

WHAT ARE THE STEPS TOWARDS FINANCIAL FREEDOM

Tareshh **TALKS**

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Tareshh Bhatia

 **UPSIDE**
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DOWNSIDE



Author of the
book:
**The Richness
Principles**

WHAT ARE THE STEPS TOWARDS FINANCIAL FREEDOM?

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AN INTRO TO

What are the Steps Towards Financial Freedom

*An introductory guide to become financially
free and how to succeed at it.*



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CHAPTER ONE

What is Financial Freedom?



What is Financial Freedom

Ability to follow your passion

It's always advisable to take the help of qualified and experienced financial advisor for creating a roadmap for achieving the Financial Freedom. This article is simplified with the simple examples to explain the concept and give the overall idea about the process to be followed in brief. While doing it in real life there could be many more things which might need the attention. Qualified and experience financial advisor can help you in guiding you to achieve the financial freedom at earliest possible time, based on your current situation and requirement.

Myth about Financial Freedom:

You might have read or heard a lot about Financial Planning or Financial Freedom planning. What does Financial Freedom Planning (FFP) mean? When can one claim that one is financially free? Many times we misunderstand “being Debt Free” to “Financial Freedom”. But it's not true. Being debt free is just one aspect of achieving Financial Freedom. Being Debt free requires you to repay all your current liability like Home Loan, Auto Loan, Personal Loan, while Achieving financial Freedom involves being free from working for money.

What is Financial Freedom

Ability to follow your passion

In one's life when a person is earning enough to cover his household expenses, insurance premiums and EMIs, we believe that the person is enjoying the financial freedom. While the fact is that, when person requires working or putting daily efforts to earn the required amount of money to fulfill all the commitments as mentioned above he/she cannot be said to have achieved the financial freedom. So if you are into the job paying you handsome salary or into the business giving you big profits which are enough to take care of all your expenses and pay for liability, you might feel that you are Financially Free. But it's the biggest "MYTH".

What is Financial Freedom?

How can one say whether is he financially free or not? It's very easy and simple. While you wake up in to the morning from your bed, ask yourself, is it necessary to go for job or doing business to earn the money you need to survive and to pay for the debt? If your answer is YES, then you are not financially free. But if your answer is NO, then you are undoubtedly financially free.

When we say "Mr. X works for XYZ Ltd." who do you think is the

What is Financial Freedom

Ability to follow your passion

employer and who is the employee? Obviously Mr. X is employee and working for his employer which is XYZ Ltd. Similarly when we say “I work for Money” who is the master and who is the employee. In the given situation “I” is the employee working for the “Money” (employer). So unless in your life Money starts working for you, you can’t claim to be financially free.

Passion Vs Profession:

In majority case, people often have to sacrifice their passion for their profession. Someone loving a painting or photography or dancing, are not into the profession or being painter, photographer or dancer. Some people are very much interested in doing the social work or want to spend time doing some charity. But all of these people are not able to follow their dream and they work as a job man or business man into the area where they are not much passionate about. Why? Because they are not financially free and that’s why their first priority by force is to “work for Money”.

Financial Freedom is the stage which if achieved will allow you to do all those things which you actually wanted to do. So financial freedom is not only about being free from the work but it is allowing yourself to do only those things which you love to do.

What is Financial Freedom

Ability to follow your passion

Simply putting you need to build enough Assets which can give you the regular cash flow for your recurring expenses and periodic requirement of cash for your future goals for life time.

For example, if you need on an average Rs. 600000 a year for your household and all other expenses. So you need to create an asset which gives you this required sum of Rs. 600000 to you in terms of interest or rent or royalty or dividend. So if, you build up the corpus of 1 cr and invest in to the bank fixed deposit fetching you 6% per annum interest, then irrespective of you going on job or doing any business you will get the regular income.

Another example is you try and create the corpus which is enough to buy some property generating the rental income of Rs. 600000 for you.

In nutshell you need to create a mix of assets weather it is debt, equity, real estate etc which can give you the required income of Rs. 600000 in total in form of regular cash flow.



