

Mutual Fund

Happy Financial Independence Day!



The term 'financial independence' has different meanings for different people. For some it could mean happy and relaxed retirement, while for some it could mean building enough wealth to take care of all their needs and wants.

Essentially, financial independence means having enough wealth to pay for living expenses/ to maintain a satisfactory lifestyle without having to worry about earning money.



Once you have accumulated enough corpus for your financial independence, you may choose to work or retire voluntarily because you wish to and not because you have to.

Here's a six-step guide to attain financial independence:



1 Don't mix up income with wealth

Most people mistake 'wealth creation' with the high-income job. While income is an integral part of one's wealth, it doesn't constitute for entire net worth of an individual. Wealth is what remains with you after deducting your liabilities from the assets. In simpler terms, suppose your monthly salary is Rs. 1 lakh and your monthly expenses and loan EMIs are around Rs.50,000. Out of remaining Rs.50,000, the amount you invest for your financial goals and the assets you build using this amount constitutes as 'wealth'.



2 Determine your lifestyle

Your lifestyle is the most crucial aspect of financial independence. It is important to decide how you will spend your life when you are financially independent. Draw a plan to know what is going to be your routine and which goals you have to achieve. Perhaps you will continue with your job or live life on the wheel or simply pursuit new hobbies. In any case, your life will change in multiple aspects and you must take into account all the minute details before drawing a financial plan for your dream lifestyle. Being realistic with your lifestyle expectations would help you stay content and happy.



3 List down your expenses

The next step is to chart out numbers. Sustaining a dream lifestyle requires adequate wealth and proper financial planning. It starts with calculating your current and future expenses. Check out your last 3-12 months' bank and credit card statements and record your expenses categorically. Make separate lists of needs (unavoidable expenses such as groceries, EMIs, medical and essential bills) and wants (discretionary expenses like entertainment, travel, club memberships etc). This way, you can know where and how much you can cut down on to move towards financial independence. Don't forget to consider inflation while calculating future expense.



4 Spend less, save more, invest even more

Financial independence means taking full control of your money matters and that involves mindful spending and considerable savings. Save up to 3-6 months of expenses and keep it aside as an emergency fund. However, simply saving is not enough to achieve financial freedom. Passive income generated through proper investments can be helpful here. Investment in assets like equity can help you build a corpus in the long run, while investment in debt can safeguard your accumulated money. A well-planned asset allocation plays a vital role in attaining and managing your financial independence.



5 Choose a timeline for everything

Decide at what age you wish to attain financial independence. This will help you understand how much you need to invest every year/month to reach the goal of financial independence. Systematic Investment Plan is one way to make a small and regular contribution towards your long term goal of financial independence and even short term goals that are part of the big plan. The key is to develop financial discipline and cultivate the habit of regular investing and reach goals on time.



6 Plan well in advance for retirement

Retirement, at any age, is the ultimate relief and goal of any individual. Whether you want to retire the old school way when you're sixty or get on to FIRE (Financial Independence, Retire Early) and quit your job when you are 40, it is never too early to save for retirement. When you invest thoughtfully for retirement, the retirement corpus accumulated would work for you even when you have stopped working.

There's no ideal time to achieve financial independence, **whenever you are able to live your life without worrying about managing finances that would truly be your financial independence day!**

Disclaimer:

This document has been prepared by HSBC Asset Management (India) Private Limited for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities referred to herein or any of the funds of HSBC Mutual Fund; or ii) an investment research or investment advice. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized.

This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited.

An investor awareness initiative by HSBC Mutual Fund.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.