



July 2015



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Dear Reader,

With the changing times that we live in today, the one thing that remains constant is the unpredictability factor of life. Coupled with this, personal concerns such as stress related to family expenses, children's education, retirement planning, along with inflation and changing lifestyles can add to the complexity of life (as if it weren't complicated already!) and cause fresh money headaches for people ranging from those who have just started their life's journey to those already enjoying their golden years. Here is where financial planning and Personal Finance can play a very important role.

In one of the annual letter's for the Bill & Melinda Gates Foundation, Bill Gates mentions that one can achieve "amazing progress if you set a clear goal". Life without financial planning is like an unplanned vacation. When it comes to making financial decisions whether the amount in consideration is small or large, a little planning can go a long way. Financial planning can ensure that one is better equipped to deal with the impact of various contingencies and at the same time mitigate these without straining personal finances. And what better way than to seek the help of a good financial planner for your money needs and goals! (Gates has always recommended listening to some good advice regardless of circumstances one is in.)

Apart from setting a financial goal and working towards it, time plays a crucial role in your plan. 'The sooner, the better,' is what domain experts would echo, reiterating what the power of compounding can do to a small amount invested today. The other secret is to take some risk in life with some planning. Investment legend, Warren Buffett is no stranger to this risk-reward strategy in this regard. Then there is the question "if you work hard for your money, does your money work equally hard for you?" Amid the plethora of investment options that are available today, one should choose wisely from these to achieve your financial goals. ET this month looks at the theme - Personal



Finance.

Jay, in the **Thinking Aloud** section, throws light on the challenges in managing one's hard earned money. The conservative mind-set is slowly moving from merely saving to investing into a mix of risky and safe options. Setting financial goals, reviewing the same often and taking the help of a good Financial Planner are the key to achieving your financial dreams.

On the **Podium** Founding Director of Vsoft Solutions & Consultancy, Mr. Vijay Athavale examines the tedious points of managing Personal Finances. He advises the youth to start planning early and also discusses the various investment options available today.

Managing Personal Finance is one of the most essential skills one can learn. In **We Recommend** this month, we check out some good books and links one can go through to get acquainted on the subject of Personal Finance.

In **Standing Ovation**, we present to you Chaithanya Educational and Rural Development Society (CERDS), based in Guntur, Andhra Pradesh. The organisation was started by Mr. N. Srinivasa Rao with an aim of promoting sustainable self-reliant village communities. CERDS works with underprivileged people to resolve their own problems through the various programmes at the CERDS.

In **Figures of Speech**, Vikram's toon emphasizes that money does grow over time!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on **Facebook**, **Twitter**, **LinkedIn & Google+** - where you can join our community to continue the dialogue with us! For smartphone and tab users, please [Click here](#) to continue reading Empowering Times.



## Thinking Aloud

### The Challenge of Managing your Money - Jay

I often ask participants at my workshop whether they want to get rich, and it is interesting to see their reactions. A small number raise their hands quickly - the unabashedly ambitious ones - and after some provocative prodding soon I find many more hesitant hands go up. Of course, there continues to be an embarrassment in publicly acknowledging that one wants to get rich – but that's another matter!

Then comes the challenge - how does one get rich? I make it clear to them that if they seriously intend to get very rich, they better resign and move on to their start-up dreams; and then tell them that this is a very risky option given that for every Infosys there are at least 20 times more failed entrepreneurs! But the true entrepreneur will dream on.

Which begs the question: is the conservative mindset of 'I will work hard and get rich' a middle class fallacy?

Not that one should not work hard and save (after all India has a high savings rate to GDP of over 30%) but the fact that there is a science to growing rich through savings is not sufficiently appreciated. While the ordinary Joe & Jane (Bharat & Bharati, as it were) are slowly warming up to the lure of the capital markets, the financial industry specialists will tell you that this is still an unexplored territory for most Indians.

The notion that the stock market, for instance, is a gambling den, is a picture that refuses to go away. Hence, except for a small mercantile community, the larger numbers of the middle class workforce hesitates to take steps towards the stock market.

Of course most people may not have the appetite to be in the stock market but the merits of the relatively safer options of mutual funds is still under-appreciated.

