

## 1. Money Matters: Smart Goals and Financial Analysis

- ✓ Understand the concept of Money
- ✓ Money as medium of exchange and as medium of storage
- ✓ Understand the concept of Net-worth
  - Know the difference between money and wealth
  - Difference between Assets and Liabilities
  - Understand the relation between assets and income; liabilities and expenses; and calculation of net worth
- ✓ Understand importance of financial goals in personal financial planning (S.M.A.R.T. goals)
  - Understand the meaning of each term in S.M.A.R.T. goals: Specific, Measurable, Attainable, Realistic and Time bound

## 2. Budgeting: Balancing the Means and the Ends

- ✓ Know the different sources of income
  - Understand the difference between professional income and investment income – active income and passive income
- ✓ Understand your expenditures
  - Understand regular and lump sum expenses
  - Understand discretionary and non-discretionary expenses
- ✓ Deficit: Concept and calculation of deficit given income and expense numbers
- ✓ Surplus: Concept and calculation of surplus given the income and expense numbers
- ✓ Know about savings
  - Understand the need for saving
  - Understand the difference between saving and investing
- ✓ What is Cash-flow Statement
  - Understand the structure of cash flow statement – what items are included
  - Understand the purpose of a cash flow statement
  - Know the different heads under the cash flow statement
- ✓ Know the essence of Budget: meaning, purpose and different heads under budget
- ✓ What is Opportunity Cost
- ✓ Understand the difference between instant gratification and delayed gratification

## 3. Understanding insurance and risk management

- ✓ The concept of insurance:
  - Understand the difference between “pure risk” and “investment risks”
  - Ways to manage risk: Avoid, Reduce, Retain, Share & Transfer
  - Understand the concepts of spreading the risks and sharing of losses
  - Know that insurance premium is an expense
- ✓ Understand various insurance products
  - Know the terminology of insurance: Indemnity, Sum assured, Premium, Risk cover, Human life value and Deductions

- Life insurance
  - Term plan – the pure insurance
  - Hybrids - combination of insurance and investment: Endowment plan, Money back plan, Whole life plan, ULIPs and Pension plans (accumulation and distribution products)
  - Critical illness
- General insurance: Vehicle insurance, Medical insurance, Disability insurance and Property insurance
- Know the differences in the features of various products
- Know about functions and powers of IRDA, the insurance regulator in India

#### 4. Understanding Investments

- ✓ Understand the importance of Investment
  - Understand diversification as a risk mitigation tool
  - Learn about liquidity: definition, need and concept of Impact Cost
  - Learn about growth of money / concept of “returns”
- ✓ Learn what is Inflation
  - Understand the short term and long term impact of inflation on personal finances
  - Understand the concept of real rate of returns
  - Understand the terms: CPI, WPI
- ✓ Understand Time Value of Money
- ✓ Understanding Interest
  - Simple Interest, Compound Interest, Annualized Interest
  - Know the equations to calculate simple interest and compound interest
  - Understanding the impact of different compounding frequencies
  - Understand nominal interest and effective interest rate
  - Understand the Rule of 72 and Rule of 144

#### 5. Basics of Banking

- ✓ Know what are banks and the transaction related facilities offered by banks
- ✓ Know about the types of bank accounts
  - Savings account
  - Current account
  - Fixed deposit account or term deposit account
  - Recurring Deposit account
  - Special Bank Term Deposit Scheme
- ✓ Compare different types of accounts
- ✓ Know the eligibility criteria for opening a bank account
  - Permanent Account Number (PAN) and its importance in opening of Bank accounts
- ✓ Understand the features of Cheques
  - Know what is account payee cheque (two parallel lines at left hand corner of a cheque)
  - Signing a cheque and validity period of a cheque
  - Understand the precautionary measures while using a cheque

