office 5th Floor, Bank of Baroda Building, 16, Sansad Marg, New Delhi - 110 001. Tel: +91-11-23724001-05 / Fax: +91-11-23724006. E-mail : sebinro@sebi.gov.in (Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Uttar Pradesh, Chandigarh, Uttarakhand and Delhi.)	**Southern Regional Office** D' Monte Building, 3rd Floor, 32 D' Monte Colony, TTK Road, Alwarpet, Chennai: 600018. Tel : +91-44-24674000/24674150 Fax: +91-044-24674001 E-mail : sebisro@sebi.gov.in (Andhra Pradesh, Karnataka, Kerala, Tamilnadu, Pondicherry and Lakshwadeep & Minicoy Islands)
Eastern Regional Office L&T Chambers, 3rd Floor, 16 Camac Street, Kolkata - 700 017 Tel : +91-33-23023000 / Fax: +91-33-22874307. E-mail : sebiero@sebi.gov.in (Assam, Bihar, Manipur, Meghalaya, Nagaland, Orissa, West Bengal, Arunachal Pradesh, Mizoram, Tripura, Sikkim, Jharkhand and Andaman & Nicobar Islands)	**Ahmedabad Regional Office** Unit No: 002, Ground Floor SAKAR I, Near Gandhigram Railway Station, Opp. Nehru Bridge Ashram Road, Ahmedabad - 380 009 Tel : +91 079-26583633-35 / Fax: +91 079-26583632 E-mail : sebiaro@sebi.gov.in (Gujarat and Rajasthan)

SECURITIES AND EXCHANGE BOARD OF INDIA
PUBLISHED IN JULY, 2010