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**Title**

**A STUDY ON PERSONAL FINANCIAL PLANNING FOR  
IT SECTOR INVESTOR IN PUNE**

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**ABSTRACT:**

The evaluation of financial planning has been increased through decades, which is best seen in customer rise. Now a day's investment of saving has assumed great importance. According to the study of the markets, it is being observed that markets are doing well in Mutual fund. In near future a proper financial planning has required to invest money in all type of financial product for every investor because there is good potential in market to invest money to achieve their objectives. In this research, emphasis is given to the investor's mind in respect to investment i.e. the needs and wants are taken into consideration while designing a questionnaire. The main objective of this research is to know the interest of the investor for doing individual financial planning and also to study the investors' preferences towards Financial Products on the magnitude of age group. While selecting the sample the researcher has given more emphasis on IT sector investor in Pune because it is the only sector where all type of Age group, Income class and different level of people are represented. The researcher used convenient sampling method for collecting data of 150 samples. After analyzing the data, the conclusion has been made that the Indian financial market is having lots of potential customer the only thing is to give a proper guidance to the prospective customers. It has been conclude that very few investors are interested in doing financial planning & there intention is different towards investments.

**Key Words:** Financial Planning, Investment, Investors' psychology.

**INTRODUCTION:**

The burgeoning of the personal financial planning has drawn great interests in financial services industry. "Personal financial planning is a fairly new and growing discipline. It deserves academic financial recognition as investment and corporate finance, and additional financial research and specialized centre are greatly needed," (Altfest, 2004, p.53)". Kapoor et al. (2004, p.4) stated that "personal financial planning is the process of managing your money to achieve personal economic satisfaction". Individual needs and goals change when he or she moves through different stages of life, therefore, making financial planning is a dynamic process (Gitman and Joehnk, 2005).

In achieving personal economic satisfaction when one moves through the life cycle, several major types of financial planning – Insurance, investment, retirement, and estate planning – are required. A person's life situation such as income, age, gender, education may influence decisions of his or her personal financial planning. It is worth noting that the role of money and money management are closely linked to personal behavior and financial planning. People are investing their own assets and personal income efficiently to ensure that their economic security can be guaranteed, not only during their working life but also after retirement.

The evaluation of financial planning has been increased through decades, which is best seen in customer rise. Now a day's investment of saving has assumed great importance. According to the study of the markets, it is being observed that markets are doing well in Mutual fund. In near future a proper financial planning is required to invest money in all type of financial product because there is good potential in market to invest. Therefore, this research has taken for to know the interest of investors' for doing their financial planning rather than tax planning.

### **LITERATURE REVIEW:**

Almost little research has been taken in specific areas of personal financial planning for investors. Some studies have investigated specific areas of personal finance, such as the accuracy of knowledge of Social Security benefits (Bernheim 1988) or the adequacy of households' life insurance coverage (Auerbach and Kotlikoff 1991). Bernheim (1994a, 1994b, 1994c) has analyzed some surveys on financial planning that were sponsored by financial institutions. The surveys suggest that people's financial planning methods are fairly rudimentary, that their financial knowledge is generally poor, and that their self-described savings plans are often inconsistent with the predictions of standard saving models. It is unclear what accounts for these findings. People may lack problem-solving skills or abilities required to make sound savings decisions. Or they may not consider systematic planning to be worthwhile, especially if uncertainty in income, health, and other factors make it hard to define optimal savings and consumption plans.

**Lujer Santacruz and Aleksej Lukashenok (December 2008): “Personal Financial Planning in Australia: an Industry Analysis”** – This paper analyses the Personal Financial Planning



industry in Australia. It draws on existing literature by the industry's participants and academics. The paper provides insights into the dominant issues and trends in Personal Financial Planning services in Australia. It utilizes the Porter Five Forces model to analyze the current structure and the dynamics of the industry and suggests possible future directions for the industry based on this analysis.