- Understand how can we get money by depositing a cheque
- ✓ Know what is Demand Draft?
  - Features of Demand Draft
  - Highlight the difference between Demand Draft and Cheques
- ✓ Know the features of ATM
  - Benefits of having an ATM card
  - Know what is ATM Pin and precautions pertaining to usage of ATM cards
- ✓ What is E-banking or internet banking
  - Benefits of E-banking
  - How to use the facility of E-banking and precautions pertaining to E-banking
- ✓ What is Tele-banking
  - How to register for Tele-Banking
  - Precautions pertaining to Tele-Banking
- ✓ Know about functions and powers of Reserve Bank of India, the banking sector regulator
- ✓ Know about the spam mails and precautions one needs to take

## 6. Introduction to Stocks and bonds

- ✓ Understand what is Equity Stocks or equity shares
  - Know what is face value of each share
  - When are shares at a premium and at a discount
  - What is dividend
  - What is the market value of each share and how is it determined
  - Know what is Earnings per share (EPS) and how is it calculated
  - Know what is Price to Earnings Ratio (P/E ratio) and how is it calculated
- ✓ Understand what are Bonds and debentures
- ✓ What are different types of bonds / debentures: Issuers, Term to maturity, Interest rate – fixed or floating, Secured / unsecured, Convertible / non-convertible, Understand credit risk and credit rating
- ✓ Know about functions and powers of Securities and Exchange Board of India, the securities market regulator in India
- ✓ What are stock exchanges, their main functions and stock exchanges in India
- ✓ Understand what is Primary Market and Secondary Market
- ✓ Understand how a company gets traded on Stock Exchanges
  - Know about Initial Public Offer and how companies are listed on stock exchange
  - Learn about dematerialization of shares: Demat account and depositories in India
- ✓ Learn about the screen based trading system in India
- ✓ Stock market indices such as Nifty and Sensex.
- ✓ Know what are the Bear and Bull Phase in Stock Market
- ✓ Understand the do's and don'ts in stock market investing

## 7. Investments: The wider Spectrum

- ✓ Learn about different products or asset classes for investment
- ✓ Understand Mutual Funds



- Understand the different types of mutual fund in the context of structure, features, advantages and risks: Equity funds, Debt funds, Balanced funds, Tax saving funds, Open ended funds and Closed ended fund
- Understand various facilities offered by mutual funds: Growth plans and Dividend plans
- Know the differences between various mutual fund products and options
- Understand Net Asset Value (NAV) and calculation using simple numbers
- What is Entry Load and Exit Load
- Know the difference between direct investing and investing through mutual funds
- ✓ Know what is Public Provident Fund (PPF) and understand its features
- ✓ Learn about the National Savings Certificate (NSC)
- ✓ Learn about Post Office Monthly Income Scheme (POMIS)
- ✓ Compare the different fixed income investment options
- ✓ Learn about investing in Real Estate: Products available and the associated risks & rewards
- ✓ Understand Ponzi schemes and unregulated products

## 8. Beyond Savings: Borrowing

- ✓ Know when to Borrow
  - Know the parameters of Equated Monthly Installment (EMI): Amount of Loan, Loan Period and Rate of Interest
  - Understand the concept of amortization
  - Know what is the cost of borrowing and how much one should borrow (the 70-30 Rule)
- ✓ Credit Cards: Advantages, disadvantages and precautions to be taken w.r.t credit cards
- ✓ Understand what are Loans
  - Different types of loans: Housing, Vehicle, Consumer, Personal and Education Loan
  - Know various features of loans:
    - Term, Rate of interest (fixed vs. floating), Processing charges, Secured vs. unsecured loans, Pre-termination, Termination charges, Partial pre-payment and the charges
  - Understand the difference between good loans and bad loans
  - Understand the concept of credit score (CIBIL score)

## 9. Retirement as a financial goal

- ✓ Understand the two phases of retirement: Accumulation and Distribution
- ✓ Understand the importance of retirement goal
  - Revisiting the impact of inflation
  - Defined benefit v/s defined contribution
- ✓ Understand the difference between other goals and retirement
  - Option of loan is not available to fund retirement goal
  - Understand the features of NPS and NPS Swavalamban
- ✓ Know about functions and powers of PFRDA, the pension sector regulator in India

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