CHAPTER TWO

*Financial Freedom
Fund*





Financial Freedom Fund

Calculate your Financial Freedom Fund

For achieving the financial freedom you need to first find out how much corpus you need to build to be able to generate the cash flow which can take care of your current and future requirements for household expenses and other financial goals. We can call that fund the Financial Freedom Fund. The amount of Financial Freedom Fund would vary person to person based on the different financial requirements of the person.

Mathematically, Financial Freedom Fund is the sum total of the present value of all the current and future expenses and EMIs you are suppose to pay till the life time. Seeking help of the Professional Financial planner is advisable for finding out the required financial freedom fund for you. Once the Financial Freedom Fund is calculated, then you can adapt the most suitable investment strategy to achieve that targeted Financial Freedom Fund at earliest. By doing a little bit of maths with the help of some financial advisor, you will get an idea about the time which is required to build the financial freedom fund.

There are 3 steps to achieve the financial freedom at earliest. It's called ABC of Financial Freedom.

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CHAPTER THREE

Assuring Financial Freedom





Assuring Financial Freedom

It's about you and your family

Financial Freedom is not the individual goal or dream it's a dream for the family. This is the stage where in absence of you, your family also enjoys the same financial freedom.

So before achieving the Financial Freedom it is very important that you assure the achievement of financial freedom irrespective of you being there or not. Assurance is the stage where an earning person ensures that even in case of the unfortunate demise of the himself/herself, the family of his/her will get the Financial Freedom Fund.

As building the Financial Freedom fund is a process which requires the disciplined investment over period of few years, it requires man to work for money till the financial freedom fund is build up. Meanwhile one need to protect and assure the achieving of financial freedom fund for family against any unforeseen event like the unforeseen demise of the earning member.

Once the Financial freedom fund is calculated we need to find out the gap which is required to bridge between the Financial Freedom Fund and your current assets and investments. And whatever gap is



Assuring Financial Freedom

It's about you and your family

need to be bridged by the Insurance for assuring the financial freedom before it's achieved.

Financial Freedom Fund – your current assets – current life insurance sum assured

= Buy Term Plan

Let's take an example

In this example to make it simple, I would ignore the inflation and time value of money for the sake of simplicity

Mr. Prem is a family man having a wife and daughter into the family. Some of the data regarding his expense liability and investments are as below.

Monthly House hold expense: Rs. 25000

Amount needed for the higher education of Daughter:
Rs.500000

Amount needed for the marriage of
Daughter:

Rs 700000

Assuring Financial Freedom

It's about you and your family

Current Outstanding Home Loan:	Rs.120000
Current total investment value:	Rs.700000
Life Insurance Sum Assured:	Rs. 300000

In above case let's first of all let's find out required Financial Freedom Fund.

Assuming 8% risk free rate of return, Mr. Prem needs around Rs. 3125000 for taking care of his household expenses. Rs. 3125000 if invested in FD then it would fetch Rs. 300000 as an yearly interest at 8% rate of the return which is around Rs. 25000 a month. So, total financial freedom fund is the sum total of Rs. 3125000 plus the current and future liability. Once we find out the required amount of financial freedom fund we need to deduct the current value of Investments and existing sum assured from various insurance policies.

Assuring Financial Freedom

It's about you and your family

Rs. 3125000 (to take care of the household expense)

+ Rs. 1200000 (Outstanding Home Loan)

+ Rs. 500000 (Daughter's Education)

+ Rs. 700000 (Daughter's Marriage)

Rs. 5525000 (FINANCIAL FREEDOM FUND)

-Rs. 700000 (Investments)

-Rs. 300000 (Current Life Insurance)

Rs. 4512000 (GAP TO BE BRIDGED FOR ASSURING FINANCIAL FREEDOM)



Assuring Financial Freedom

It's about you and your family

In case of Mr. Prem, the Financial Freedom Fund requirement is Rs. 5525000 and the value of the investments and the current life insurance is 10 lacs. So there is a gap of Rs. 4525000 which he needs to build up through regular investments.

Mr. Prem needs to buy additional life insurance policy giving the Sum Assured equal to Rs. 4525000. The best choice for assuring the financial freedom through life insurance is to buy the Pure Risk cover also known as the Term Plan. As the term plan is the cheapest way to get the big risk cover which is ideal incase of assuring the financial freedom.