**David S. Murphy, Scott Yetmar, (2010): "Personal financial planning attitudes: a preliminary study of graduate students"** – Purpose – The purpose of this paper is to report on a survey about the personal financial planning attitudes of MBA students in the USA. Design/methodology/approach – The study surveyed 206 MBA students about their attitudes to personal financial planning. Participants were asked about their level of knowledge, whether they had prepared components of a financial plan, where they might seek assistance in such a process and the criteria for selecting a financial planner. In addition, participants were asked to indicate their level of confidence in a financial plan's capacity to help them meet their long-term needs and the likelihood that they would implement such a plan. Findings – The findings indicate that, while most respondents feel both that financial planning is important and that they are interested in developing a financial plan, very few feel that they have the necessary skills and knowledge to prepare their own plan. In addition, the participants indicated a strong preference for professional personal financial planning advice. The study also indicates that less than 13 percent have prepared a comprehensive personal financial plan. When asked to identify the one professional from whom they would seek advice, certified financial planners were the preferred resource. Research limitations/implications – While the results are not generalizable to the wider population, the views of this group are important because one might expect that educated individuals would be both more interested in personal financial planning and more capable of preparing their own plans compared with average Americans. Practical implications – The study presents some implications for practice and financial literacy education from a US perspective. Originality/value – A perceived need of respondents is to feel that their financial planner will put their needs first. While some professionals believe this to be the hallmark of "independence," the respondents placed less importance on planner independence. In order to foster client confidence, planners must act in ways that convey clearly the primacy of their clients' needs.

**Ming-Ming Lai & Wei-Khong Tan (2009): An Empirical Analysis of Personal Financial Planning in an Emerging Economy** – This paper examines the attitudes of the Malaysians toward personal financial planning, which encompasses money management, insurance planning, investment planning, retirement planning, and estate planning. A survey data was obtained from 400 Malaysians by using a set of structured questionnaire. We associated personal financial planning efforts with three measures: attitudes towards personal financial planning, factors influencing various aspects of personal financial planning decision, and frequency of managing for various aspects of personal financial planning. The results show that the job status of a respondent is the primary factor in influencing attitudes towards personal financial planning and the frequency in managing for various aspects of personal financial planning. Demographic characteristics such as age, race, marital status, gender, and education level are the secondary factors where concerned. This paper has implications on financial planners in formulation strategies on how to successfully deploy a personal financial planning programme for their customers.

**Lim (2003)** analyzed via questionnaire surveys in Singapore towards the attitudes of 204 senior workers towards work and retirement, retirement planning, and their willingness to continue working after retirement, and to undergo retraining. The results showed that work occupied a salient part of the lives of employees in their 40s and above. Respondents held rather ambivalent attitudes with regard to the prospect of retirement, i.e. while they did not view retirement negatively, they were nevertheless anxious about certain aspects of retirement. In addition, respondents also generally have not planned for retirement. Those aged 50 years and above were more likely to engage in retirement planning involving discussion about retirement with others, financial planning, and planning for holiday trips compared with those below 50 years old. The majority of them preferred to remain employed and willing to undergo retraining after they have retired.

### **RESEARCH METHODOLOGY:**

The proposed study is focused on interest of individual investors on their financial planning.

### **Objectives of the Study:**

Following are the objectives of the research.

- i. To study the interest of investors for doing Financial Planning.
- ii. To study the preference of Financial Products on magnitude of age.

### **Hypothesis of the Study:**

**H<sub>1</sub>** – The present investment by the investors is not for wealth maximization point of view.

**H<sub>2</sub>** – Even today, the tendency of investors towards their investment have not changed, they are investing in traditional financial products.

**Sampling Method:** While selecting sample the researcher used convenient sampling method.

**Sample Size:** The researcher taken 150 sample sizes for the research.

**Target Area for Sample Size:** The While selecting the sample the researcher has given more emphasis on IT sector investor in Pune because it is the only sector where all type of Age group, Income class and different level of people are represented.

**Data Collection:** This research is purely based on primary data, where researcher designed questionnaire for collection data. Whereas secondary data were to be collected from published Research, Reports and Research Organization, Books, periodicals and Website etc.

