

# Personal Financial Planning - Choice of Individual's Financial Planning Options

Dr. Anupama Sundar D

Associate Professor, MBA Department, JSS Science and Technology University, JSS Technical Institutions Campus, Mysuru-570006, Karnataka, India

**Abstract:** *Personal Financial Planning this study involves the process of how an individual manages his /her finances using the different financial planning options available in India. The data is analyzed and interpreted using the SPSS tool, and factor analysis, reliability tests are conducted to know the results.*

**Keywords:** Personal Financial Planning, Investment planning, Tax planning, Insurance planning, Estate planning, Cash Management, Retirement Planning

## 1. Introduction

How many individuals know what they will do when they retire? Financial planning varies substantially among people nationwide. People have different approaches and concepts regarding retirement, estate planning, insurance, cash management and job and location changes. Financial planning starts whenever all of the bills are paid. After the children are grown and the mortgage nearly paid, many individuals start calculating what their retirement needs will be and whether they are financially on track to meet those needs. This lack of planning results in having to work longer or to reduce spending more than desired. A popular question is: How much saving is sufficient for retirement? Without some kind of framework, it can be difficult to know what level of savings will be sufficient to maintain a comfortable lifestyle in retirement.

## 2. Review of Literature

“HSUAN CHI CHANG. This study found that, for Taiwanese college students, school, investments and financial management experience, average monthly allowance, average monthly expenditures, average monthly savings, having a school loan or not, and saving goal five years after graduation have significant influence on their financial planning awareness. Another study found that investment and financial management experience, average monthly expenditures, and having a school loan or not have significant influence on financial planning. Overall, Taiwanese college students lack financial planning awareness, and have no financial planning ability, thus, their financial planning awareness and financial planning ability should be strengthened. It is suggested that, the basic concepts of financial planning should be included in university education, and financial management courses should be offered. Moreover, financial management concepts should be promoted in daily life.

DAVID JOHN STOW, SAYED M REHMAN, ANIS MAHOMED KARODI (2016), Providing personal financial planning primarily involves selling services to clients. As financial services and products are intangible by nature, professional service is the only measure by which clients can

judge a Personal Financial Planner. A Personal Financial Planner must therefore focus on building a professional, client-centered business that offers financial services of a high standard. The introduction of FAIS and FICA has meant that concepts like personal financial planning, as opposed to product selling be taken seriously, and central to the success of a Personal Financial Planner is a sound understanding of the benefits it offers to clients and the role of a financial planner in bringing about these benefits. Successful Personal Financial Planners focus on identifying and meeting clients' needs and, in doing so, creating lifelong relationships based on policies and processes that add value in all their interactions with clients. The main purpose of this study was to critically evaluate the success factors in personal financial planning. Certain areas of concern were identified during this study, which the researcher analyzed and offered several recommendations aimed at improving the personal financial planning process.

DAVID S. MURPHY, SCOTT YETMAR: The purpose of this paper is to report on a survey about the personal financial planning attitudes of MBA students in the USA. The findings indicate that, while most respondents feel both that financial planning is important and that they are interested in developing a financial plan, very few feel that they have the necessary skills and knowledge to prepare their own plan. In addition, the participants indicated a strong preference for professional personal financial planning advice. The study also indicates that less than 13 percent have prepared a comprehensive personal financial plan. When asked to identify the one professional from whom they would seek advice, certified financial planners were the preferred resource.

JOHN GASKELL JOHN ASHTON. Against the backdrop of the Financial Services Authority's Retail Distribution Review, this study aims to present an assessment of the potential development of a UK personal financial advising profession. The development of a profession dedicated to providing financial advice is critically discussed by assessing a range of regulatory and industry views.

ROSILYN H. OVERTON although it appears that a theoretical body of knowledge for the Financial Planning Profession has always existed, until recently theory was not

Volume 9 Issue 7, July 2020

[www.ijsr.net](http://www.ijsr.net)

[Licensed Under Creative Commons Attribution CC BY](https://creativecommons.org/licenses/by/4.0/)

often explored as such, and there was no written common understanding or agreement on the theoretical basis of the financial planning profession. A survey of the financial planning literature over the past 50 years was performed, and certain basic theories from many existing disciplines were identified, although their application in personal financial planning has sometimes resulted in modifications. The theories identified from the literature were compared with the financial planning educational topics list of the CFP Board of Standards and the core financial planning process was explored in detail. A definition of financial planning as values and goals-driven strategic management of the client's financial resources was fashioned and the financial planning process as the strategic planning process applied to the financial and economic resources of the person or family was also defined.