CHAPTER FOUR

*Building Financial
Freedom*



Build Financial Freedom

SIP by SIP

Once you have assured that your family would certainly get financial freedom even in your absence then we need to take the second and most important step. The step towards achieving the financial freedom is Building the Financial Freedom Fund. The gap between the Financial Freedom Fund and your current value of your investment is the corpus required to be build up over period of time through wise investment strategy.

Continuing with the earlier example, the required Financial Freedom Fund was Rs. 55,25000 for Mr. Prem, while the value of his current investments were Rs. 700000. So in case of Mr. Prem we need to add Rs. 48,25000 in his investment basket. Targeted corpus or Rs. 48.25 lacs is to be achieved through various investments.

If Mr. Prem's monthly income is Rs. 36000 then he would left with the surplus of around 12000 per month as the household expenses of Mr. Prem is Rs. 25000/- p.m. Assuming Rs. 4000/- p.m. is the premium he pays for the life insurance policies. Then he will be left with Rs. 8000/- p.m. and existing investment of Rs 700000as a investible surplus. Mr. Prem wants to get the Financial Freedom in 12 years.

Build Financial Freedom

SIP by SIP

Based on above details, we need to find out how much rate of return is required on investment to generate the corpus of Rs. 48.25 lacs on existing investment of Rs 7 lacs and additionally investing Rs. 8000/- p.m. in 12 years. Required rate of return in this case would be approx 12.5% CAGR (Compounded Annual Growth Rate).

If Mr. Prem opts to invest into postal recurring giving 8% CAGR return or any other instrument which gives the rate of return lesser than 12.5% CAGR, he would not be able to achieve his financial freedom in 12 years. It would take 16 years instead of desired 12 years to achieve the financial freedom if investments fetch the return of 8%.

Selecting the right asset class based on the required rate of return is very important. A small mistake in opting for the wrong choice might lead to wastage of some of the very important years of one's life in the slavery of Money, which otherwise could have been spent doing what one actually loves to do the most.

Instead, had Mr. Prem been able to generate the 20% CAGR on his investments, he would have achieved the financial freedom in just around 9 years only.

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CHAPTER Five

Cashing Financial Freedom



Cashing Financial Freedom

Focus on regular Income and Growth

This is the final stage of achieving and enjoying the financial freedom. In the beginning of this stage the Financial Freedom Fund is already built through various investment strategies. One need to re allocate his Financial Freedom Fund into the various investment from which he would get required cash flow on regular basis for one's needs.

In this stage of life one need to move out his money from the assets which are considered more risky and buy those assets which are less risky and can generate the stable income flow. One can look at the SWP (Systematic Withdrawal Plan) for the need of recurring expenses like household expense, once the financial freedom is built. SWP gives the flexibility to choose the amount of monthly withdrawal according to one's need.

Have you planned for your financial freedom? If the answer is NO, do it now. Remember, most people don't achieve the financial freedom because they fail to plan rather than plan to fail.



CREATE THE FREEDOM

TO TRAVEL • ENJOY • EXPLORE • EXPERIENCE THE WORLD



“ *Financial Freedom is mental, Emotional and Educational process.* ”

Robert Kiyosaki

*Top Ten Steps to
planning, Financial
Freedom.*



The top ten Steps to planning, financial freedom are:

1

Goals

Write down your goals

2

Tracking report

Track Your Spending.

3

Spending

Spend less than you earn.

4

Buy experiences

Rich people find out their experiences which makes them more Happy.

5

Debt free

If you have taken loans for personal expenditure, make plans to pay off.

6

Additional income

Get additional sources of Income.

