

Managing Personal Finances (Author- Dr Kanak Madrecha) 13-5-2020

Personal Financial Management: It involves managing personal finances both during normal & crisis situations i.e. managing long term & annual budgeting, earning money, controlling expenses & saving money, paying all (monthly or annual) bills on time, arranging short term or long-term funds i.e. loans from banks /individuals on time at minimum cost, following up receivables from friends if you loaned to others.

Financial Objectives of various personal activities to improve financial health of an individual:-

Personal Activity	Key Financial Objective of the Personal Activity/ Financial Tips
Financial Management during Crisis (e.g. COVID-19)	<ol style="list-style-type: none"> To conserve CASH by reviewing every expense for immediate need & postponing all unnecessary Operating Expenditure (OPEX) & Capital Expenditure (CAPEX). To postpone any long-term investments (i.e. Buying House, Car, White Goods, Shares & Mutual Funds, Gold & Diamond Jewellery, Paid Higher Education/ Expensive Training Programmes) until situation normalizes i.e. you are sure of regular income flow/ job security for next 12 months. To keep "liquid cash (equal to 6-12 months of expenses) as bank balance" in rare case if your employer is not able to pay your salary on time. To prepare Monthly Expense Budget & enforce strict compliance of this budget. To Keep "cash at home equal to one-month expenses" in rare case of ATMs/Banks do not work for emergency situation.
Income Management	To maximize earning every month or quarter or year & maintain continuity of income or cash inflows every month or quarter or year. To keep timely payment of salary by employer also in mind for selecting any new job.
Expense Management	To minimize all expenses (House Rent, Kitchen, School Education for children, Car, Other Expenses) so that they remain within 30-70% of your income.
Investment in Fixed Deposits	<ol style="list-style-type: none"> To maximize Return on Investment (ROI) using Bank Fixed Deposits (FDs) thereby protecting both the Principal and Interest. Diversify into 2-3 Currencies. To ensure FDs are split into 4 banks so as to minimize risk of bank's liquidity crisis.
Investments in shares & mutual funds	To maximize additional income over & above monthly income from job or business keeping financial risks under control. If you have spare cash/bank balance then invest some % (say below 25% of total assets) in shares & mutual funds as principal & return are not guaranteed by these investments.
Investment in Real Estate Asset	To buy Real Estate Asset (House/ Office /Plot) based on location, buying price, annual maintenance expenses, title deed legality, estimated market value in future. Such real estate asset can also be used for self-i.e. stay in owned house or work in own office.
Investment in Jewelry	To invest into Silver/ Gold/ Diamond Jewelry/Gold Bars when the market prices are low after special discounts. This can be a good long-term investment. These also provides hedging against currency fluctuations from time to time.
Loan Management	To minimize your financial risk & resulting worries, take loan from banks or individuals only if essential. Total Loan Amount must be capped so that "Monthly Repayment Installment towards all loans" should be less than "50% of total income" or "monthly saving (income less monthly expenses)" whichever is lower. Maintain credit worthiness.
Credit Card Management	To minimize "number of Credit Cards" and "Annual Credit Card Fee Payment". To set up auto payment of monthly credit card bills in online banking to avoid late payment penalties. Do not give any signed blank cheques as guarantee.
Insurance Management	To buy all insurances (medical, life, vehicle, accident, house belongings etc.) to reduce risk from any adverse medical condition or accident or death but keeping total annual insurance premium below 3-5% of total income. This is cost of buying peace of mind.
Plan money for Major Life Events	To plan for expenses or investments for major life events like Construction/ Buying of House & Car, Children Higher Education & Wedding etc. 2 to 10 years in advance based on amount of expenses or investments involved vis-à-vis annual income.
Taxation Management	To ensure timely filing of applicable tax return & payment of all taxes (Income Tax, VAT & Municipality Tax on House rent) and government fees on time so that you are 100% compliant to Government legislation of country of working or home country.
Succession/ Will Management	To register Succession/ Will both in Work Country (i.e. UAE)/Home Country and keep list of all assets (Bank, House, Office, Plot, Shares, Mutual Funds, Jewellery, Vehicle & Other Investments, Lockers) handy & update this asset list every month end.

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