HABIB AHMED AK MD HASNOL ALWEE PG MD SALLEH (2015) This paper aims to develop a conceptual framework of inclusive Islamic financial planning (IFP) by combining the traditional Islamic institutions of zakat and waqf with contemporary notions of financial planning, financial inclusion and financial literacy that caters to the short-term and long-term financial goals of the poor.

FOULKES, STEVEN M; GRACI, SAMUEL P. (1989) financial planning is appropriate for most individuals, and the sooner you engage in personal financial planning the quicker your financial goals will be realized. Financial goals, developing a statement of net worth on a periodic basis, developing a savings, investing and tax plan, planning for retirement and estate, planning insurance needs

WARSCHAUER, THOMAS (2002). This article began with a short story of relationship of the professional financial planners to the financial services industry. Some firms in the financial services industry are coming to understand that financial planning plays a central role in financial advice. But financial services firms simply do not "get it." some want to defuse the marketing advantage of professional planners by obscuring the differences between their product based services and planner's strategy based services. Given the low level financial acumen in society, this is real danger financial planning as a profession .the educational community and the professional community must work together to carefully guard to ensure each planner, particularly each certified financial planner certificate, is required to hold the full knowledge set at the highest practical level and that is planner is provided the freedom to act with professional discretion and to be solely responsible for the recommendations within the plan they endorse.

SARAH D. ASEBEDO MARTIN C. SEAY Positive psychology can be integrated into financial planning in three fundamental ways: (1) as a perspective and orientation to financial planning; (2) as a source of scientifically based information to bring to financial planning conversations; and (3) as a positive intervention to help clients move through financial and life changes to maximize their well-being. This is similar to an integrative framework that has been proposed for positive psychology and life coaching (Joseph 2015). Given this backdrop, consider the following two case

studies to explore how positive financial planning can be done.

BRIAN R. KORB. Widows can benefit from personal financial planning education. Unfortunately, there are no national financial education programs specifically oriented to this growing segment of our population. Programs can be created that include appropriate content delivered via effective methods. "Perfunctory, superficial, unenlightened efforts will not adequately address their needs nor enhance their financial security" (Anthes & Most, 2000, p. 142). In order to avoid these types of efforts, consideration should be given to the financial planning needs of widows and the differences among the three segments of widows. Lastly, for these efforts to be successful, support from local financial planners and nationwide non-profit educational institutions is crucial. If such programs are created and implemented, perhaps many widows will be freed from the emotional and financial bondage they currently experience.

JOYCE K.H. NGA, LISA H.L. YONG AND RATHAKRISHNAN D. SELLAPPAN. The findings of the study revealed that the level of education and majors influence general and financial product awareness among youths. Also, males were found to have higher levels of financial awareness compared to females

## 2.1 Gap of the Study

From the research papers and journals published by the various authors we came to know that they took several variables for their study in their field of operation while concentrating on the personal financial planning. Some of the prominent area that the authors concentrated was tax planning, retirement planning, cash management, insurance planning and emergency planning. Apart from those variables we can also take investment planning on stock market and derivative market. Mutual fund planning.

## 3. Research Design and Methodology

### 3.1 Research Design

The overall design of this study was exploratory. The research investigated financial planning options but differed from purely descriptive research by going beyond simple description to understanding and explaining the situation. The review of the literature indicated that authors have used many different approaches to financial planning. In order to establish a workable plan. The data associated with this study were collected through quantitative methodologies and a questionnaire was developed to facilitate this investigation.

### 3.2 Data

There are two types of data they are

- 1) Primary data
- 2) Secondary data

#### 1) Primary Data

Means the raw data (data without fabrication or not tailored data) which has just been collected from the source and has not gone any kind of statistical treatment like sorting and

tabulation. The term **primary data** may sometimes be used to refer to firsthand information.

**2) Secondary Data**

The sources of **primary data** are primary units such as basic experimental units, individuals, households. Following methods are used to collect data from primary units usually and these methods depend on the nature of the primary unit. Published data and the data collected in the past is called **secondary data**.