The moot question is how does one go about planning one's personal finance? As in everything else, it all starts with setting goals. To assist you in the process the services of a professional Financial Planner is a good idea. Just as you seek help for your physiological health, it is equally pertinent to seek professional help for your financial well-being.

A good Planner will not only help you dream big & set goals but also diagnose your current state of affairs & help create a road map to achieve your financial end-state, all the while creating milestones with timelines. The process certainly is not rocket science but the real value that the Planner brings is when he advises you on the 'how-tos'. The multitude of financial instruments & options can be a confusing minefield to a layperson & to navigate through this difficult landscape a good guide is necessary. The Planner will chalk out a path for you, appropriate to your temperament, risk profile and capacity. Be it Equity, Insurance (Life, Health, Property or other), Mutual Funds, Bank Deposit, Pension, Loans (Housing, Vehicle or other) any other financial option, there is a need to balance the short and the long term horizon and the need for immediate gratification with credit financing and the needs of the future.

And, most important, this is not an one-time action: priorities change, markets change, capacities change. Therefore, periodically reviewing your portfolio & making course corrections is mandatory if you value your money.

It is a matter of concern to note the extent of financial illiteracy. Most people still don't get the link between risk and reward. While fear of the new is always a factor in resisting change, in today's world where information is freely available through multiple media, this financial ignorance is primarily attributable to inertia. The cost of such laziness will be very high as you increase in age and is an avoidable pain when cheap & effective preventive steps can be taken now.

The other element is the lack of financial discipline. Making money grow requires as much discipline as any other planned process. Take for instance a Systematic Investment Plan (SIP), my favourite option, for a novice investor. Even a minimum amount of Rs. 500/- per month in a good, long-term scheme can work wonders for your financial growth, quite like the old ad of 'fill it, shut it, forget it'!

So, my message for even those who are financially faint-hearted is why wait to begin to make your money grow? Get started NOW!

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## Podium

### Mr. Vijay Athavale - Founder Director - Vsoft Solutions & Consultancy Pvt. Ltd.



Mr. Vijay Athavale is the Founding Director of Vsoft Solutions & Consultancy Pvt. Ltd. A Commerce graduate from Pune University, Mr. Athavale is a Chartered Accountant as well as a Cost Accountant. Armed with over 25 years of experience in financial accounting and systems consulting, he has assisted companies in setting up accounting systems, internal control processes, cash flow management and budgeting. At Vsoft, he has designed & developed a Personal Finance Management software (VAULT), as well as other financial software products. In his capacity, he serves as an Independent Director for

various private limited companies focusing on financial management. Mr. Athavale is also presently the Director of Outsourcing at BDO India.

**ET: What are the barriers & pain points for people to manage their finances?**

**VA:** Although everyone works to make money and live a financially independent life, most people are not aware about their current net worth. Most people do not have a clear strategy for financial discipline. Common reasons for not doing so include many, such as, "I do not have a finance background and so cannot manage it" or "I don't have the time", etc. Most people are of the opinion that they are not aware about 'Money Management'. They happily hide behind the fact that they are not finance professionals, do not understand investing strategies, etc., hence should be excused for not personally managing their money. My argument against this theory is, in that case, why should one eat less oily food or avoid unnecessary calories? They are not Doctors either. I feel that just as you care for your physical health without being 'Doctors', you should also care for your financial health without being 'Finance Professionals'.

Another barrier is the availability of information at their fingertips. It is understandable that people cannot manage their finances simply because they are not looking at the complete picture. Typically, an individual today would have a Tax Consultant, an Insurance Agent (or two), a Share Broker (probably an online service), a Mutual Fund Advisor, Bankers and not to mention a multitude of 'Advisors'. As a result, he never looks at the complete picture. This stops the person from working out a comprehensive personal financial plan. VAULT aims to address this very problem.

**ET: 'Catch them young' is a slogan that does not seem to work with youngsters when it comes to Personal Finance! How early in your life should you think of Personal Finance? What is your advice for young professionals in this matter?**

**VA:** Youngsters are best placed to create a large retirement corpus as they have the time element on their side. It is a known fact that even a small amount invested regularly can total up to a large corpus at the time of retirement. The biggest roadblock that I see to this is "Financial Discipline". Youngsters generally feel that they have a lot of time on their hands to save up for later. In my opinion, one's financial life is like a 20-20 match - you need to keep up the run rate consistently to attain a good total and not rely on sixes and fours in the last few overs.

