HOW TO HIRE A FINANCIAL PLANNER

Here's what you should check before hiring a financial planner

QUALIFICATIONS Before appointing, check on the credentials of the planner. Whether he or she is a certified financial planner (CFP) and has passed the comprehensive exam conducted by Financial Planning Standards Board of India (FPSB)

FEE-BASED STRUCTURE Hiring planners who earn commissions on products might not be a good idea as the recommendations could be inclined towards products that fetch them higher commissions. So, look for advisors who are compensated by fees rather than commissions. Also, find out in advance how much would they charge as fees for the service

EXPERIENCE Having an experienced financial planner is always good as they can guide you better on complicated subjects

TAXATION LAWS Make sure that your financial planner knows the taxation laws. This would help you in filing your income tax return

SERVICE STANDARDS You should check out his communication skills and whether you are comfortable dealing with him. You should also run a check on service standards offered by him or her

BACKGROUND CHECK It is always good to ask existing or old clients about the kind of service that is offered by the planner and whether they are happy with the services they get

falls like inheritance help immensely since they can supplement such investments. At the same time, for your medium-term requirements, such as down payment for your home after three years, debt investments such as those in debt mutual funds remain preferable options since they provide more stable returns. Says Sujoy Das, head-fixed income, Religare Invesco Mutual Fund: "Fixed income funds lend stability to one's overall portfolio and generate—a market-related steady stream of income in line with the interest rate cycle."

USING TAX BREAKS TO CREATE WEALTH

When it comes to investments, planning them well and taking advantage of tax benefits gives that extra edge. Efficient tax-saving helps in reducing our tax liability, thereby leaving us with more cash-in-hand while linking our tax saving investments to our long-term goals. Invest in any of the instruments that provide tax exemption under Section 80C of the Income Tax Act, 1961, and the gross total income stands reduced by an equal amount, subject to a maximum of ₹1 lakh each year and tax is paid on the balance. The investment-related tax breaks are largely available on specified investments, such as 5-year notified tax saving bank deposits, life insurance premium, Employees' Provident Fund (EPF), Public Provident Fund (PPF) and so on.

Post-tax returns. It is worth remembering that the I-T Act does not treat these financial savings uniformly and the taxability of contributions, accumulations and withdrawals differs from one instrument to another. Investments in a Public Provident Fund (PPF) scheme, for instance, enjoy tax savings in the form of deductions, while the interest escapes the taxman's axe. The money you get on maturity is not taxable either. On the other hand, while contributions to and accumulations in certain insurance products, such as pension plans, are not taxable, the amounts received by way of lump sum withdrawal or periodical pension are taxable in the year of receipt. Therefore, post-tax returns need to be an important criterion for choosing investments.

Thus, along with inflation, taxes are the second most potent threat that can come in the way of your progress to ₹10 crore despite your savings and investments in a mix of assets and investments. The key is to keep the twin dangers at bay while preparing your investment cocktail. In a sense, it is a like a game of chess—thoughtful, but in this case, far more rewarding. ❐

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Asset allocation is important because different asset classes behave differently in different phases at different periods of time

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