



Financial Guidance: The perfect gift for your father

'The quality of a father can be seen in the goals, dreams and aspirations he sets for himself and his family'. From the day you are born, he looks out for your best interests, even over his own. He teaches you how to differentiate right from wrong, pushes you to be your best, and prepares you for the practical things in life. While your appreciation shouldn't be shown on just one day, it's always nice for them to receive a reminder of the same on Father's Day. You could get your father a thoughtful gift, cook him a nice meal, or watch a movie with him to celebrate the day. But, maybe this year, it could be something more significant. This year it could be about giving back to him what he has tirelessly given you all these years and continues to give you even today. Your guidance.

Let's talk money daddy

In many households, money and financial management is a subject that is not openly discussed. While you are growing up, you just assume that your father will be able to take care of everything. However, once you start working and embark on your own financial planning journey, you must realise that your father could definitely use your help in planning his finances. This Father's Day, it is time for you to sit down with your father and have the conversation about 'financial management'.

- **Assessing monthly cash flows:** You could start by helping him organise his expenses; understand how he spends money through the month. Divide the expenses between discretionary, non-discretionary, and medical. While taking into consideration the medical expenses, also take into consideration medical inflation, i.e., the increasing cost of medical treatments. Also discuss with him his current and expected future income. Monthly recurring expenses could be automated, and a budget could be set up for medical needs of the family. You could take into account medical inflation (increase in the average cost of a healthcare service).
- **Evaluate investments:** The next important step would be to help him through his investment portfolio based on the needs identified while assessing his monthly cash flows. Ask him whether he has any investments. If yes, then where is he invested and does he have a diversified portfolio. When planning his investment, you need to ensure that his portfolio can generate sufficient income during his retirement period. If he still has 15 to 20 years to retirement, then you should help him set up a monthly Systematic Investment Plan (SIP) in a Balanced Advantage Funds (BAF). A monthly SIP would allow him to invest a fixed amount of money into the fund every month. If he is not comfortable

with monthly investments, he could also do the SIP fortnightly or quarterly. Through the SIP, he can keep saving money and benefit from rupee cost averaging and the power of compounding. By investing in BAF, he need not worry about timing the market. The equity investments of the BAF will help him grow his wealth in market up moves and the debt investments will protect his portfolio in market down moves. If he is approximately 10 years away from his retirement, then you can set up a Systematic Transfer Plan (STP). Through this, a fixed amount of money can be transferred from his investments in an equity mutual fund into a debt mutual fund. This way, he can keep growing his money through equity exposure while slowly shifting it to the relative safety of debt investments. If your father is close to retirement or already retired, then you can help him set up a Systematic Withdrawal Plan (SWP). Through this, your father can withdraw a fixed amount of money from his mutual fund investments, at specific time periods and in a phased manner. These withdrawals can act as a monthly income.

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- **Setting up an emergency fund:** Maybe he has already accounted for this, but in case he hasn't, some money could be set aside for an emergency fund. It works as a safety net in the event of a setback. It should typically have 3 – 6 months' worth of expenses and should ideally be invested in a safe and liquid instrument such as money market instruments.
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- **Retirement planning:** As your fathers are getting old, it is also essential for you to help him plan for his retirement. He has worked all his life endlessly to give you a bright future. This is the perfect time to ask him how he would like to spend his retirement years and help him try to actualise the same. He probably has some unrealised dreams from his youth; perhaps he would like to move to the country side after spending too many years in the city or perhaps he would want to take some time off and travel the world. You could sit with him and help him define these retirement goals. Once defined, you could help him find the right mutual fund investments that can help him achieve his goals. You could even gift him a session with a mutual fund distributor who can help him on his financial planning journey and turn his dreams into reality.
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- **Estate planning:** It could also be worthwhile to have the discussion with him about the family's assets and estate planning for the future. You could encourage him to draft a will and speak to his lawyer regarding the same, so as to avoid any unpleasantness and uncertainty in the future. We all would like to believe that we'd live forever, and even though we may be here for a long time – it's important to plan for a time when we are gone.

Our fathers have always been there for us. It is time for us to give back to them and help them plan out their assets and finances and take some burden off their backs. This could be the year you start to take responsibility and allow them to be carefree instead.

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