**ET: What are the various options for savings for someone who believes in planning his financial matters?**

**VA:** In today's financial world there are several options for savings. I can broadly classify the options based on risk into:

- Conservative (Bank FDs, PPF, Government Bonds, Property, etc.)
- Moderate (Mutual Funds – Debt & Equity mix, Corporate FDs, Gold, Commercial Property, etc.)
- Aggressive (Equity Mutual Funds and Direct Investments in the stock market, Private Equity in Businesses, etc.)

Each option has its advantages and disadvantages. It is not a bad idea to seek advice before choosing your investment option(s).

**ET: Are there any financial software products to manage Personal Finance?**

**VA:** There are some products in the market. Let me tell you about VAULT. VAULT is India's first portable Personal Finance Management software, designed & developed for an individual user. VAULT helps the user in organizing his personal financial as well as non-financial records. The software has been designed to meet specific needs of individuals with regard to money management, document storage, etc. The software has wide ranging features from scanning & storing your personal documents, storing passwords, day to day accounting (including bank statement import), investment analysis and even creating a 'Will'.

It is a one-of-its-kind software available in India, as for the first time, a Personal Finance Management software is being deployed and sold on a pen drive. The complete software as well as data stays on the pen drive, and therefore assures complete safety, security, mobility and portability.

**ET: Tell us about your Company (Vsoft Solutions & Consultancy Pvt. Ltd.).**

**VA:** Our Company was formed in 2006 by a group of Chartered Accountants. The core team was aware of the practical issues in money management due to the fact that we were assisting several people in filing their tax returns.

The company has focused on Software products, specifically in the field of Finance which is our area of expertise. Our policy for product development is to create solutions that are:

- Addressing a specific problem area
- Are easy to use
- Are targeted at individual end users

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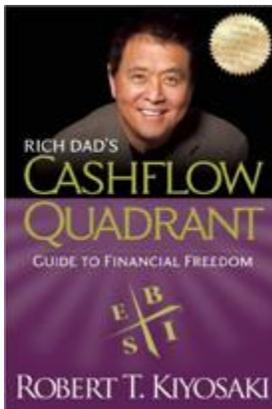


## We Recommend

### Articles & Links

Mr. Vijay Athavale has suggested some good books to read to make oneself acquainted to the world of Personal Finance.

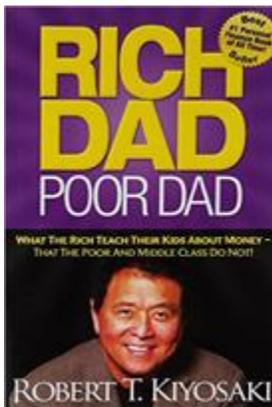
#### 1. The Cash Quadrant – Robert Kiyosaki



Author Robert Kiyosaki explains what is known as the Cashflow Quadrant. The Cashflow Quadrant looks at four different approaches (quadrants) - Employee, Self-Employed, Business Owner and Investor, to earning money and what separates them apart from one another. It is this “separation” which is the key to helping one grasp the idea of how money works. The book also has significant takeaways on small matters like how to select Advisors, the difference between security and freedom, etc.

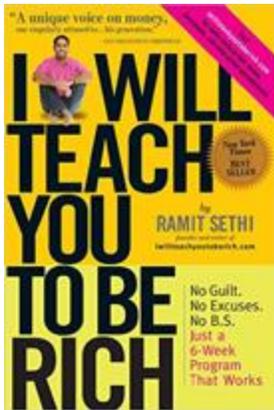
Video Link: <https://www.youtube.com/watch?v=HRCsiuXxYHg>

#### 2. Rich Dad Poor Dad – Robert Kiyosaki



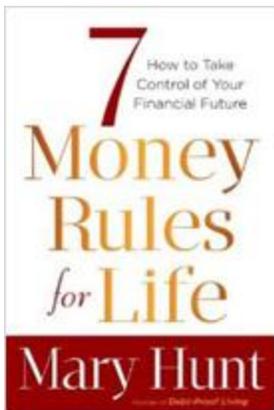
This is a classic book on personal finance management which has evoked mixed reactions from readers. While some call it inspirational, some have written it off as just a one man story. Rich Dad Poor Dad is a story of two different fathers with two different sets of values and completely different sets of advice. It highlights the different attitudes to money, work and life of two men and how they in turn influence key decisions. It is more significant for those who wonder on how to really save money and drives home the message of owning high value assets that produce good cash flows. The book is written as sets of parables, presumably based on Kiyosaki's life.

