

Biases can slow down your financial planning

The Sutaras got over their bias towards real estate after meeting a planner

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Many of us have very strong beliefs in certain things and concepts, and any advice contradictory to the belief seems not worth paying attention to. When it comes to investments, the bias towards real estate is a reality for Indians. Navi Mumbai-based Paresh W. Sutar, a chemical engineer, too has had this bias cloud his judgement about his investments.

1st WAKE-UP CALL

When Paresh, 47, moved to Navi Mumbai in 2009 after working for close to 15 years in the chemicals and pharma industry in Ratnagiri, he was not aware about goal-based investing. While casually reading a newspaper article on financial planning in 2011, he realised his finances were not exactly in order. It is then that he got in touch with Prakash Praharaj, founder of MaxSecure Financial Planners.

"I had already missed over 15 years. The initial part was to recognise the mistakes and start investing towards our family goals," Paresh said. All his investments till then were either in fixed and recurring deposits or in endowment plans and in real estate. "All those years, I had mixed investments with insurance and they were giving very poor returns," he said.

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started working towards their medium-term goals, which were education of their two children. Their son Purjeet, 19, is pursuing environmental engineering at present and daughter Ajita, 15, is in class 10.

In the initial years, Paresh focused on moving from a smaller apartment to a larger one, for which he took a housing loan. He also invested in real estate in his native town, and got a floor added to the existing house in anticipation of rental income in future.

He has been advised that rental income, that too in a small town, might not be significant in future. "While the family developed a good habit

ing through SIPs, the bias towards real estate has so far prevented them from properly focussing on retirement planning," Praharaj said.

The other medium-term goal is a foreign holiday in about a year from now. "I do not believe in spending huge sums on depreciating assets like cars and gadgets. I have been using my current car for the past five years and plan to continue using it at least for the next few years," he said.

2nd WAKE-UP CALL

About a year ago, Paresh lost his job he had held for the last 6 years. It helped him and his family realise the importance



MISTAKES
I won't repeat

1. Delaying planning and investments
2. Not paying enough attention to retirement planning
3. Mixing investments and insurance

the chemicals manufacturing technology space. Pradnya, a post-graduate in electronics engineering, who took a break after working for some years,

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THE GOALS

The initial steps included moving existing investments to equity mutual funds and surrendering the endowment policies. The basics like adequate term insurance and health insurance were put in place. Then, he and his wife Pradnya P. Sutar

| of regularly saving and invest-

Financial planner
Prakash Praharaj,
founder, MaxSecure
Financial Planners

City
Mumbai

MY PLAN

Name
Pradnya P.
Sutar, 42,
Home-maker

Name:
Paresh W. Sutar,
47, consultant
chemical

of having an emergency fund, that they already had by then, and planning for retirement when there would be no source of income.

He used part of the amount he received from his Provident Fund and gratuity to partially repay the home loan. After a short stint in another job, he has now started his own consulting practice in

also plans to join consulting. The good thing is that the family would not require significant investment to establish their consulting practice. "But at the same time, I realise that I have not done enough for retirement. I did not fully implement the suggestions given to me by our planner in this regard," Paresh said. The family now wants to focus on retirement. "Their biases slowed them down. It has taken time for the change to happen. But it is happening now which is a good thing," Praharaj said.