5 Financial Habits to adopt in 2016

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EXECUTIVE SUMMARY: Good financial habits are always required to achieve financial goals in life. Whether you are new to investment or expert in this field, without discipline one cannot think of achieving success in financial life. In this article we have discussed few financial habits like setting up realistic goals, reviewing portfolio, buying adequate life and health cover, etc. which one can adopt from the beginning of 2016 and witness a change in financial life.

2015 was a great learning year for many families who started planning their finances and adopted good financial habits to follow for rest of their life. When a person turns back and looks at how and when one has earned the goals and the position at which one is standing right now, pride and respect is what fills up that moment. If one does not feel that, this means the person has not learnt the lesson and now is the time to act smart. There are many more goals in life ahead and this New Year can be a starting point to achieve them. Let this year be the most memorable one in terms of savings, investments, goals and a lot more. Below discussed are some of the good financial habits one can adopt this year:

1. Will set up realistic goals and start goal based investments:

Consider a casual traveller who has been travelling along the country without any point of destination. If one asks this traveller as to where he wants to go he would be reluctant to answer that question. There would definitely be a resistance in the clarity. Hence realistic goals are those points of destination which automatically gives one a roadmap to reach them. Therefore, successful investors are always aware of where they are going. Investors, who lack clarity in articulating goals, tend to dabble in various investment options and then hope that they will find something that works. However, once realistic goals are set it becomes easy to choose investment options and act upon it. The only idea of planning them down is to create a resource pool and put in one’s hard earned savings into the right kind of investment options.

2. I will buy/increase health cover

In current times of high medical inflation rates, falling to hold adequate health insurance cover may prove to be major financial disaster. This could lead to poor health care of an individual as one may not be able to afford the high medical bills. Normally it is said that when health insurance is not needed, it is better to buy it that time. However, in reality people buy health cover when they fall into some serious medical trouble. So if one is still single then he/she should look at buying individual policy or if one has got married or if a child is born recently, then it is better to get a family cover which may be a little more expensive than one’s own health cover, but collectively it can be cost-efficient. Increasing ones health cover can also be looked upon in the New Year.
3. **I will buy term insurance or Review Term Insurance Requirement:**

It’s a type of life insurance which provides coverage for a certain period of time. If the insured dies over the policy tenure, death benefit is paid out to the nominee and no pay out is made if the insured survives the tenure. Term plans are more affordable than other options because an individual can get higher cover for the lower amount of premium. Hence, buying term insurance becomes a good protector of one’s family or a dependent spouse during the death of the earning member. They would not be drastically affected by the financial crisis that may happen due to stoppage of income. So calculate your requirement and buy one which suits you. Also, if you already have one and if there is an increase in your requirement then lookout for the increment in the cover.

4. **I will say no to unnecessary investment offers:**

There are many people who invest unnecessarily just by listening to their friends and relatives. Without prior knowledge about the market or the scheme, it is not advisable to invest in unnecessary insurance policies or mutual fund schemes. Whatever investments are done has to show a way towards one’s prescribed goals. These kind of unnecessary investments add up to the cost. Also there are many who follow their friends/relatives portfolio. This kind of investment pattern is harmful for an investor as it is not necessary that one may have the same goal as their friends have. So it’s better if you stay away from this kind of investment patterns and try to make your own strategy in this New Year.

5. **I will review my portfolio once a year:**

Reviewing of portfolio once a year is very necessary. This is just to check whether the investments done are going in the right direction or not. Most of the time people keep investing, unaware of the market just because they have to invest. Reviewing helps in analysing whether the short term goals in coming years can be achieved or not; does one need to change the investment pattern, are there any changes in the goals, etc.

These are some of the financial habits that once adopted; goals become easy, financial distress tends to vanish and one can achieve what one wants. It becomes easy when it is started; however the initiative is the only question. So what are the habits you following?