POCKET GUIDE · MINI

₹49 EDITION

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Money Isn't Complicated. It Was Just Never Explained.

The whole Indian money system — SIP, insurance, debt, tax and the one-page plan — in 20 minutes. No jargon, no lectures, no unsolicited "bro science."

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Pocket Insight Guide

WHAT'S INSIDE

Everything that matters, in pointers

This mini gives you the honest map of Indian personal finance in 20 minutes: budgeting, insurance, debt, SIPs, every instrument, tax and retirement. Read it once and you'll already be ahead of most salaried Indians.

THE ONE IDEA TO HOLD THE WHOLE WAY

Only 27% of Indian adults are financially literate (NCFE 2019). The gap doesn't close with a stock tip — it closes with three boring habits done in order: protect, then kill debt, then compound.

CHAPTER 01

Money 101 — the rules before the products

- **The literacy gap:** only 27% of Indian adults are financially literate, vs 55–75% in the US, Europe and Australia (NCFE 2019).
- **Where the money sits:** ₹38.4 lakh crore of FY24 household savings went into physical assets (land, gold) — not financial assets that compound (RBI, 2025).
- **50-30-20, India-adapted:** needs/wants/savings split on take-home pay, not CTC. Metros run 60–70% needs — cut wants, never the 20% savings.
- **The 3-account system:** Income account (salary lands, moves out in 30 min) → Invest-It account (20%+ leaves first) → Spend-It account (empty = stop spending). From Monika Halan's *Let's Talk Money*.
- **Emergency fund — the 3-6-12 rule:** 3 months (single, stable job) up to 9–12 months (variable income). Park it in a sweep-in FD or liquid fund — never equity.

REALITY CHECK

Gross financial savings fell from ~11% of GDP (FY21) to 5.3% (FY24). Indians save hard — just in the wrong places. Fixing that starts with a budget and a buffer, not a fund pick.

Your emergency fund, sized to your life

3 mo	6 mo	9–12 mo
Single, stable salaried job	Married with kids	Variable / self-employed income

Worked example: Ritu (married, one child) totals ₹60,000/month essentials. Target = ₹60,000 × 6 = ₹3.6 lakh. At ₹15,000/month set aside, she's fully covered in 24 months.

- **Sweep-in FD:** savings account that auto-converts surplus into FDs — FD returns, ATM-level access, zero effort.
- **Liquid mutual fund:** ultra-short debt fund; redemption typically hits your bank next working day.

NON-NEGOTIABLE

Never park the emergency fund in equity. Its job is availability, not returns.

CHAPTER 02

Protect first — insurance before investing

- **Term life cover:** 10–15× your annual income, plus loans, minus assets. At age 25 it costs ~₹587/month for ₹1 crore cover — buying at 25 vs 35 saves ₹3+ lakh in total premiums.
- **Health cover:** ₹15–20 lakh family floater for tier-1 cities. Medical inflation runs 11.5% vs 4–5% general inflation.
- **The corporate-cover trap:** median employer group cover is just ₹3–5 lakh, and it dies the day you resign. Treat it as a free first layer, never your plan.
- **The flagship rule:** never mix insurance and investment. ULIPs/endowments typically return only 4–6% — often below inflation — after mortality, allocation and admin charges.
- **Two riders worth having:** Waiver of Premium and Critical Illness. Skip Return of Premium — it's investment smuggled into insurance, at a terrible rate.

THE SMART HEALTH STRUCTURE

Buy a ₹5L base policy + ₹15L super top-up instead of one ₹20L base — the top-up only activates above the base threshold, and it's far cheaper.

What your money actually earns

PRODUCT	TYPICAL LONG-RUN RETURN
Endowment / ULIP (typical IRR)	**4–6%**
General inflation	**4–5%**
Equity mutual funds (long-run)	**11–12%**

- **Unbundled wins:** term plan for pure protection + mutual funds for pure growth = full transparency and better returns on both sides.
- **Bundled loses:** thin cover + weak returns, heavy charges, long lock-ins — you pay mutual-fund fees for FD-level returns.

THE FLAGSHIP RULE, AGAIN

"Insurance is for protection. Investment is for growth. Any product that promises both does both badly."

