

## Twitter Thread by Alok Jain ■

Alok Jain ■  
@WeekendInvestng



WA fwd but good one ■

Nine #PersonalFinance Rules we all should better know.

- 1) Rule of 72 (Double Your Money)
- 2) Rule of 70 (Inflation)
- 3) 4% Withdrawal Rule
- 4) 100 Minus Age Rule
- 5) 10, 5, 3 Rule
- 6) 50-30-20 Rule
- 7) 3X Emergency Rule
- 8) 40■ EMI Rule
- 9) Life Insurance Rule

) Rule of 72

No. of yrs required to double your money at a given rate, U just divide 72 by interest rate

Eg, if you want to know how long it will take to double your money at 8% interest, divide 72 by 8 and get 9 yrs

At 6% rate, it will take

12 yrs

At 9% rate, take

8 yrs

2) Rule of 70

Divide 70 by current inflation rate to know how fast the value of your investment will get reduced to half its present value.

Inflation rate of 7% will reduce the value of your money to half in 10 years.

### 3) 4% Rule for Financial Freedom

Corpus Req'd = 25 times estimated Annual Expenses.

Say Annual Expense > 50 years is 500,000 then corpus with you required is 1.25 cr.

50% into fixed income & 50% into equity.

Withdraw 4% every yr

This rule works for 96% of time in 30 yr period

### 4) 100 minus your age rule

This rule is used for asset allocation.

Subtract your age from 100 to find out, how much of your portfolio should be allocated to equities

Age is 30 so (100 - 30 = 70)

Equity : 70%

Debt : 30%

Age is 60 so (100 - 60 = 40)

Equity : 40%

Debt : 60%

### 5) 10-5-3 Rule

One should have reasonable returns expectations

10■ Rate of return - Equity / Mutual Funds

5■ - Debts ( Fixed Deposits or Other Debt instruments)

3■ - Savings Account

### 6) 50-30-20 Rule - about allocation of income to expense

Divide your income into

50■ - Needs (Groceries, rent, emi, etc)

30■ - Wants (Entertainment, vacations, etc)

20■ - Savings (Equity, MFs, Debt, FD, etc)

At least try to save 20■ of your income.

### 7) 3X Emergency Rule

Always put at least 3 times your monthly income in Emergency funds for emergencies such as Loss of employment, medical emergency, etc.

3 X Monthly Income

In fact, one can have around 6 X Monthly Income in liquid or near liquid assets to be on a safer side

8) 40% EMI Rule

Never go beyond 40% of your income into EMIs.

Say you earn, 50,000 per month. So you should not have EMIs more than 20,000 .

This Rule is generally used by Finance companies to provide loans.

You can use it to manage your finances.

9) Life Insurance Rule

Always have Sum Assured as 20 times of your Annual Income

20 X Annual Income

Say you earn 5 Lacs annually, U should atleast have 1 crore insurance by following this Rule.

Remember these are not advice from a financial planner. Do your own due diligence. Great pointers IMHO