7

Basics

Get the Basics Right about your money

8

Finances

Clean up your Finances

9

Future expenses

Financial goals are changing

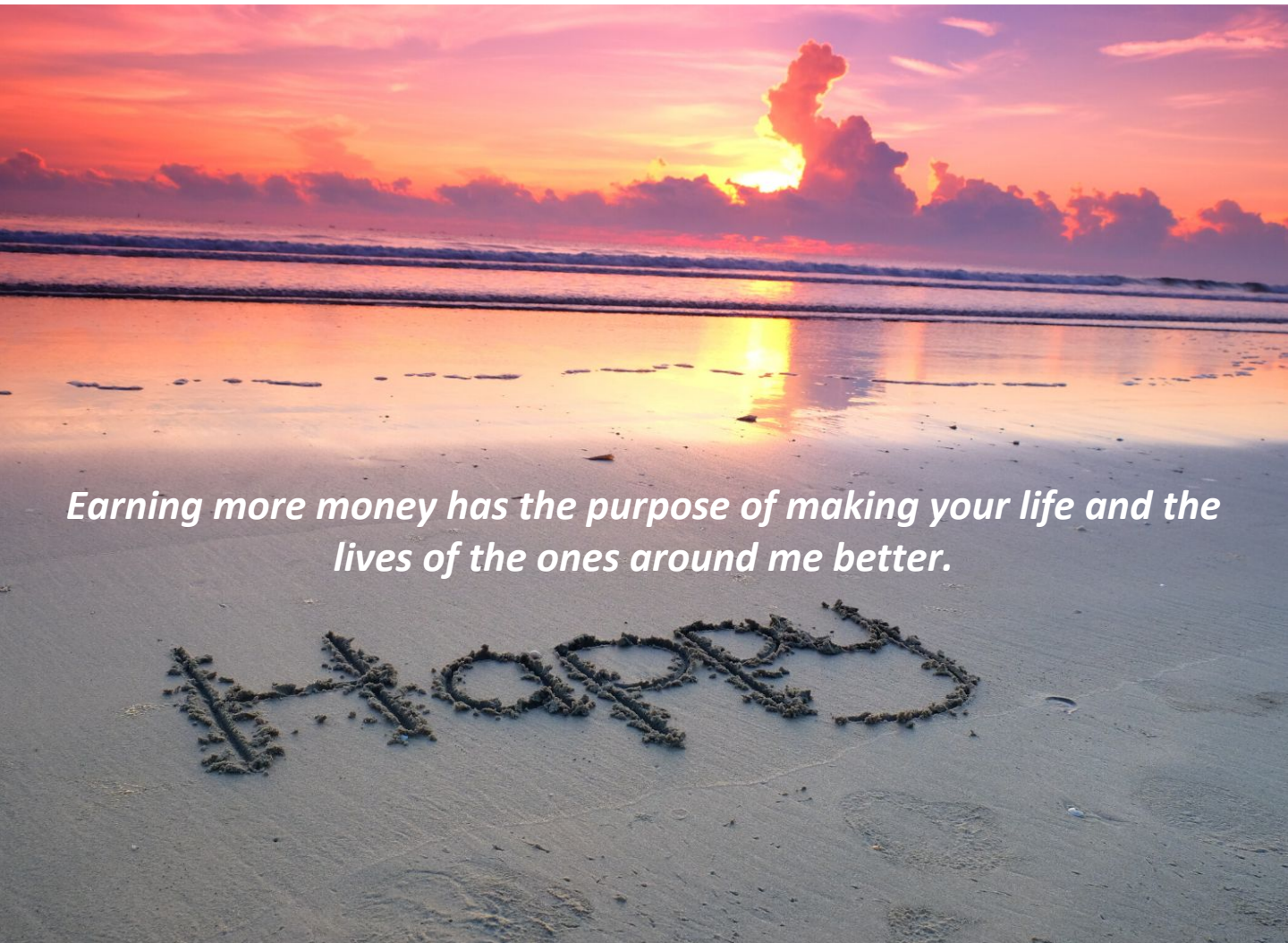
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Invest

Plan to invest every month



1) Your Goals



Earning more money has the purpose of making your life and the lives of the ones around me better.

Write Down Your Goals: what it means for you. What will you do when you are financially free.

What are all those things or activities that you buy or do? Make a list.

Discuss with your family

Let there be joy, happiness and excitement begin!

Make a list of the top ten things

Make a list of the top ten things that you want to buy

Make a list of the top ten places that you will visit

2) Tracking Expenses report

*a expense tracking report should tell you, periodically,
how much you spend and how much you can save*



Track Your Spending:

Unless you track what you spend, how will you be able to save more.