CHAPTER 03

Kill debt — especially the 42% kind

- **The interest-rate ladder:** home loan 7.5–8.7% · personal loans 10–24% · credit cards (revolving) 30–45% p.a. The RBI repo rate is just 5.25% — the gap above it is pure profit for the lender.
- **The minimum-payment trap:** ₹50,000 of card debt at 42% p.a., paying only minimums, becomes ₹1.28 lakh total — 70% of your first year's payments go to interest, not the debt.
- **Avalanche beats snowball:** attack the highest rate first (cards → personal loans → car loan → home loan last). This book's tweak: one small snowball win first, for the motivation hit.
- **CIBIL score:** 750+ is the strong zone (range 300–900). Keep card utilisation under 30% — one missed EMI can cost 50–100 points.
- **Home-loan prepayment:** a ₹50L/8.5%/20-yr loan costs ₹54.1L in interest. Just one extra EMI a year saves ~₹28 lakh and cuts the tenure to under 12 years.

THE ONE RULE

You cannot out-invest a 42% debt. Killing it IS your best investment — tax-free and guaranteed.

₹50,000 on minimum payments only

₹1.28L	~11 yrs	70%
Total paid on a ₹50,000 balance	How long the debt survives	Of year-one payments = interest

RBI now makes card statements disclose your payoff time at minimum-only — commonly 5–10 years, sometimes 30+. Read that line on your next statement, then pay the full amount, always.

- **Good debt vs bad debt:** good debt buys an appreciating asset at a low rate (home loan). Bad debt funds consumption at a high rate (card revolving).

CHAPTER 04

SIP & mutual funds — the wealth machine

- **How a SIP works:** a fixed amount auto-debits monthly and buys fund units — more units when prices fall, fewer when they rise. That's rupee-cost averaging; it removes the timing decision entirely.
- **The compounding spread:** ₹5,000/month at 12% → ₹11.6L in 10 yrs, ₹50L in 20 yrs, ₹1.76 crore in 30 yrs. You put in ₹18L; growth alone contributes ~₹1.58 crore.
- **Index beats most active funds:** 66% of large-cap active funds underperformed their benchmark in the latest SPIVA India scorecard — 73% over 10 years.
- **Direct vs Regular — the 14% haircut:** a 1% expense-ratio gap over 20 years costs roughly 14% of your final wealth. Always choose the "Direct" plan.
- **The two mistakes that undo everything:** stopping the SIP in a crash (missing just the 15 best market days over 27 years turns ₹2.84 crore into ₹95 lakh) and chasing last year's winning fund.

PLAN ON 10–12%, NOT 15%

The Nifty 50 TRI 20-year CAGR is ≈12.4%. Build your plan on 10–12% and let anything above that be a bonus, not an assumption.

Same SIP, two fees — 20-year outcome

PLAN	TER	FINAL CORPUS*
Direct index	**0.10%**	**₹1.00 cr**
Regular active	**1.50%**	**₹85.4 L**

*₹10,000/month for 20 years at 12% gross return. The gap — roughly ₹14.6 lakh — is silently taken by a distributor commission you never see on the statement.

- **The 10-second check:** open your holdings on any app. The fund name must contain the word "Direct." If it says "Regular," you're paying commission.

FUND CATEGORIES, BRIEFLY

Large-cap = your index core (lower risk). Mid/small-cap = higher growth, bigger swings. ELSS = 80C tax-saver with the shortest lock-in (3 years) of the basket.

CHAPTER 05

The instrument map — FD to NPS

INSTRUMENT	RETURN	LOCK-IN
Bank FD	**6.6–7.25%**	Flexible
PPF	**7.1%**	15 yrs
EPF	**8.25%**	Till job change
SSY (girl child)	**8.2%**	Till she turns 21
Equity index fund	**~12% long-run**	None

- **The EEE trio:** PPF, EPF and SSY are Exempt-Exempt-Exempt — contribution, growth and withdrawal all tax-free. A taxable FD at 7.25% loses to all three once your slab rate bites.
- **NPS adds a bonus deduction:** an extra ₹50,000 under 80CCD(1B), over and above the ₹1.5L 80C limit — plus employer NPS contributions work even under the new tax regime.
- **Gold, post-SGB:** Sovereign Gold Bonds are discontinued (last tranche Feb 2024). Fresh exposure now goes through gold ETFs/funds — cap gold at 5–10% of your portfolio.
- **Real estate vs equity:** ₹1 lakh over 20 years grows to ₹15.2L in equity (14.6% CAGR) vs ₹4.4L in housing (7.7% CAGR). Own one home to live in; build wealth in equity.

