Amar Pandit is a renowned best-selling author, and columnist-the author of four bestselling books, - "Financial Planning For Doctors", "The Art & Science Of Teaching Children About Money", "Bill & Penny's Money Adventures" and "The Only Financial Planning Book That You Will Ever Need". He is one of the top practising Certified Financial Planners in the country and is a member of Financial Planning Standards Board, India and Financial Planning Association, USA.

He is the CEO and founder of My Financial Advisor, one of the best Private wealth management firms that helps High net worth business owners, Corporate Executives, Doctors and Celebrities to make smart and informed choices about money. He has also designed and built a game Financial Premier League -FPL which is a fusion of cricket and finance and can be used as a tool by parents to spend quality family time and bond together while discussing and talking about money and investments.

His latest book "The only Financial Planning Book that you will ever need" is an attempt to help people from all walks of life understand the different areas of financial planning and to help them make smart & informed choices about money. The book starts with the most common mistakes people commit and a categorisation of a person's economic life cycle.

We have shared an excerpt from his latest bestselling book "The Only Financial Planning Book that you will ever need".

Seven Common Money Mistakes that People Make

Indians are among the best in the world in most professions and are highly respected in the global community. This is one of the reasons for India's phenomenal growth in the last 20 years, besides lower costs, expertise and experience in most professions are superior or at par with expertise and experience available in developed countries. However, when it comes to money management, most people are guilty of several mistakes. We list seven major, common money mistakes that most smart, intelligent people commit.

1. Too many expenses and loans

Banking is a booming business in India as more and more people are continuously borrowing. At the same time, recovery agencies are also a booming business as more and more people continue to default on their loans. Although India has one of the best savings rates when compared with western nations, the same really cannot be said of the next generation. Although most people today have a high and stable income (than what their earlier generations earned), their expenses are equally high. One of the key reasons is that they have many expenses and loans. There are too many temptations today and all one needs to do is call a bank or financial institution for a personal loan. In this process of keeping up with the next iPad, gadget or car, many young people end up paying a substantial amount of their income towards EMIs.

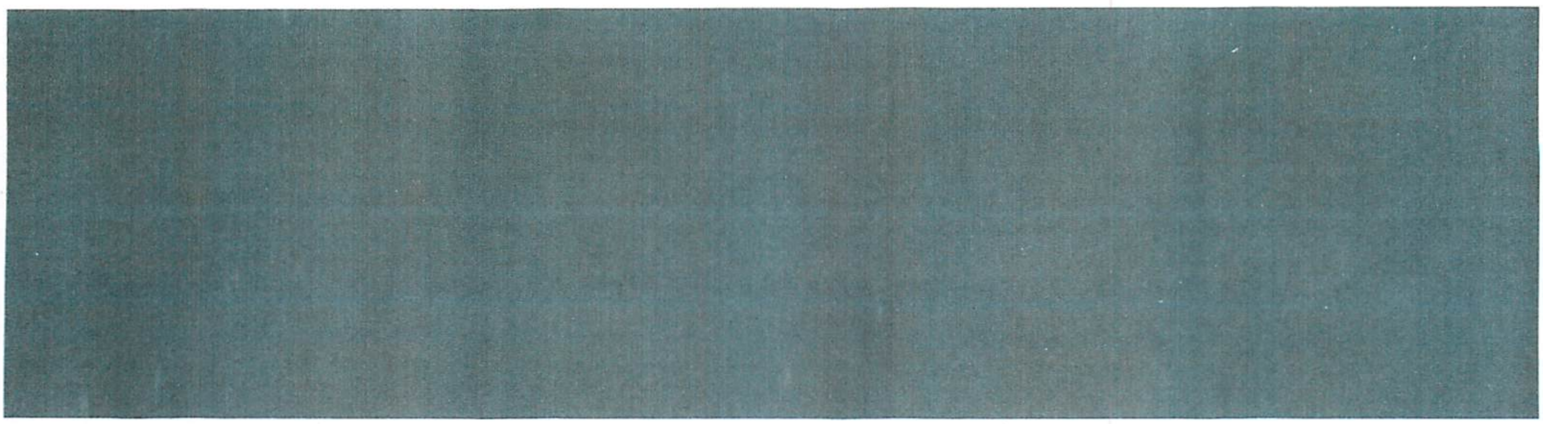
2. Over-concentration in real estate

Although it sounds stereotypical, most people hoard real estate like there is no tomorrow. One of the biggest reasons is our love for real estate, which many feel are great investments. Besides there is an abundance of black money in the system and many people have a lot of income in cash that can be comfortably cushioned in real estate investments. Additionally, they believe that not only is real estate insulated from market vagaries, but that it also gives stellar returns along with tax benefits. As a result, they borrow to invest in real estate and are leveraged (which means they take on debt).