**Tools for Analysis:** In order to analysis & evaluation of the collected data, the researcher used Ms Excel, graphs, pie-charts etc.

### **Required Data:**

- ✓ Annual Income
- ✓ Household Income & Expenses
- ✓ Information about previous Investment
- ✓ Future Commitments

- ✓ Life goals
- ✓ Investment Tenure
- ✓ Other Financial Information etc.

**Scope of the study:** The study has been restricted to Pune's IT Park only & the analytical scope is limited to the statistical tools like tables and graphs.

### **CONCEPTUAL FRAMEWORK:**

Financial planning is the process of meeting your life goals through the proper management of your finances. Life goals can include buying a house, saving for your child's higher education, planning for retirement & so on.

The objective of financial planning is to ensure that investment are driven by pre-determined & well thought out of financial goals and that the investment are suitable and inadequate to meet these goals.

### **Objectives of Financial Planning:**

1. To manage investors personal portfolio.
2. To understand investors income.
3. To classify investor's necessary & lifestyle expenses.
4. To know about investors annual commitments.

E.g. Insurance, Loan EMI, Holiday Budgets etc.

5. To identify investors short-term & long-term aspiration.

**E.g.** - A car in 2years (Short-term)

A marriage in 3years (Short-term)

A house in 5years (Long-term)

A huge lump sum at retirement (Long-term)

### **Benefits of Financial Planning:**

- i. Financial planning provides direction and meaning to your financial decisions.
- ii. Financial planning allows you to understand how each financial decision you make affects other areas of your finances.

For example, buying a particular investment product might help you pay off your mortgage faster or it might delay your retirement significantly. By viewing each financial decision as part of the whole, you can consider its short and long-term effects on your life goals. You can also adapt more easily to life changes and feel more secure that your goals are on track.

### **Understanding of Financial Planning:**

- i. Needs are limited wants are unlimited.
- ii. Needs & wants are always hanging in mind even for future.
- iii. Money is spending even before it comes to us. E.g. I always remember of the end of month where I have spent money.

### **Process of Financial Planning:**

Financial planning reflects what you want of life and how you want to be remembered. Our financial planning service integrates all aspects of your financial life and provides you with objective analysis, specific advice, and implementation support to help you reach your goals. To create your plan, we go through a comprehensive six-step process:

- 1. Set goals:** We help you identify both short and long-term goals to be the guideposts for your financial plan.
- 2. Gather information:** We gather data ranging from your assets and liabilities to your company's human resource benefits. We take the time to get to know you and learn about your risk tolerance and lifestyle.
- 3. Analyze and evaluate your situation:** We will show you how your current situation relates to your stated goals.

**4. Provide recommendations and alternatives:** We will research and consider alternative strategies before recommending a proposed action plan for you. Together, we will discuss and agree upon actions to implement.

**5. Implement your plan:** Our role is to make sure your action plan is implemented in a timely manner. After your approval, together we will outline a timetable to put it in action.

**6. Monitor and evaluate:** Your financial statements will be reviewed and updated annually. We will monitor your progress toward your goals throughout the year and generate new ideas as your financial life evolves.



**Figure: Flow chart of Financial Planning Process**

**Table No.1: Comparisons of Investment Avenues**

Convenience	Return	Safety	Volatility	Liquidity
PF	Moderate high	High	Low	Low
PPF	Low Moderate	High	Low	Low
NSC	Moderate Low	High	Low	Low
LIC	Moderate low	High	Moderate	Moderate
FD	Low high	High	Low	High
MF	Moderate high	High	Low	Moderate
Equity	High moderate	Low	High	High
ELSS	High moderate	Low moderate	Low	Low
ULIP	Low Moderate	Moderate	Low moderate	Low

