

From millennial to retirees, five fundamental steps to save for a bright future

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Millennials, professionals, and retirees have been searching for ways and means to save for a bright future. Countless books have extolled philosophies, economic principles, and rosy statistics to showcase means and ways to save money. But the path to financial stability has remained hazy and confusing, despite availability of knowledge.

Recent data has indicated a drop in saving money. RBI's data on financial savings (to GDP) between 2021-23 has indicated a drop from 7.2% to 5.1%. Comparison of household savings by the [National Statistics Office](#) in 2022 with previous year has showed a decline in savings by [Rs 1.60 lakh crores](#). Data from the NSO also showed a spurt in personal loans.

Ideally, it is better to look at financial prosperity as five-solutions than dividing them into generational buckets. These fundamental steps involve – budgeting, prioritising debt repayment, saving, diversifying, and insurance. Cultivation of these habits should help individuals save for a secure future.

Budgeting well is pivotal to a good financial prosperity plan. A millennial, for instance, is likely to fume over lack of savings because he or she did not diligently plan about their student loans. Similarly, a professional may mis-calculate the EMI outgo with their housing loans. Faulty budgeting not only affects the ability to save but also exposes an individual to conflict with loved ones.

Once the individual has budgeted their monthly earnings and expenses, it will be a good idea to have it divided into 50, 30, and 20 percent ratio to meet needs, wants and savings. The 50/30/20 rule is based on Elizabeth Warren's philosophy on saving the after-tax money. An after-tax income of Rs 100,000, for example, could result in a savings of Rs 20,000 per month. A disciplined approach is likely to result in a fixed deposit of Rs 2,40,000 at the end of the year.

In the day of digital, it may be difficult to maintain discipline with the availability of things such as personal loan, credit-card, or schemes such as "Pay Later". In such cases, one may need to employ a debt planning strategy. This could involve simple things such as comparing interest-rates, negotiations, and even finalising a schedule to ensure sustainable repayment.

Sticking to the budget and planning a savings should help one invest in schemes such as mutual funds, stock markets, and even real estate. Re-investing one's savings is not only a safe idea but also increases the ability to earn interest or dividends. An under-rated strategy when it comes to building a financial portfolio is the addition of insurance and term-plans. Given the rising cost of living and medical treatment, an insurance tailored to one's lifestyle is the need of the hour.

Budgeting, prioritising debt repayment, saving commensurately, diversifying investments, and obtaining insurance remain crucial components of saving money for a better future, regardless of age or stage in life. Incorporating these five fundamental financial habits should help millennials, professionals, and retirees in building a solid financial foundation. These should also help everyone enjoy greater financial security and prosperity in the years ahead.
