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Financial Planning

What Do You Need to Know About Financial Planning?

Financial planning is a constant process that guides you towards making sensible decisions about spending your earnings. It helps you achieve your goals through adequate management of personal finances. Financial analysis is important in case you want to make the best out of your money – to raise it, save it or to plan ahead for a secured future for you & your family.

Defining & Planning Out Your Finances To Achieve Your Financial Goals

Majority of people handle their finances to get the maximum out of their hard-earned money. Usual financial goals consist of things such as getting a new car, a bigger and better home, enhanced career training, a long travelling vacation and most importantly self-dependency during working or after retirement.

The road to a successful personal financial planning requires identification and setting up of priorities, commonly referred to as personal money management. Question arises, what are the options to achieve these financial goals?

Financial Planning in a Nutshell

Lot of people think of financial planning as a complicated task and therefore quit before implementing it. But once broken down into simple steps, it becomes an easy process. Here we have highlighted the main points into simple steps to give you a head start. Let us walk you through the steps in achieving a secured Financial Plan.



Things to Consider Before You Make Investing Decisions

1. Draw a personal financial roadmap.

Before you make any investing decision, sit down and take an honest look at your entire financial situation -- especially if you've never made a financial plan before. The first step to successful investing is figuring out your goals and risk tolerance – either on your own or with the help of a financial professional.

2. Evaluate your comfort zone in taking on risk.

All investments involve some degree of risk. If you intend to purchase securities - such as stocks, bonds, or mutual funds - it's important that you understand before you invest that you could lose some or all of your money.

3. Consider an appropriate mix of investments.

By including asset categories with investment returns that move up and down under different market conditions within a portfolio, an investor can help protect against significant losses. Historically, the returns of the three major asset categories – stocks, bonds, and cash – have not moved up and down at the same time. Market conditions that cause one asset category to do well often cause another asset category to have average or poor returns. By investing in more than one asset category, you'll reduce the risk that you'll lose money and your portfolio's overall investment returns will have a smoother ride. If one asset category's investment return falls, you'll be in a position to counteract your losses in that asset category with better investment returns in another asset category.

4. Be careful if investing heavily in any individual stock.

One of the most important ways to lessen the risks of investing is to diversify your investments. It's common sense: don't put all your eggs in one basket. By picking the right group of investments within an asset category, you may be able to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.

5. Create and maintain an emergency fund.

Most smart investors put enough money in a savings product to cover an emergency, like sudden unemployment. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it.

6. Avoid circumstances that can lead to fraud.

Scam artists read the headlines, too. Often, they'll use a highly publicized news item to lure potential investors and make their "opportunity" sound more legitimate. It is highly recommended that you ask questions and check out the answers with an unbiased source before you invest. Always take your time and talk to trusted friends and family members before investing.

Do's & Don'ts for Investment in Stock Markets

Do's:

1. Always deal with a broker registered with SECP. Verify the genuineness of the same from the websites of SECP or stock exchange.
2. Carefully and completely fill all account opening forms and make sure to obtain their copies for your record.
3. Give orders either in writing or on registered telephone number of your broker.
4. Make sure to receive a trade confirmation within 24 hours.
5. Make all payments through crossed cheques in the name of broker.
6. Always obtain periodical statements of your accounts from broker and CDC, and compare them with your record.

Don'ts:

1. Do not leave anything blank in your Account Opening Form.
2. Do not execute any document without fully understanding its terms and conditions.
3. Never forgo obtaining all documents of transactions, in good faith.
4. Do not transact based on media reports or rumors or 'tips' or promises of guaranteed or high returns.
5. Do not authorize someone else to operate your account on your behalf. Such authorization can be misused.

Complaints

If you have any complaint, lodge it immediately through the relevant stock exchange through their respective website listed below:

- Karachi Stock Exchange: www.kse.com.pk
- Lahore Stock Exchange: www.lse.com.pk
- Islamabad Stock Exchange: www.ise.edu.pk

You may also lodge your complaint with SECP through the following web link:

<http://servicedesk.secp.gov.pk/customersarea/mycomplaint.aspx>

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