**Table No. 2: Investment options at a Glance**

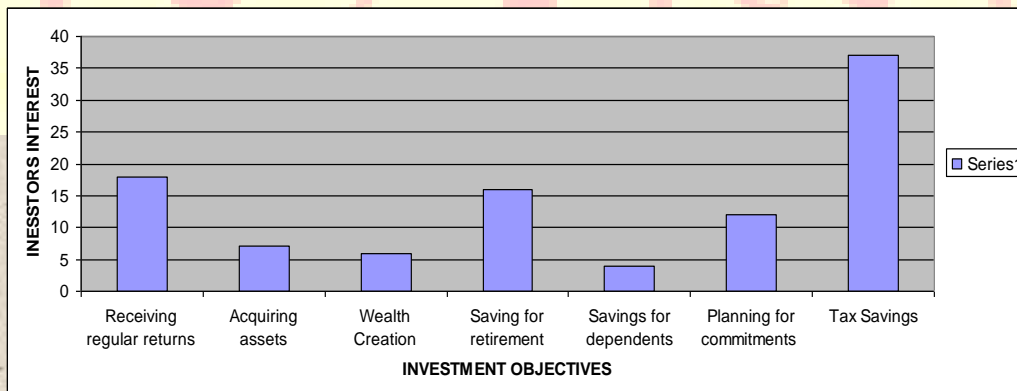
Investment option	Income	Capital Appreciation	Tax benefits	Safety	Liquidity	Inflation protection
PF	Positive	Positive	Positive	Positive	Negative	Positive
PPF	Positive	Positive	Positive	Positive	Negative	Negative
NSC	Positive	Positive	Positive	Positive	Negative	Negative
LIC	Negative	Negative	Depends	Depends	Positive	Positive
FD	Positive	Positive	Depends	Positive	Negative	Negative
MF	Positive	Positive	Positive	Positive	Positive	Depends
Equity	Depends	Positive	Negative	Depends	Positive	Depends
ELSS	Positive	Positive	Positive	Positive	Negative	Positive
ULIP	Positive	Positive	Positive	Positive	Negative	Positive

**DATA ANALYSIS & INTERPRETATION OF DATA**

**H<sub>1</sub>** – The present investment by the investors is not for wealth maximization point of view.

**Table No.3: Investment Objectives**

Investment Objectives	Percentage
Tax Savings	37
Receiving regular returns	18
Saving for retirement	16
Planning for commitments	12
Acquiring assets	7
Wealth Creation	6
Savings for dependents	4
<b>TOTAL</b>	<b>100</b>