PHOTOGRAPH THIS PAGE

The trio (EEE) is your guaranteed debt allocation, not your growth engine — equity SIPs are still what build the crores.

CHAPTER 06

Tax, decoded — new vs old regime

- **The new regime is the default:** lower rates, almost no deductions — and a rebate that makes ₹12 lakh of income (₹12.75L for the salaried, via standard deduction) completely tax-free.
- **One number settles most debates:** at ₹12L income with no deductions, new regime tax = ₹0; old regime = ₹1.64 lakh.
- **Old regime wins only with a fat stack:** HRA + 80C (₹1.5L) + Sec 24(b) home-loan interest (₹2L) + 80D (up to ₹1L) + NPS 80CCD(1B) (₹50K) — the rent-paying, home-loan, full-80C household.
- **Capital gains on equity:** held ≤12 months = 20% STCG; held >12 months = 12.5% LTCG above a ₹1.25 lakh/yr exemption. Debt funds are taxed at your slab rate regardless of holding period.
- **TDS on FD interest:** banks deduct 10% once interest crosses ₹50,000/yr (₹1L for seniors) — 20% with no PAN on file. It's a prepayment; reconcile it when you file your ITR.

THE 10-MINUTE RITUAL

Every ITR portal shows your tax under both regimes side by side. Run the comparison once a year before filing — the highest-paid ten minutes on your calendar.

CHAPTER 07

Goals & retirement — the 30x rule

- **India needs more than the US 25x rule:** with 6–7% inflation and no social-security floor, the India-adapted target is 28–33× annual expenses, at a 3–3.5% safe withdrawal rate (vs the US 25x/4%).
- **Worked example:** ₹50,000/month expenses today, grown at 6% inflation for 25 years, becomes ~₹2.15 lakh/month — a corpus of ₹7.7–8.5 crore, needing a SIP of roughly ₹45,000–55,000/month at 12% returns.
- **Education is a 10% inflation monster:** a ₹36 lakh course when your child turns 18 needs a SIP of roughly ₹11,000/month started at age 8. Never raid retirement money for education — loans exist for college, not for old age.
- **Goal bucketing:** under 3 years → FD/liquid funds; 3–7 years → hybrid/balanced-advantage; over 7 years → equity index SIPs. Match the bucket to the deadline, not the mood.

WATCH OUT

Keep a separate ₹25–40 lakh medical buffer on top of your retirement corpus — healthcare inflation outruns everything else.

CHAPTER 08 · THE PAYOFF CHAPTER

The one-page money plan

- **1–3:** 6-month emergency fund → term cover (15× income) → health cover (₹15L+ family floater). Nothing else starts before this.
- **4–6:** Kill all debt above 12% interest → start a direct-plan index SIP on autopilot → fill the EEE trio (EPF + PPF + SSY).
- **7–9:** Check your tax regime once a year → bucket every goal by deadline → review yearly, then ignore the noise.

WATCH OUT — THE SARADHA LESSON

Any "guaranteed" return above FD level is illegal or fraudulent. The 2013 Saradha chit-fund scheme collected ₹20,000–30,000 crore from 1.7 million depositors before collapsing. Only ~2% of finfluencers hold an actual advisor licence.

YOU'VE GOT THE MAP. NOW GET THE TERRAIN.

This was the 20-minute version. The full guide is the whole journey.

You now know more about money than most salaried Indians. The complete **Personal Finance Visual Guide** takes every chapter above and gives you the full charts, worksheets and step-by-step walkthroughs.

- **The full 8 chapters** — every concept above, illustrated with 20-year compounding charts.
- **Fill-in worksheets** for your emergency fund, your 50-30-20 split and your retirement number.
- **The full instrument map** — FD, PPF, EPF, NPS, gold, real estate compared on one spread.
- **The complete tax decision tree** — new vs old regime, resolved for your exact numbers.
- **Appendix:** 12 FAQs, the quick-reference card and a 20-term glossary.

GO FURTHER, PAY LESS

Two ways to keep going

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