How is being wealthy different from being financially fit?

On the occasion of International Yoga Day, **Deepti Bhaskaran** asks experts how a person can reach a position of financial fitness

EXPERT**SPEAK**

NILESH SHAH
Managing director, Kotak Mahindra Asset Management Co. Ltd

Wealth has to be sustained to become financially fit

Wealth is defined as abundance of valuable resources or material possessions. A general definition of financial fitness is to have the money you need, when you need it. A person may have a valuable diamond, but it won't be of much use in a crisis like a medical emergency. Or, a person may have a lot of valuable land in a conflict zone but it will be of limited value when he has to flee. For financial fitness, it may be necessary to be wealthy. However, being wealthy doesn't necessarily mean that you are financially fit. The journey from being wealthy to being financially fit passes through a few prisms. The first prism is of sustainable value. I remember a video of a tech company's employees celebrating the listing of their shares post-IPO in the days of TMT bubble (technology media telecom bubble). By the time the cameraman took a round of the office, the market cap of the company had crossed a billion dollars and most of the employees had become millionaires. That made employees wealthy but not financially fit. Wealth has to be sustained to become financially fit. It also has to be liquid. A disciplined investment approach will convert wealth into financial fitness.

R. M. VISHAKHA
Managing director and CEO, IndiaFirst Life Insurance Co.

View of asset-liability management should be agile

An individual is defined as wealthy when she has an unencumbered abundance of money, in savings, investments, real estate or cash. However, a financially fit individual is someone who has an agile asset-liability management view of money matters; for whom ensuring liquidity during emergencies is seldom an area of concern. She has an appreciation of risk management and has necessary back-ups in place through relevant financial instruments.

One should live by a planned budget and have optimal utilisation of money. Save regularly, without considering the source of wealth as guaranteed and infinite. Have adequate risk management techniques of insurance for income protection. This could include individual and business insurances. Implement measures of retirement income protection and asset protection to provide for financial volatility and physical disabilities, including long-term care. Update your Will and review it regularly. Leave a legacy behind to ensure wealth is spent the way one would have wanted to.

NISREEN MAMAJI
Certified financial planner and founder, MoneyWorks Financial Advisors

Set up a fitness and financial plan regime at an early age

Financial fitness akin to physical fitness is all about discipline and awareness. Forming habits in your 20s will go a long way for health as well as wealth. My personal wellness plan is to devote 45-60 minutes a day to walking, swimming or aerobic exercise, and weight training or Iyengar yoga for core building. The aim is to avoid osteoporosis and various types of diseases in old age. Similarly, saving for retirement is the biggest challenge for everyone. It's the largest amount of money you'll have to save in your lifetime, and unpredictable windfalls notwithstanding, the only way to accomplish this is to save regularly over a long period of time. The earlier you start investing, the longer your money is invested, hopefully giving you a return that's beyond inflation, to set you up for an income stream in retirement. Doing it right and doing it regularly are the two elements to both forms of planning. So, setting up a fitness or financial plan is ideally done at an early age and ought to be continued lifelong with tweaks along the way allowing for changes in health or income.

SHYAM SEKHAR
Chief ideator and founder, iThought

Rigour and regimen can lead to success in financial fitness

Financial fitness is about being in a state of readiness. Most people implement financial decisions without assessing their future needs. Foresight and planning can assist in smooth implementation of thought into action.

Readiness is the ability to manage unexpected events, and life-changing circumstances. Financial readiness can be achieved through sustained investment actions, steady behaviour with money, and preparation. When you are ready, no financial need is a surprise. Ensuring financial readiness requires consistent investment behaviour. Improving one's financial condition continuously will incrementally deliver financial fitness.

Once achieved, financial fitness must be maintained. This requires consistency. Stick to doing only what is sustainable and scalable. The truth is, fitness is achieved behaviourally, since improvement and sustainability are also deeply dependent on behaviour. Just like in physical fitness, taking care of the don'ts is just as important as the dos. Interestingly, regimen, too, works just as well with money. Rigour and regimen are the two most important variables that influence success in financial fitness.