For this research primary data is used as the data is collected for the first time to make a study on Personal Financial Planning

**3.3 Sampling, Sampling Method & Sample Size**

The ample size of the respondents is done under solving formula. It is a random sampling technique formula used to estimate sampling size.

$$N = \frac{n}{1 + ne^2}$$

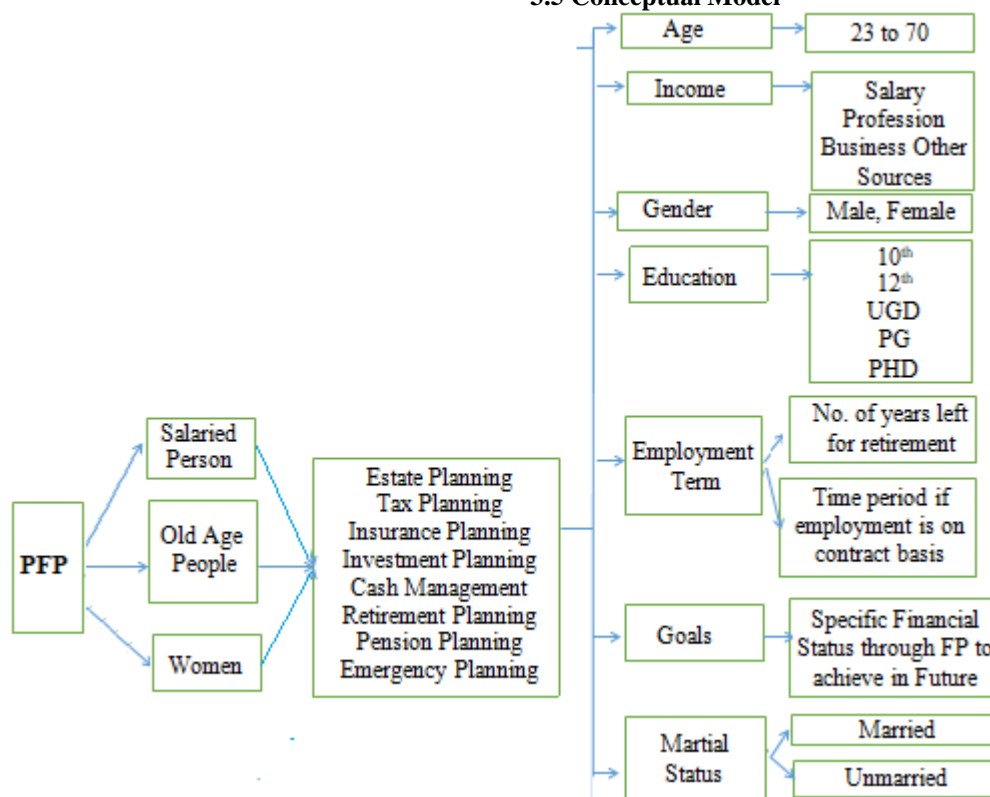
Where confidence level is 95% and the level of error accuracy is 0.10

Total population is considered as 100 members which suggest the final 67 respondents to conduct the survey.

**3.4 Questionnaire Design**

Questionnaire is designed with the variables took for this study they are age, gender, income, education, employment term, goals, marital status. For every variable 5 questions are framed to understand the individuals financial planning ability

**3.5 Conceptual Model**



**3.6 Hypothesis**

- H0: Age is not the determining factor for financial planning
- H1: Income is a determining factor for financial planning
- H3: Educational level is a determining factor for financial planning
- H4: Employment term and financial goal is a determining factor for financial planning
- H5: Marital status is not a determining factor for financial planning

**3.7 Definition of Variables**

**Age**

Age is one of the main factors for the financial planning of an individual. Financial planning occurs in all age groups,

and it differs from all the age group the different age groups considered for the study the people who belong to 20-35 age as first segment 36-60 as second segment and 65 above as third and final segment. As the study reveals the how the different age group plans their finances for to meet their requirement.

**Gender**

There is a change in approach in financial planning as the male focuses on an area which female sometimes neglect and female focuses on an area where male can't focus there is a difference in approach and also in managing finance. A male has a different objective to meet through his financial planning and as female also.

**Income**

Each individual has a different objective to meet through his finances. The main criteria for him/her to meet that his/her source of income. As we all know that the income of each individual differs because of his position, Earning capacity of an individual. This variable (Income) gives the result of how financial planning changes based on the income level.

**Education**

Literacy rate is increasing year by year in India. The current literacy rate in India is 72.04%. therefore, people are educated and they know the different financial option available in India. This variable gives the output of how highly qualified individual plans and manages his/her finances and plans his finances. There is a huge gap between financial planning between highly qualified and qualified people.

**Employment Term**

We all know that there are two types of employment (1) permanent employment (2) temporary employment. This explains that the employment term affects the financial planning. permanent employment people aims the long and short level of financial planning.as temporary employment fails to do so.

**Goals**

Each individual has a different goal to achieve in his life at different stages in his/life some can be achieved with finance and some cannot be achieved with good finance. For this study we consider the goals which can be achieved with finance. A good financial planning helps to achieve the goals that individual wants to achieve it may be the social status, planning to invest in different options available.