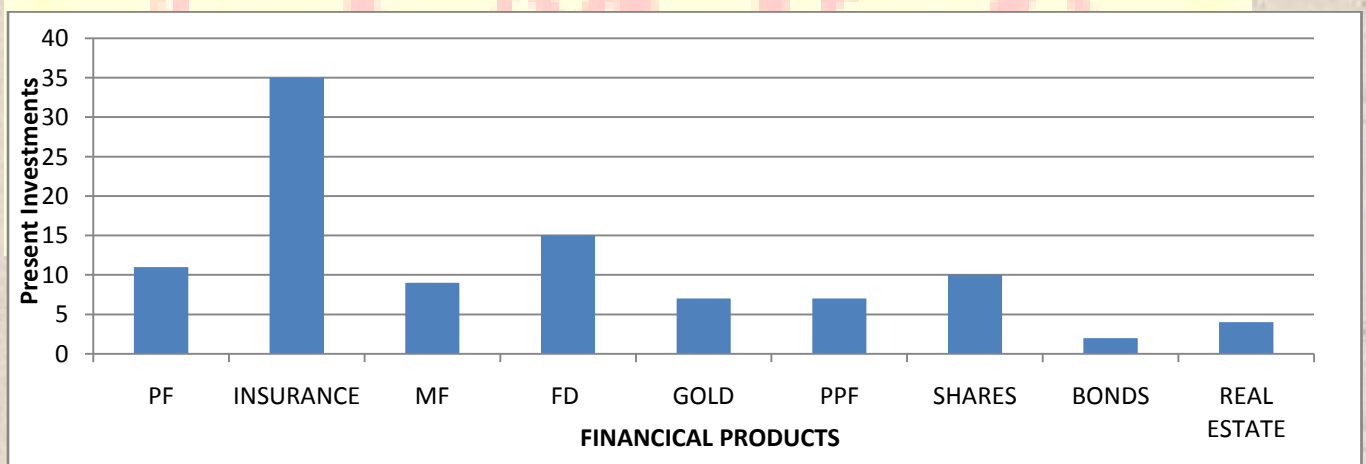
**Graph No.1: Investment Objectives**

In the research process, researcher found that 37% investors invest money for tax saving purpose, 18% for receiving regular returns, 16% for retirement, and 12% for future commitments, 7% & 6% respectively for acquiring asset & wealth creation, & remaining 4% for dependents. Therefore, the first hypotheses – The present investment by the investors is not for wealth maximization point of view is **fully accepted** because, investors interested to getting tax benefit in investing tax saving instruments with receiving regular returns & saving for retirement.

**H<sub>2</sub> – Even today, the tendency of investors towards their investment have not changed, they are investing in traditional financial products.**

**Table No.4: Present Investment**

FINANCIAL PRODUCTS	TOTAL WEITAGE	PERCENTAGE
PF	1575	11
INSURANCE	5335	35
MF	1336	9
FD	2262	15
GOLD	1160	7
PPF	1078	7
SHARES	1466	10
BONDS	270	2
REAL ESTATE	568	4
<b>TOTAL</b>	<b>15000</b>	<b>100</b>



**Graph No.2: Present Investment**



**Table No.5: Investors Preferences**

<b>FINANCIAL PRODUCTS</b>	<b>Rank</b>
INSURANCE	1
MF's	2
SHARES	3
FD	4
GOLD	5
PF	6
PPF	7
REAL ESTATE	8
BONDS	9

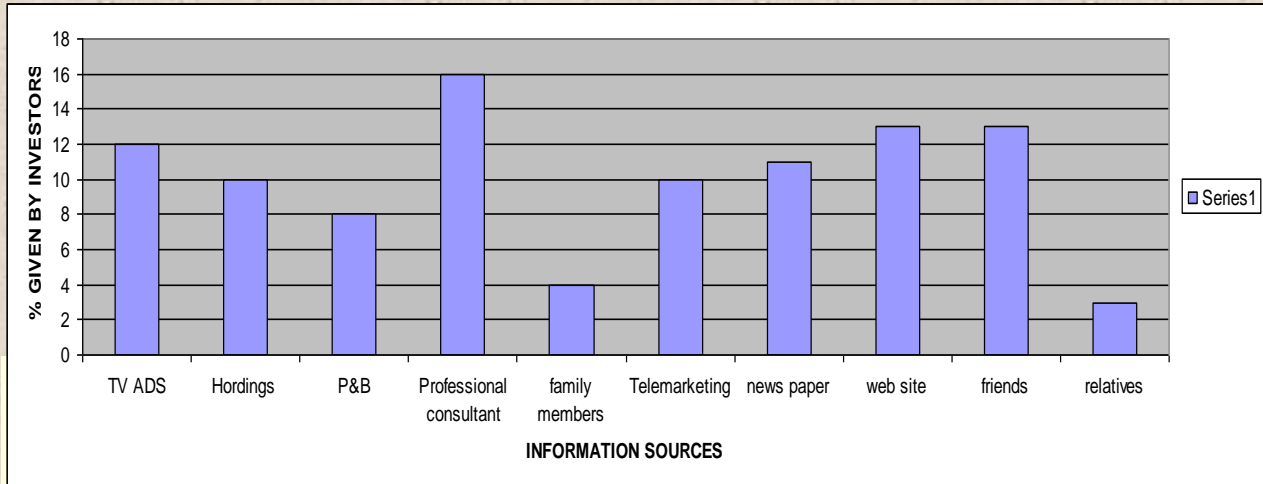
Above Table No.4 & Graph No. 2 gives information regarding to individual investors' existing investment. Observing that, researcher found that investors invest their money in 35% insurance, 8% in gold, 11% & 7% in PF & PPF respectively, 10% in shares, 8% in MF's, 4% & 2% in real estate & bonds respectively.