#### 3. I Will Teach You To Be Rich – Ramit Sethi



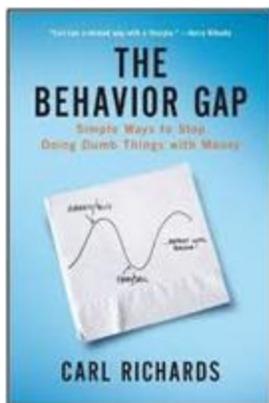
Written by Ramit Sethi, this is a book on how to save money. While the above two books target slightly older folks, this one is for youngsters. The book talks about increasing savings, reducing debt and cutting down on expenses. In a friendly, style, the author puts down a serious six-week personal finance program for those who want to master managing finances with minimum efforts. Although the book won't make you rich in the traditional sense of the word, it will surely take you through various practical steps to save more money.

#### 4. 7 Money Rules for Life: How to Take Control of Your Financial Future – Mary Hunt



Author and financial expert Mary Hunt illustrates, through her book, how the average American has poor skills when it comes to managing their finances. The messages are relevant to people everywhere. In the face of this bleak financial picture, Hunt presents in a very encouraging way on how to master the essentials to get one's money under control and prepare financially for the rest of your life. Key learning points include: how to spend less than you earn, how to save for the future and be able to give some money away, anticipating out of pocket expenses, how to manage credit and the importance of borrowing only what can be repaid.

#### 5. The Behaviour Gap: Simple Ways to Stop Doing Dumb Things with Money – Carl Richards



Carl Richards highlights the complexity behind making smart financial decisions. The author has spent more than 20 years trying to help people learn how to make better decisions, the conversations of which he has summarized in this book. He throws light on the fact that our financial decisions are based on the fear of the future. Through his book, Richards educates on how to avoid the tendency to buy high and sell low, the pitfalls of generic financial advice, how to invest all of your assets wisely, how to identify one's real financial goals, among many other aspects.

#### 6. Financial Planning - The Big Picture

New Jersey based Certified Financial Planner, John L. Smallwood highlights that everyone has a wealth curve potential. But the upward movement of this curve can be pressured by taxes, inflation, and other variables over the long run. An effective long term plan must take into all of the factors to be potentially successful. The link

looks at an info-graphical representation of the various factors that can play in one's financial plan for the future.

Link: <https://www.youtube.com/watch?v=Cy38-pHGQqU>

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## Standing Ovation

### Chaitanya Educational and Rural Development Society (CERDS), Andhra Pradesh



Based in Andhra Pradesh, Chaitanya Educational and Rural Development Society (CERDS) was established in 1996. CERDS works for uplifting the lives of disadvantaged children, women, disabled, small and marginal farmers, agricultural labourers and other underprivileged rural communities. At present, CERDS works in 100 villages of drought prone and sea-coastal parts of Prakasam and Guntur districts of the state. Mr. N. Srinivasa Rao, Founder & Executive Secretary of the Society has received numerous awards for his outstanding contribution in the fields of social and educational services to the rural communities. CERDS uses a

development process (Participatory Community Development Process (PCDP)) that involves the poor themselves in their own development.

Some of the NGO's key activities include:

#### Child Education:

- Provision of uniforms, dining, study and sports material especially for the disabled and orphans
- Promotion of child-care centres
- Support of nutrition food & school health programmes
- Promotion of school sanitary toilets

#### Women Development

- Awareness Generation Campaigns on women rights & health issues
- Conducting training camps on leadership and other government welfare programmes

#### Drinking Water

- Installation of bore & open wells
- Awareness generation campaigns on usage of water sources
- Training camps to community leaders on water management and conservation

#### Health

- Awareness generation campaigns on health and hygiene practices
- Conducting of health education and medical camps

### **Sustainable Agricultural Practices**

- Promotion of farmers clubs, organic cultivation and vermi-compost units
- Conducting of farmers field schools

For more information about the Society, please visit <http://www.cerds-india.org>.

CERDS deserves a Standing Ovation for its outstanding work!

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