Tracking your household, lifestyle and all other expenses, will make your mind focused. It will make you more focused on spending less and saving more

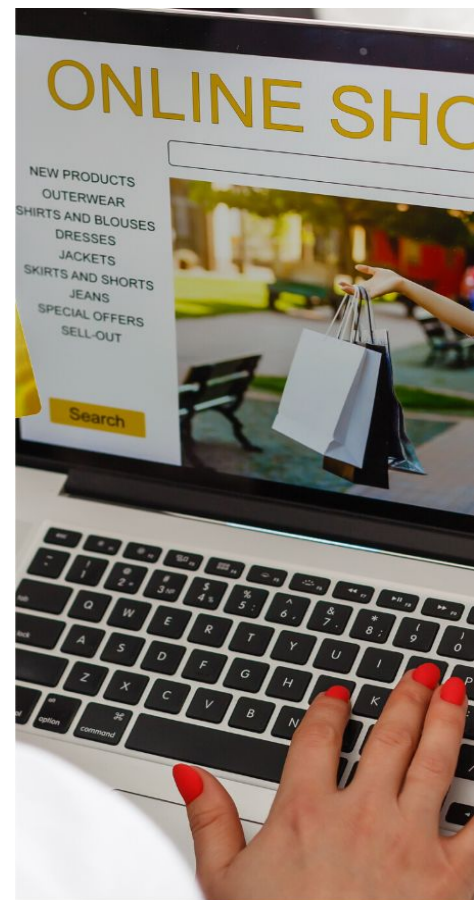
Track the following:

1. Household expenses
2. Lifestyle Expenses
3. Loans and EMI
4. All Fees like children's school fees
5. Insurance premiums
6. Investments

03) Spend less than you earn.

This would help you to reduce unnecessary expenses. Sometimes, you tend to buy things which you don't need but feel like buying because someone is buying it. It could be to satisfy your spendthrift nature.

Never let emotions rule you when you want to rule over money!



04) Buy Experiences

- Rich people find out those experiences which makes them more happier!
- They would then spend more time and money on such activities.
- It brings them more of happiness and joy.
- They spend time on active leisure activities like sports, charity, reading books, mass religious events.
- While the not so rich spend their time in passive leisure activities like watching TV, doing nothing.
- Find out your active leisure activities and make a list.
- Find out if they make you more happy
- Find out the events which you like spending time on.
- Find out your charitable events or activities, which you believe in.
- Can you make a list of those activities which you can start redoing time on like watching TV.

Your most happy experiences



Now that you understand that money cannot buy you happiness, but can sure buy you experiences; so **make a list of top ten such experiences**, that brought you maximum joy and happiness in your lifetime till now?

Now make a list of the **next ten such experience that you wish to buy** with money

Discuss with your family and explore how they will enjoy these experiences as your family.

05) Pay Off Debt(s): Make plans to have no debts at all

*Let scarcity of money not scare you and
let your love for money not dare you.*



If you have taken loans for personal expenditure, make plans to pay off. Learn how to reduce your expenses. Make a list of all the loans and make a commitment to pay off all such loans in a definite time period. Be clear as to what is a good loan and what is a bad loan.

06) Get Additional Sources of Income

If you find out that your investible surplus is less than what is required to achieve your goals, think of adding/increasing your current income.

With many options, you can think of royalty from books, franchise model, part time businesses like being an agent, collaborating for giving's leads, etc.



07) Get the Basics Right about your money

Learn the basics of money, finance and investing.

