International Journal of Commerce and Management Research
ISSN: 2455-1627
www.managejournal.com
Volume 2; Issue 2; February 2016; Page No. 34-36

How Personal financial planning is important for living quality Life standard

[1] Nikhil Yadav, [2] Dr. Ravindra Tripathi, [3] Dr. Rajesh Kumar Shastri

[1] Ph.D Research Scholar (Area Finance and Public Policy), Department of Humanities and Social Sciences, Motilal Nehru National Institute of Technology Allahabad, Allahabad, U.P -211004.

[2] Assistant Professor (Finance & Accounting), Department of Humanities and Social Sciences, Motilal Nehru National, Institute of Technology Allahabad, Allahabad U.P -211004.

[3] Assistant Professor (Public Policy) Department of Humanities and Social Sciences, Motilal Nehru National Institute of Technology Allahabad, Allahabad U.P -211004.

Abstract
Financial resources are integral part of our life so proper management of our personal financial resources is important for quality life standard. Objective of this paper highlight importance of personal financial planning and analysis the key aspects of personal financial planning in life of any individual. On the basis of available literature it concluded that proper personal financial planning helps in safety, security and wealth creation which leads people's quality of life standard.

Keywords: Personal financial planning, Risks management, Quality Life standard

1. Introduction
Personal financial planning includes all those personal monetary management activities in which financial goal achievements, risks management and financial security involves (Chieh-Yow & Chiang Lin, 2008) [2]. Personal financial planing is efficent management of financial resources for personal economics stisfaction (Kapoor *et al*, 2004) [7]. Personal financial planing is alocation of own assets in different securties for wealth creation and welfare of their life not even in working life but also after retiremnet (Lai & Tan, 2009) [9]. For proper fianancial planing financial advice also play crucial role because it helps in increasing wealth, preventing loss and smooth consumption (Hanna & Lindamood, 2010) [10]. In current era Scope of financial planing is increasing because people take intrest in financial planing but people lack in knowledge and skills in their own financial planing (Murphy & Yetmar, 2010) [3].

2. Dimensions of Personal Financial Planning and Quality of Life
Financial Planning is an ongoing process to help you make sensible decisions about money that can help you achieve your goals in life; it's not just about buying products like a pension or life insurance products. There are three basic important areas for financial planning
2.1) Wealth creation 2.2) Safety 3.3) Security

2.1. Wealth creation
Here first I would like to discuss wealth because without wealth first two factor not possible in Indian people fallow below pattern of saving
Income – expense = savings
But it is not correct pattern it should be as below
Income –saving = expense
Perfect guidance requires for a financial planning specially for our middle and lower group income and these group of population in India almost 60 % exist. Indian people have good saving habit but majority of people invest in guarantied product or fixed income product that showing very clear in fallowing data.

Financial Assets of the Household Sector (2012 -2015) (in Rs Billon)

Year	Currency	Bank Deposits	Non-Banking Deposits	Life Insurance Funds	Provident & Pension Funds	Shares & Debentures	Total Financial Assets
2012-13	1,116	5,750	172	1,820	1,240	438	10,244
2013-14	1,018	7,741	305	2,052	1,362	323	12,792
2014-15	1,317	5,792	274	2,347	2,008	570	12,356

* Life Insurance Fund includes Central or State Governments employees' insurance funds and postal insurance funds.
* Shares and Debentures include investment in shares and debentures of credit / non-credit societies, public sector bonds and mutual funds (other than Specified Undertaking of the UTI).

Source: http://www.relakhs.com/rbis-statistical-data-on-households-savings-investments-2015

The pattern of investment in fixed product works as just safe their money against inflation but not grow according future need which is biggest threat for their money. Here I am giving a comparison of assume investment of Rs. 100 in sensex and fixed deposit.

Example: Mr. x invested Rs 100 in 1979 in Sensex, s all companies proportionally and Mr Y invested in fixed deposit same amount see the difference in final value which they get

Sensex	**fixed deposit**
1979 – Rs 100	1979 – Rs.100
2012– Rs 20000 (aprox.)	1984 – Rs 200
	1994- Rs 800
	1999 –Rs 1600
	2004 –Rs 3200
	2012 – RS 6400

Above value investor Mr. x consider is final value Rs 20000 consider 17.10% rate of return which is Sensex return from 1979 to 2012 and Mr. Y fixed deposit return 14.4 % from 1979 till 2004 after 2004 to 2012 return 9% . To give this example my purpose is only explain return of fixed product and equity investment because Rs 6400 cannot change as much as possible change any person living standard by Rs 20000.