Analyzing above Table No.5 Investors preferences in future investment, researcher found that, traditional products are mostly preferred by investors for investment. In that insurance is popular product & investors' gives 1<sup>st</sup> preference. Respondents are not interested in investing traditional products like, Real Estate & Bonds.

Therefore, second hypotheses – Even today, the tendency of investors towards their investment have not changed, they are investing in traditional financial products is **partially accepted & partially rejected** because, investors mostly prefer traditional products because of safety & stable returns but they are also interested to invest in shares & mutual funds because of awareness increasing day by day.

**Table No. 6: Information Sources**

<b>SOURCES</b>	<b>PERCENTAGE</b>
TV ADS	12
Hoardings	10
P&B	8
Professional consultant	16
family members	4
Telemarketing	10
news paper	11
web site	13
friends	13
relatives	3
	100

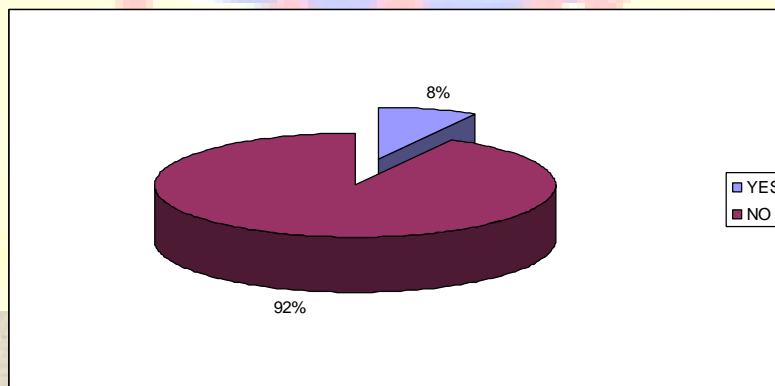


**Graph No.3: Investment Objectives**

**Interpretation:** Analyzing above data it shows that, people get the information regarding investment opportunities present in the market from their professional consultant. After that the available information sources like as, TV ads, web sites, news paper, friends, etc.

**Table No. 7: Interest of Investors for doing Personal Financial Planning**

<b>YES</b>	<b>12</b>	<b>8</b>
<b>NO</b>	<b>138</b>	<b>92</b>
	<b>150</b>	<b>100</b>