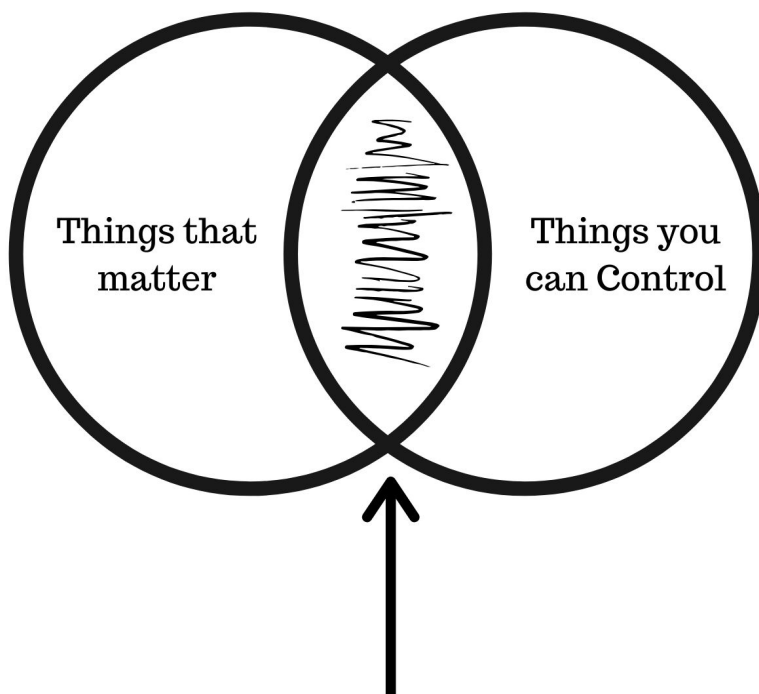


When your purchasing power of money goes down over the years, it's due to inflation. How much will your money be able to buy five or ten years from today is the effect of inflation. It is important to understand the difference between saving and investment. Savings means to set aside a part of your income for future use. Investment is defined as the act of putting funds to productive uses, i.e. investing in such investment vehicles that can reap money over time

People save money to fulfil their unexpected expenses or urgent money requirements. Conversely, investments are made to generate returns over the period that can help in capital formation. With an investment, there is always a risk of losing money. Unlike savings, where there are no or comparatively fewer chances of losing the hard-earned money. Investments provides higher returns than savings, However, the investments can earn money more than the invested amount, if invested wisely.

08) Clean up your Finances

Focus on what matters to you- While making budgets and finding solutions for your financial issues, you do not need to look back into your past! Why?



What you should focus on

Focus on what you can control: Can you control what is happening in the economy of Greece, China or the federal states of the USA or the demonetization drive of Modi Ji? If not, then why focus or talk about anything which you cannot control? behavior.

Strange, that **personal finance is only 20 per cent head knowledge**, and the other 80 percent is all about **behavior**. No magic number will change your life; no interest rate or rate of return will suddenly turn everything around. That is why I teach concepts, not mathematical formulas.² Habits make up around ninety per cent of your behavior.

09) Financial goals are changing

With changing lifestyles, find out what were your past goals. Check if they are still relevant. Change them according to your lifestyle, family members needs and wants.

*Once you have rearranged your goals, in line with your income, expenses, now make plans to achieve them in a **SMARTER** way, that is, **SPECIFIC, MEASURABLE, ACHIEVABLE, REALISTIC, TIME-BOUND, ECOLOGICALLY RIGHT, AND RELEVANT** to you.*