Most Indians have completely forgotten the great Indian real estate crash of 1995 and the subsequent lull for several years until 2003-2004. This is a very dangerous strategy to adopt as this can prove to be lethal during real estate crashes, especially since real estate is an illiquid investment.

3. Inadequate insurance against risks of death, disability, professional liability and loss of income

Most people buy life insurance as an investment and pump in a lot of money into life insurance policies. This is because there is a lot of emphasis on life insurance as a great tax saving tool and many people are enamoured with tax saving instruments. Besides the fact that most people are so busy with day-to-day activities, they often wake up between January and March every year to do something to save tax. The answer is very simple. "Let's buy a life insurance policy.



In any case my friend, banker or family member has been after me to buy one." Due to such adhoc purchases, most people end up with a plethora of irrelevant policies. The best part is that most people pay high premiums and get a very low cover.

Despite paying high premiums, most people are under-insured when it comes to life insurance in a big way. There is no assessment of the actual financial risk their family will face, in case of their premature death, and most liabilities are not covered.

At the same time, they have negligible or no critical illness cover, negligible disability cover, no income protection and no social security benefits.

This area must be adequately addressed to ensure lifestyle maintenance, wealth creation and wealth protection.

4. Investments done in an ad-hoc fashion, due to time constraints

The portfolio of most people would probably look like this: more than 50-60% in real estate investments, 30-40% in debt (PPF, insurance policies, fixed deposits ,bonds and post office), 5-10% in cash (savings account, short term fixed deposits and cash), gold (primarily bought as jewellery) and very negligible equity.

Most people have just these investments: Real Estate, PPF, EPF (for employed people), gold and insurance policies.

Considering that people are getting busier by the day, sometimes they do not even have time for their families. The little precious time that is available is completely for the family and most of the time, financial planning takes a back-seat. This is when people end up taking decisions based on advice of different sets of people (chartered accountant, colleagues, banks, real estate agents, family members, insurance agents and financial advisors). There is no co-ordination between all the advice sought from these different sets of people and hence actions are extremely haphazard in nature. Hence if you see the finances of most people (even the most sophisticated), you will clearly see that it is a hodgepodge of products accumulated over time.

5. Lack of goal –setting and planning

"I take life as it comes. I don't plan for it," said a leading Bollywood actress. It's very easy to say this but nothing meaningful can be achieved in life without setting goals and planning. Yes, life will happen as you plan and sometimes you will need to course-correct but there are certainties in life that will happen for e.g. death, retirement (everyone will grow old and will stop working or slow down at some point of time), and paying taxes and so on.

I am sometimes appalled when people plan for their vacations for several months or discuss as a family on the next big car to be bought, but when it comes to financial planning and goal setting they say, "I will do it after a few months or I don't have time right now."

6. No written financial plan

Most people do not understand the concepts of financial goal setting, cash flow and debt management, insurance planning, asset allocation, maximization of post-tax income, retirement and estate planning (wills, power of attorney and trusts), for the simple reason that there is no formal education in personal finance or financial planning.

It is because of this limited knowledge that they end up making costly mistakes. Their realization of the importance of a financial plan is reactive rather than proactive, in that it is only when an event happens that they realize the need for a financial plan or the need to take a holistic view of their financial situation.

The book has a lot of potential and is fast moving up the best-sellers list. Amar has poured his heart and soul into it and the results are showing. It has been getting some amazing feedback from people who have read it. We welcome any feedback (great or otherwise) on amar.pandit@myfinad.com It will be a pleasure to hear from you. The book is available in all leading bookstores like Crossword and Flipkart,etc.
If you want an autographed copy of the same, feel free to contact MCA Front Desk.

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7. Myopic view of tax planning

Most people generally believe that the objective of tax planning is to minimize taxes and often do things that are not in their best interest. They take several loans, buy real estate and life insurance in an unplanned fashion and indulge in tricks to fool the tax man such as showing limited income or a weak balance sheet with the only objective of not paying tax. However, the right goal of tax planning is to maximize post tax-income.