**Marital Status**

Financial planning differs on the basis of marital status we all know that the responsibility of the individual increases after the marriage. And also the he has to fulfill the responsibility he/she had before the marriage the approach of financial planning changes because of the marital status.

**3.8 Methodology**

Various tests are conducted to arrive at the results. Tests are mentioned below

- 1) Descriptive statistics
- 2) KMO and Bartlett's Test
- 3) Factor analysis
- 4) Reliability test

**4. Analysis & Interpretation**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.198
Bartlett's Test of Sphericity	Approx. Chi-Square	1876.433
	df	1081
	Sig.	.000

**KMO and Bartlett's Test**

Bartlettssphericity test and the KMO index (Kaiser Mayer Olkin) principal component analysis is dimension technique we obtain a set factors which summarize, as well as possible, the information available in the data. The factors are linear combinations of the original variables.

The value of the KMO is low and it shows that the sample size is not adequate

Component	Total Variance Explained					
	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.824	10.264	10.264	4.824	10.264	10.264
2	3.505	7.458	17.722	3.505	7.458	17.722
3	3.263	6.942	24.664	3.263	6.942	24.664
4	3.176	6.757	31.421	3.176	6.757	31.421
5	2.767	5.887	37.308	2.767	5.887	37.308
6	2.574	5.476	42.784	2.574	5.476	42.784
7	2.395	5.097	47.881	2.395	5.097	47.881
8	1.971	4.194	52.075	1.971	4.194	52.075
9	1.846	3.927	56.002	1.846	3.927	56.002
10	1.700	3.618	59.619	1.700	3.618	59.619
11	1.631	3.470	63.089	1.631	3.470	63.089
12	1.571	3.343	66.432	1.571	3.343	66.432
13	1.348	2.869	69.301	1.348	2.869	69.301
14	1.286	2.735	72.036	1.286	2.735	72.036
15	1.132	2.409	74.445	1.132	2.409	74.445
16	1.081	2.299	76.744	1.081	2.299	76.744
17	1.045	2.224	78.969	1.045	2.224	78.969
18	.940	1.999	80.968			
19	.913	1.943	82.911			
20	.748	1.592	84.503			
21	.732	1.558	86.061			
22	.694	1.477	87.538			
23	.641	1.363	88.901			
24	.593	1.262	90.164			
25	.557	1.185	91.349			
26	.493	1.050	92.399			
27	.460	.978	93.377			

28	.414	.881	94.258		
29	.356	.758	95.016		
30	.317	.675	95.691		
31	.273	.581	96.272		
32	.267	.567	96.839		
33	.253	.538	97.377		
34	.192	.409	97.787		
35	.171	.364	98.150		
36	.143	.304	98.455		
37	.123	.261	98.716		
38	.116	.247	98.963		
39	.107	.228	99.191		
40	.088	.188	99.379		
41	.070	.149	99.528		
42	.065	.138	99.666		
43	.055	.117	99.784		
44	.042	.089	99.872		
45	.034	.072	99.944		
46	.021	.045	99.989		
47	.005	.011	100.000		

Extraction Method: Principal Component Analysis.

Because we conducted our factor analysis on the correlation matrix the variables are standardized, which means that the each variables has a variance of 1, and the total variance is equal to the number of variables used in the analysis.

This column contains the eigenvalues.

A screen plot is a simple line segment plot that shows the fraction of total variance in the data as explained or represented by each PC. The PCS are ordered and by definition are therefore assigned a number label by decreasing order of contribution to total variance. And we can see that it is not giving the specific results to take how many factors for study

After increasing the sample size, we can see the increasing in the KMO and it is acceptable for the study because the KMO value is greater than 5

After reducing the factors, we got the below results

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.576
Bartlett's Test of Sphericity	Approx. Chi-Square	144.445
	df	55
	Sig.	.000

Communalities		
	Initial	Extraction
Finances	1.000	.462
retirement2	1.000	.485
Childreducation	1.000	.411
Skillandknowledge	1.000	.574
income2	1.000	.471
planfocusedonmorethan1	1.000	.567
Financialgoals	1.000	.497
Financialgoals2	1.000	.622
Goodfinancialplanning	1.000	.665
Regularinvestment	1.000	.397
interested	1.000	.727

Extraction Method: Principal Component Analysis.

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.524	22.945	22.945	2.524	22.945	22.945	2.390	21.729	21.729
2	1.794	16.309	39.254	1.794	16.309	39.254	1.802	16.382	38.111
3	1.561	14.187	53.441	1.561	14.187	53.441	1.686	15.330	53.441
4	1.090	9.907	63.348						
5	.897	8.159	71.507						
6	.805	7.321	78.828						
7	.690	6.275	85.103						
8	.564	5.123	90.226						
9	.430	3.907	94.133						
10	.361	3.284	97.417						
11	.284	2.583	100.000						

Extraction Method: Principal Component Analysis.