S: Specific, Simple

M: Measurable, Meaningful, Motivating, Maintainable

A: Achievable, all areas of life and as of Now

R: Realistic, Right, Responsible

T: Time Bound, Towards

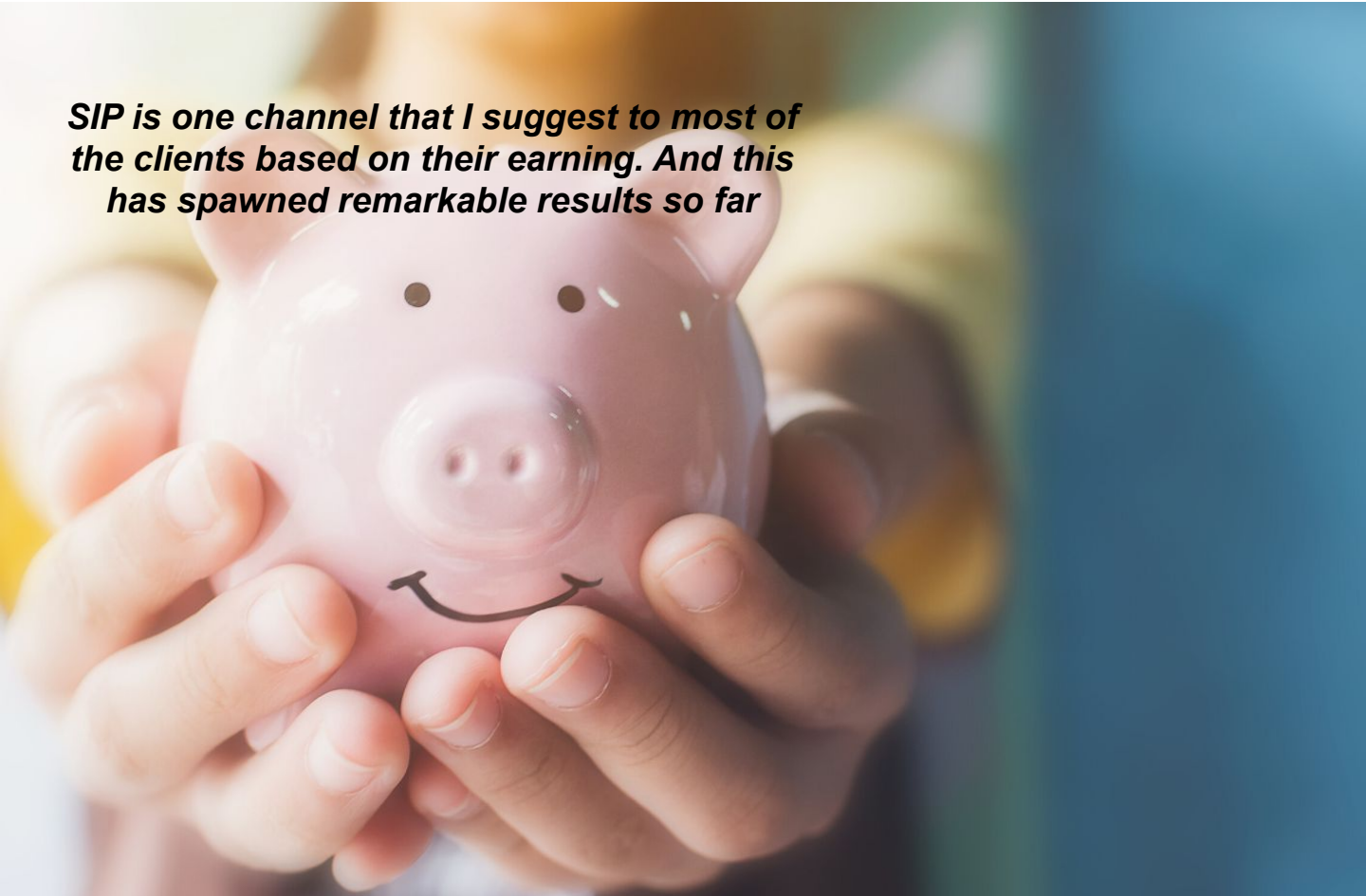
E: Ecology -related to consequences of actions

R: Resources -refers to Money, Time, people, confidence, experience, determination, ability)

10) Plan to invest every month: START SIP

With changing lifestyles, find out what were your past goals. Check if they are still relevant. Change them according to your lifestyle, family members needs and wants.

SIP is one channel that I suggest to most of the clients based on their earning. And this has spawned remarkable results so far



One of the pronounced tools that I recommend is SIP; Systematic Investment Plans. You give standing instructions to your bank for a specified period. SIP tool provides an average on your investment costs: As markets are volatile, whatever you invest through mutual funds is also sceptical of ups and downs.

On the other hand, while investing regularly every month, you average out the cost of buying. When the markets are low, you buy more units. When the markets are high, you buy less. In light of these options, you are equipped to beat the market effectively. Indeed, this is one of the best and proven tools.

