

Tough questions to ask yourself when making a wedding budget

Planning a wedding budget is an emotional as well as aspirational decision for most Indian families. The key is to strike the right balance between budgeting and splurging

Nilanjana Chakraborty
nilanjana.chakraborty@htdigital.in

As the government acquired land for the new Navi Mumbai airport, many farmers and fishermen from the area were able to sell their small parcels of land for high prices. Prakash Praharaj, a Sebi-registered investment adviser, watched the phenomenon unfold and saw a disturbing trend of some of these families blowing the money they received on weddings. He tells the story of one particular family that ended up homeless after they threw a lavish wedding party for their daughter.

Weddings are a big deal for most Indian families. While the big fat Indian wedding is a joyful occasion, it can become a financial burden if it isn't planned for. Here is how financial planners think you should go about planning your finances for a wedding.

STRETCHING THE BUDGET

Wedding is a "big day" for most individuals as well as families and they want everything to be perfect, from the designer outfit to the dinner menu. Many couples end up



Can you afford to spend this much on a wedding?

ing a loan to fund a wedding would be unwise, according to Lovaii Navlakhi, founder and CEO of International Money Matters, it depends on the circumstances. "Sometimes you might need a loan for the sake of liquidity. You might own assets that you can't or don't want to liquidate, or it might be a better long-term investment. In that case, taking a loan might not be a bad idea," he said.

But one has to tread carefully. "I ask couples who want to take a loan to finance their wedding why they want to start their new life with a debt. It would mean pre-emptively spending future inflows and they might have to work twice as hard to restore them," said Sen.

Does your child really want a lavish wedding?

BE PRACTICAL

It's not unusual for people to provision for all their goals, but have an unrealistic budget for their child's wedding.

will pour the money into the home and then realise that they didn't provision for their child's higher education which had to be funded only a few years afterwards. But given the option, they probably would have prioritised the latter," said Navlakhi.

If there is a paucity of funds, Sen asks her clients what is more important to them, a big wedding for their child, or their own retirement, which usually gets them to take a good hard look at how much they intend to spend. "To avoid poverty in old age, don't compromise your retirement savings. But if you can afford to fund a luxury wedding without affecting your retirement savings or emergency corpus, you can go ahead," she said.

THERE IS NO ONE ANSWER

No matter what their personal stance on lavish weddings, most planners agree that it is a sensitive subject that needs to be handled with tact. "I nudge clients in that direction if I see there is a paucity of funds. But I don't take a call on their behalf, since it's an emotional subject," said Sen.

Like financial plans, wedding budgets have to be tailored to the needs of the

Will other goals like higher education of your child suffer if you spend on the wedding?

ASK THE MILLENNIALS

The mindset about wedding planning seems to be seeing a degree of change. According to Subbiah, millennials are more involved and invested in the planning of their weddings than their parents were. When it comes to the budget, therefore, having a clear discussion with

your child about what they want could simplify things. "Instead of parents making all the decisions, the children can be more involved in the budgeting and spending on weddings," said Shilpi Johri, certified financial planner and founder of Arthashastra Consulting.

"We have dealt with wealthier clients who have a large chunk of

If you take a loan or mortgage now, will you be able to service it after retirement?



stretching their budget quite a bit. "We surveyed around 500 couples, and in nearly all cases they said they had experienced their wedding budget creeping up. They ended up spending 20-30% more than they had originally intended to," said Kanika Subbiah, founder of weddingwishlist.com, a wedding planning and gift registry platform.

It's easy to get carried away, so some planners have to give their clients a reality check. "I tell them that no one will remember the food they served at the wedding for more than a week, and no matter how much they spend, there will always be relatives who will think it is not lavish enough. So why bother blowing your budget," said Deepali Sen, founder, Srujan Financial Advisers LLP.

"Some people end up taking liabilities like a loan or a mortgage to fund their child's wedding. It becomes a challenge to service these, as they are usually close to retirement," said Krishnan V., a certified financial planner.

While planners like Sen and Krishnan are strongly of the opinion that tak-

"Many of our clients, who are not HNIs do want to keep a great amount as a wedding budget for their children. They do this with no sense of reality," said Sen.

This brand of aspirational spending is far from unusual. Sen handles it by letting her clients figure out the fact that they can't afford it all. "When we start crunching the numbers, it helps them get clarity about what is achievable. Most often the wedding budget is a huge overreach, and when we show them the mirror, often the clients realise that they can either not put aside that amount in time, or it would make a significant dent in their savings," she said.

Often, it's a matter of reminding them to prioritise.

"One has to analyse if they have enough finances to meet all their goals, and if they don't, they have to prioritise.

In the absence of guidance, people end up going in sequential order. Say a couple building a home, if they get a windfall, they

family concerned. "There is no real answer to how much one should spend on a wedding. The textbook answer is that a wedding should be lower on the list of priorities than, say, retirement. But if you dig a little deeper, it becomes evident that weddings are extremely important to some people. It affirms their standing in their social circle, and it can even motivate them to work harder and give them something to look forward to," said Navlakhhi.

There are ways to factor in a wedding budget: start a fund and put money away in it along with your other investments. "If the wedding is 10-15 years away, you can save for it as part of the overall pool of assets you have, with your risk appetite in mind. As the goal approaches, at least 12-15 months in advance, you should start cutting the risk and move the money into an instrument that allows liquidity and sacrifice returns for it," he said.

money set aside for their children's weddings.

They then gave their children the option of having a lavish wedding or having a simple ceremony and being given the money as a gift to spend or save as they see fit," said Navlakhhi. He added that he had seen a family give that choice to both their son and daughter. While the daughter decided to opt for an

austere wedding and spending the money at her discretion, her brother chose to have a big wedding bash.

Praharaj has seen his share of young people who want a simple wedding, while their parents want a lavish one. "I talk to my clients about giving money to their child and letting them

decide if they want to buy a home, furniture or spend it on their

honeymoon. I believe travelling is a wonderful experience and a more worthy investment than a big wedding," he said.

Planning a wedding budget isn't as simple as figuring out how much one can afford to spend. Often there are a lot of emotions and aspirations riding on that one event. The important thing to do is strike a balance between splurging and budgeting.

Is a lavish wedding more important than comfortable retirement?

How else can this money be utilised in the best interest of your child?