But fixed product is not a bad product or useless product of investment it is also good product in case of short term investment or after retirement this product is very suitable.

So right product and right asset class of investment must be decided with financial planner or adviser same like how we take medicine as per prescription of Doctor. Equity investment require lot of knowledge research and timing of investment etc. there is N number of factor which need to consider so these factor's create fear to an investor so solve these problem which are related to different factor create fear to an investor so solve the problem mutual fund is best tool for investment in equity market because mutual fund companies solve all those problem which an investor face problem in direct equity investment and there is also a systematic investment technique which work as recurring deposit .

2.2 Security

Second major important is security against uncertainty of life which we can secure in monetary term through insurance but how much insurance should be is a million dollar question. There is basic rule is 20 time of annual income mean Mr. A annual income is 2 Lac he must be 40 Lakh insurance there will require premium 1 lac in tradition policy where a person seek return back money but it is not possible any person earn two Lac and give 1 Lac as premium so there is an insurance product which charge very low premium and give high risk coverage for example age of 25 against 40 lac risk coverage premium will be aprox. 5000 to 6000 but there is no return back it work as motor vehicle insurance but in situation of death of insured person it compensate any person, s family at some extent in monetary term because many time death of earning in family lead towards poverty, or in debt burden even beggar condition so it foremost important thing for maintain living standard of dependent or family member earning person insurance cover should in proper amount.

2.3 Safety

Third most important safety mean health insurance which help any person in situation of when his family member or earning person face health related problem because for treatment require money and expense in health care many time middle and lower middle family face problem of debt burden because this problem cannot avoid.

Health insurance is a method to finance healthcare. The International Labor Organization defines health insurance as "the reduction or elimination of the uncertain risk of loss for the individual or household by combining a larger number of similarly exposed individuals or households who are included in a common fund that makes good the loss caused to any one member". In more simple way, people who have the risk of a certain event contribute a small amount (premium) towards a health insurance fund, in a health insurance programme. This fund is then used to treat patients who experience that particular event (e.g. hospitalization). The main advantage of a health insurance program is that of prepayment. Individuals or families pay when they are healthy and are able to pay. However, when they are affected by illness, the insurance fund can be used to finance their healthcare needs. Thus there is no burden at the time of illness. Only 4.05% of India's GDP spends on healthcare, which is one of the lowest healths's spending globally (Trade Economics, 2013). It worse is that most of this Rs 1,057 billion is spent by individual households, who pay for care at the point of use. While in most high and middle-income countries, the governments contribute a sizable portion of the health expenditure, in India it is one of the lowest, less than a quarter of the total expenditure. In fact, as a percentage of GDP, it has declined from 1.3% in 1990 to 0.9% even today and the most common source of health expenditure in our country is the out-of-pocket payments. This means that individual households pay at the time of illness. It is accepted that this form of payment is very inefficient and inequitable. There is no risk pooling and the patient is not able to purchase care efficiently. Data from the National Sample Survey Organization (NSSO), Ministry of Statistics and Government of India indicate that escalating healthcare costs is one of the reasons for indebtedness not only among the poor but also in the middle-income group. With 40% of the hospitalized having had to borrow money or sell assets during the decade 1986–96, there was an increase in the absolute number of persons unable to seek healthcare due to financial reasons. Around 24% of all people hospitalized in India in a single year fall below the poverty line due to hospitalization. According to different observation during hospitalization large proportion of people either borrow money or sell their assets to pay for hospitalization especially below poverty line population. the light of the fiscal crisis facing the government at both the Central and State level, the shrinking public health budgets, health insurance is emerging as an alternative mechanism for financing of healthcare. Currently, only 4% of the population is covered under health insurance. The central and state governments are exploring various mechanisms to protect the population with a health insurance mechanism, so that they pay a small amount when healthy and protected from high medical costs at the time of illness. In our country has the broad spectrum of individual as well as social, private and community health insurance but the entry in each of these is very less. There are various reasons like low awareness among people, low quality, healthcare poor designs, unsatisfactory products and inefficient administration of the scheme. There is need to take some steps and these shortcomings need to be addressed so that every poor or rich, urban or rural person should take advantage health insurance scheme.

3. Conclusion

Financial planning is crucial process because it requires knowledge, skills for assessment of different information for taking financial decision. Due to lack of financial literacy among people they face problem in proper financial planning process so all financial sector's stakeholders should focus on dissemination of financial literacy in society and for those people who cannot access financial products due to their financial constraints they should make policy for them. Role of financial professionals should be comprehensive not just like agent or broker because if any person is financial illiterate then financial advisor can help in proper financial planning and maintain living standard of that person.

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