STAY FOCUSED ON YOUR PATH
TO BE FINANCIALLY FREE

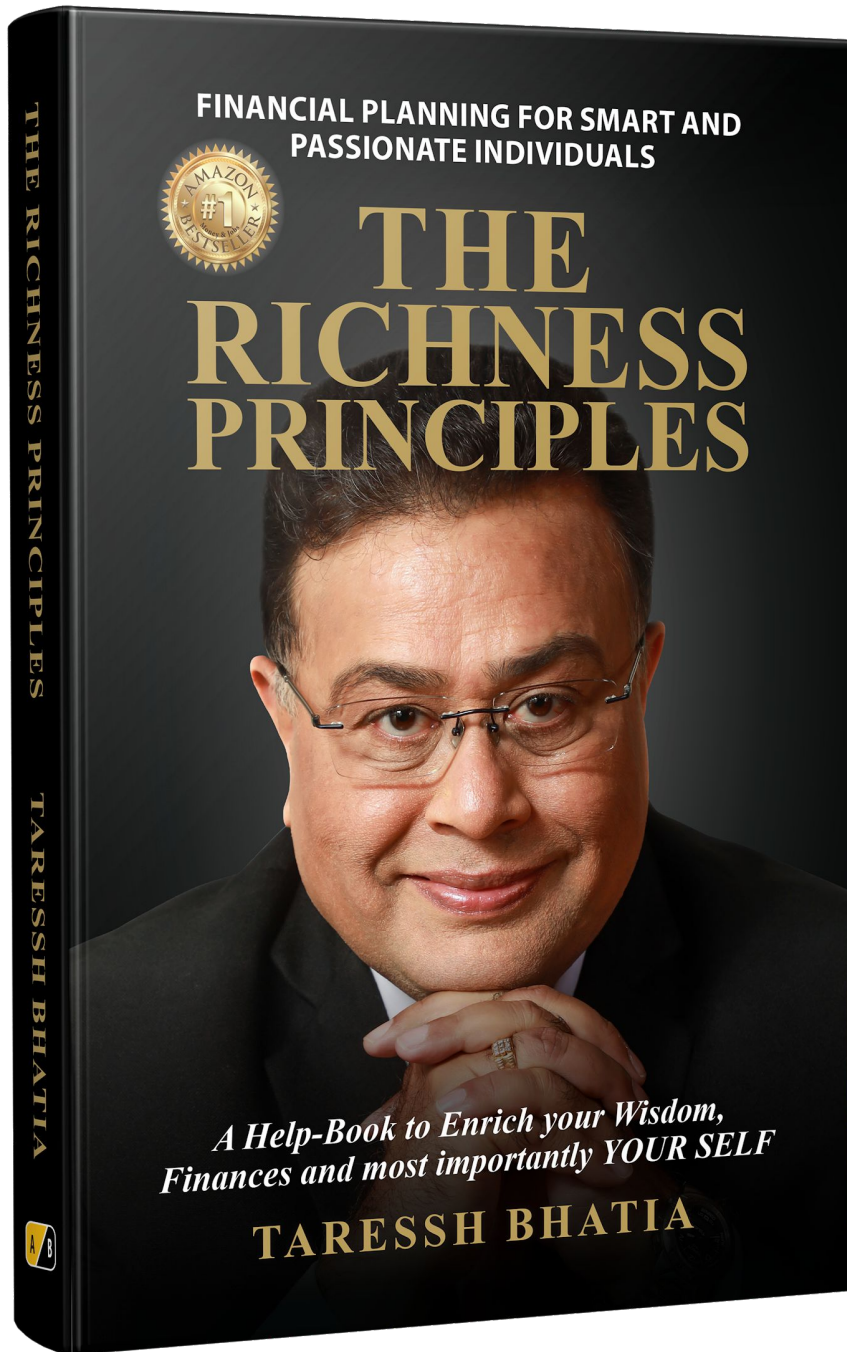
**“I am financially
free.”**





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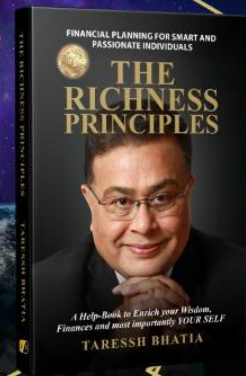
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Consult

Financial Advisor Now

It is always advisable to consult a financial advisor who can help you in creating a roadmap towards your financial freedom and also to help you to stick to it in disciplined manner.

Call Taressh:

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Schedule Virtual meeting:

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