

■ Financial literacy is not an option anymore but a necessity

Seven steps to get your bank accounts in order

THINKSTOCK

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AN investment in knowledge pays the best interest said Benjamin Franklin. This rings even more true when you are talking of knowledge of your personal finances.

- Do you know how much you save every month?
- Do you know if your investments are giving you the best returns?
- Have you determined if your investments along with return are going to be adequate for your future plans?
- Have you checked if nomination details are up-to-date in all your assets? Is all contact information up-to-date and accurate?
- Does your spouse know what needs to be done if there is any kind of accident/calamity and you are incapacitated?
- Is your financial advisor/broker giving you good advice?
- Have you made your will?

Making money is not enough. Managing money and managing it well has become important. Knowledge is the only answer to all these questions. Being financially literate is not an option anymore but a necessity. The areas where you can and need to apply your knowledge are diverse and unending.

First some basics. Let's start with your bank accounts. Do you have more than 4-5 accounts between your spouse and yourself?

There is no need whatsoever to have 4-5 accounts, each opened for a different reason. The paperwork involved because of these accounts, remembering passwords, log in IDs, ATM pins, all leads to unnecessary complications. You also end up blocking funds as you need to maintain minimum balance in these accounts to the tune of Rs 5,000 to Rs 10,000 — it all adds up.

A salary account that you use for



expenses and one other account say for investments is enough. Look at your existing accounts, keep only those open which you absolutely and really need, and close the rest. Set a closure deadline today.

Savings account interest is now deregulated and some banks have started offering more to attract customers. But there's a catch. Banks like Kotak and YES Bank are offering 5.5 per cent to 6 per cent on balances up to Rs 1 lakh and 7 per cent for deposits of more than Rs 1 lakh, but they are trying to make up for it by levying additional charges on say, duplicate bank statements, new cheque book requests, etc. Therefore evaluate the benefits of parking large amounts of money in your savings bank account versus investing elsewhere. Our recommendation is that you should have an emergency fund of a month or two month's expenses and any surplus of funds over and above this should be invested.

Remember, the savings rate is not enough to give you a positive inflation adjusted return. When you are investing do remember to put aside some money for emergencies like losing your job. This money should be about three months' salary (if three months is the time you estimate to find another job). This should ideally be invested in a mutual fund so that it is accessible to

you at a very short notice.

Returns on these funds yield a better post-tax return than your funds in the bank. File the statements from your bank regularly and do check each entry. Banks have begun charging for transactions like replacement of ATM Card, regeneration of ATM pin, new cheque book, new pass book, which were earlier offered free of charge.

If you carry out online transactions, be very careful to ensure the security of the sites you use and regularly change your password. Do ensure that you do not save it on your system or carry it in your wallet.

Keep your ATM withdrawal and deposit slips till you have verified them with your statement.

Make sure your bank account is updated with your latest contact information and nomination. With people moving from place to place due to change in jobs, this is often neglected; and could result in dormant accounts since the intimation on documentation requirement changes is languishing at your old address.

Let's start by ensuring we get these items fixed over the next two weeks, before we move on to other matters.

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