

Cashless economy is a welcome step but as in individual it is highly important to be careful. If the cashless weapon is not managed properly it can ruin the life of a family. Borrowing has become an integral part of our life. The easier it has become to get a loan the same it has become to spend. Today we don't have to wait for paycheques to buy anything. We just get consumer loan to buy the thing. Fulfilment of wish has become a matter of second. A loan is now part of our lifestyle. Credit card and other EMI option are one of the best ways of having loans.

Loans are of various types. Business loan, consumer loan and medical emergency loan. Among these loans the consumer loan is the biggest threat if not manage properly

Cash flow management is not restricted to corporates. It is one of the most important tools for an individual or family to manage cash flow. Any high level of debt reduces the long term growth prospect of one's wealth. Cash flow identifies the areas of gaps and management of the same.



IFAN finds that most of the people are living their life from one pay-cheque to another pay-cheque. One should be cautious regarding the depth of loan one can afford. Often it is being found that loan is being taken without calculating how much it will behave burden on the savings. This is a very important aspect of financial planning often ignored.

The loan is nothing but foregoes of future savings for the sake of the fulfilment of unnecessary gratification. Yes, I term it as unnecessary since when we buy thing with the loan we misuse the money accordingly. We don't have any calculated budget while using the Credit Card or other EMI options. IFAN being into the business of financial advisory for more than decade finds that EMI and Loan options need budgeting and loan portfolio analysis. The loan portfolio is the basket of all your loans on which you have in accumulated while doing your favourite shopping.

IFAN find that Credit Card or any loan can be a great saviour in times of medical emergency. Yes, when one is in a difficult phase and one needs immediate support of liquidity the same credit card or another loan format can be of great relief. But if your credit card or loan is not properly managed then the burden of loss is significant at the time of crisis.



We need to analyse our loan portfolio just like investment portfolio since the loan is a dilution of savings and loss of opportunity of investment. For investment we need savings and that savings will come when we spend properly. While calculating our spending habit EMI and credit card are also part of expenses.

Many of us pay the minimum balance of the due amount of credit card but we forget that the interest on the outstanding amount is just accumulating. This is a significant threat as the huge amount goes out to pay these dues on alter date.

Loan portfolio analysis needs the following things:

- Analysis of the reason behind the Credit card EMI or loan.
- Do you need to have borrowed the living style of life?
- To check if, any interest is getting accumulated due to non-payment or delayed payment of full dues.
- Your EMI/credit card payments need to be monitored monthly since less monitored thing often leads to a mess.
- Stop further loans or borrowed consumption pattern of living life. Disciplined in consumption and loan management is highly required.
- When you have surplus money in hand make sure your 1st priority is paying the debt and not investments.
- Reduce your card number to a maximum of two. This will help to control and monitor.
- One of the key questions which IFAN has received from many people is that what should be the percentage of my EMI or Loan of my monthly income.
- Well your loan or EMI should not be more than 30%- 40% in any case including your real estate loan of your monthly income. Since one needs to have provision for a future emergency loan.
- Any percentage more than this will spoil your ability to save and plan for your future. A higher percentage of loan to your monthly income forces you to forgo the opportunity of wealth creation.
- Loan based consumption is just a temptation to get into the vicious cycle of loan trap.
- One must remember that your well-planned loan portfolio and management decides your future loan potential.



- One should be very careful about his payment due dates. They should not be missed at any point in time since that impacts your credit score.
- While moving ahead with any EMI or loan based consumption think twice about taking the same.
- A priority list of loan or EMI should be made to efficiently use the leverage.
- Avoid doing investments based on borrowed capital. This will be double burden not only on the savings but on the long term wealth creation.

Conclusion:

IFAN finds that having a well-disciplined loan portfolio and management is an important part of financial planning. No wealth creation planning can be done without having a proper loan planning. Every family member should make a cumulative loan portfolio to get the best result out of the same. This will help to improve the cash-flow for the whole family and take the appropriate decision about loan management. Net-worth of a family increases when debt management is efficiently done. Financial planning is incomplete without proper debt management. IFAN helps not all in building well-defined financial planning but also loan portfolio management. One cannot grow wealth without having proper discipline in every aspect of financial management.

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