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FINANCIAL PLANNING AT DIFFERENT LIFE STAGES...

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You see them everywhere. In malls, multiplexes and restaurants in every city. Demanding the latest gizmos, the most expensive cars, watches & electronic gizmos, the most fashionable accessories... They belong to the 300-million-strong mass affluent population, and their motto seems to be 'have money..spend it.'

But simply because you are earning a lot and are in a position to spend does not mean you should ignore financial planning. The money imperatives are at three points of an individual's life cycle to develop a financial strategy in a time of affluence. This can serve as a roadmap to managing your money in these exuberant times.

✦ Starting out single

This is the stage when you've started earning and are also spending recklessly. Typically, this group consists of 21-29-year-olds. It is crucial in this stage to strike the right balance between spending on current pleasure and saving for future costs. While spending is not barred, this is the time when cash in hand must translate into a solid financial foundation. Money

Insurance. If you don't have financial dependants and if your liabilities will not devolve on others, you really don't need insurance now. Ideally, wait till you're married before you take life insurance. However, medical insurance is essential at all stages of life. If you want to invest any surplus funds in a long-term product, you could pick a whole life policy or pure term loans for specific liabilities. Also you may opt for Personal Accidental Insurance at this stage which also covers disability due to any type of accident.

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earned should be channeled into building a long-term corpus.

Create an education fund. It's your first job and you simply must have that swanky new mobile phone. And the latest iPod. And... Before you start splurging on gadgets and gizmos, keep some of your money aside to fund further education. Because there's a very real possibility of being left behind in a knowledge-based economy if you don't constantly upgrade your skill sets. As this money is for short-term expenditure, ensure that you manage risk adroitly. For instance, if your horizon is two-three years, invest in a debt:equity ratio of 75:25. Park this crucial corpus in a fixed monthly plan that currently yields 8-9 per cent return. If you have a five-year horizon, increase equity to 50 per cent.

Rein in Spending. Remember to spend from profits from investments, not income. Typically, living a credit-fuelled life means you are leveraging your future income. Once that leveraging extends beyond the classic rule of thumb that EMI (equated monthly instalments on loans) must be below 30 per cent of your net take-home salary, it's time to cut down spending.

Build Real Assets. You've got your study corpus going, you've allocated a certain amount for non-discretionary spending, and you're paying all your regular expenses. If you have an investible surplus after this, take a home loan. You not only buy a tangible asset, you get an extended window of up to 30 years to clear the loan, while, ideally, you should be retiring the loan earlier. And set aside some money for your retirement plan. It's not too early to start saving for retirement even at 25.

" Four things come not back: the spoken word, the sped arrow, the past life and the neglected opportunity. "