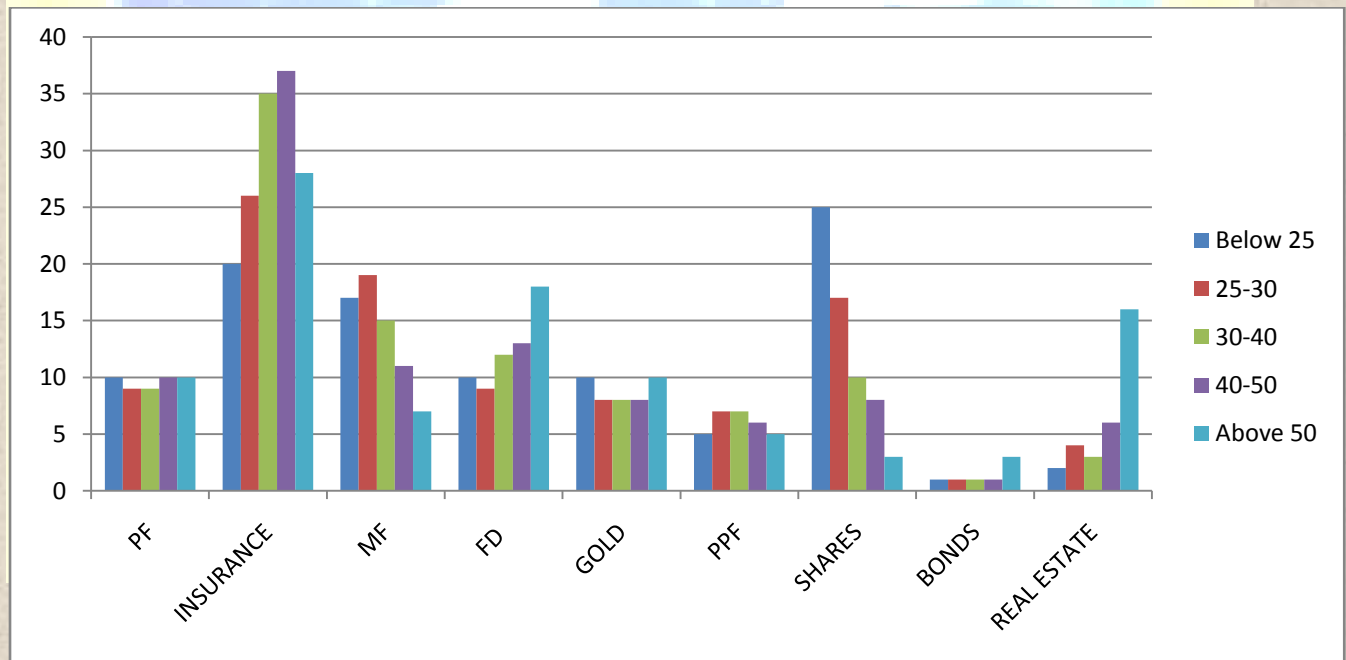
**Graph No.4: Investment Objectives**

**Interpretation:** Above chart explain that, 92% investors are not interested in doing their Financial Planning & remaining the 8% investors interested. It means very few investors are interested in doing financial planning & there intention is different towards investments.

**Table No. 8: Investors Preference (Percentage) according to Age Group**

FINANCIAL PRODUCTS	BELOW 25	25-30	30-40	40-50	ABOVE 50
PF	10	9	9	10	10
INSURANCE	20	26	35	37	28
MF	17	19	15	11	7
FD	10	9	12	13	18
GOLD	10	8	8	8	10
PPF	5	7	7	6	5
SHARES	25	17	10	8	3
BONDS	1	1	1	1	3
REAL ESTATE	2	4	3	6	16
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Interpretation:** From above table it is observed that, investors' investment preference differs according to their age. It is seen that insurance is preferred by all age groups investors as it gives safety & stable returns. FD shows increasing trend as the age increases. There is positive relationship between the FD & age where as shares shows inverse relationship between age & shares, because the shares involved high risk factor.



**Graph No.5: Investors Preference (Percentage) according to Age Group**

**FINDINGS & OBSERVATIONS:**

- Traditional Product is more preferred by investors because of their features i.e. Safety, Tax Benefit, Stable returns etc.

- Awareness about of Financial Products is good. But they are not fully aware of Modern Products E.g. - MF's'.
- Investors are not aware of various investment avenues available in present scenario, as they are more likely to invest in traditional products as Insurance and such others.
- The main reason of working professionals to invest is tax planning and not financial planning, so the intentions are totally different towards their investments.
- Also it is observed that, they are save more, less invest money. The main reason is that, lack of knowledge about investment opportunities.
- While discussion with investors (respondents), the researcher observed that there has been confusion between tax planning and financial planning. They assume that, tax planning is the financial planning but both concepts are different. Tax planning is for short term planning i.e. one year & financial planning is long term planning.

### **CONCLUSION:**

Mutual fund plays a vital role in Personal financial planning of investor as the working professionals don't have time as well as knowledge to rebalance their portfolio as per the changing and volatile market, so the mutual fund is the best option available for catering their needs and requirements of good return, saving, investment, and minimum risk.

People are not aware of various investment avenues available in present scenario, as they are more likely to invest in traditional products as Insurance, PPF, bank FD's and such others. There are a large number of reasons of prospectus "to save more and invest less", out of which the main reason is less knowledge of investment opportunity and due to this the feeling of insecurity arises about the principal amount. The risk appetite of people is gradually decreasing with increase in obligation towards their family. The main reason of working professionals to invest is tax planning and not financial planning, so the intentions are totally different.

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