Because we conducted our factor analysis on the correlation matrix the variables are standardized, which means that each variables have a variance of 1, and the total variance is equal to the number of variables used in the analysis. This column contains the eigenvalues. Instead of 47 components it shows to take 11 components

Now we can see screen plot shows a good picture to take 3 components for the study.

Rotated Component Matrix <sup>a</sup>			
	Component		
	1	2	3
Finances			.553
retirement2			.687
Children education			.581
Skillandknowledge			.658
income2	.648		
planfocusedonmorethan1	.710		
Financialgoals	.699		
financialgoals2	.771		
Goodfinancialplanning		.803	
Regularinvestment		.605	
interested		.833	
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization. <sup>a</sup>			
a. Rotation converged in 5 iterations.			

Rotated component matrix sometimes referred to as the loadings is the key output of principal components analysis it contains estimates of the correlations between each of the variables and the estimated components. After reducing the variables from the factor analysis this is the final result. The final variables from factors are Income, Employment term, Education.

**Reliability**

**Income**

Reliability Statistics	
Cronbach's Alpha	N of Items
.514	4

From the above table we can see that income will impact personal financial planning to the extent of .514 that is equal to 51.4% that means it has moderate impact on financial planning.

**Employment Term**

Reliability Statistics	
Cronbach's Alpha	N of Items
.703	4

Employment term has a more significant impact on the personal financial planning as we see that it .703 that is equal to 70.3% that means that employment term is most crucial aspect in financial planning.

**Education**

Reliability Statistics	
Cronbach's Alpha	N of Items
.598	3

The last variable and the second most important variable is education that means qualification changes the approach and changes in financial planning as we can see that the value .598 that is equal 59.8% that means it will affect planning up to 59.8%.

**5. Findings and Suggestions**

From the study we came to know that how people involved in financial planning and what are the major factors that influence financial planning. Education, Income, Employment term plays a very major role in the financial planning the planning. People need to focus on more than one aspect when they are preparing a financial plan. It helps individuals to achieve their goals with a most efficient and effective manner and he/she can focus on the long term prospective. And also the study revealed that people are aware of the financial planning options and also they have engaged in a financial plan.

**6. Conclusion**

Personal Financial planning is a very important process in life so that an individual actively engage in that process. From all study we came to know that there are three major variables which effect the personal financial planning that an individual very prominently considered they are (1) Income (2) Education level (3) Employment term.

- 1) Income is a very prominent and determining factor of a financial plan as we got the result income effects financial planning up to 51.4%. Income is not a constant thing to all because it differs from each individual from that we know high net worth individual have wider way to plan he can take risk if it necessary to meet his/her objective but medium and low net worth individual cannot take the risk and their planning is bit on the safer side.
- 2) Education level: Approach changes when an individual is highly qualified and he is aware of different options available to invest and manage is finances. As the education level gives the various ideas to prepare an effective plan to an individual so that he covers all his goals in a one financial plan and he is sure about his income to make a financial plan that covers various aspects. And he is confident about his financial plan.
- 3) Employment term: As I mentioned earlier there is two types of employment permanent employment and temporary employment. Permanent employment will have constant income hence there is constant flow source and if that happens an individual focuses and develops a plan that he can meet his/her long term goals. But in temporary employment there is a time period for his income he/she develops a plan considering the employment term in mind therefore temporary employment people focus only on short term plan.

From all the above variables the final conclusion is that the three variables are the most prominent factors considered in this study

**7. Scope for Future Study**

As in this study I have taken age income employment term marital status education level and goals as my variables any person who wants to do further study on financial planning of an individual he can focus on equity market knowledge of an individual considering the variables that taken for the study.

## **Reference**

- [1] "A DISCUSSION OF COLLEGE STUDENTS' FINANCIAL PLANNING AWARENESS AND FINANCIAL PLANNING ABILITY: A CASE STUDY OF A UNIVERSITY IN TAIWAN". This study is done by WAN RUNG LIN, FU JUN YANG.
- [2] A CASE STUDY OF ASSUPOL LIFE, PORT ELIZABETH"
- [3] A PRELIMINARY STUDY OF GRADUATE STUDENTS".
- [4] VOL. 16 NO. 2, 2008 PP. 159-172 Q EMERALD GROUP PUBLISHING LIMITED 1358-1988 DOI 10.1108/13581980810869805".