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A Study of Salaried Employees Financial Planning and Tax Savings Strategies

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Abstract: A financial plan is something you put together after taking into account your present income, savings, spending, potential earnings, any insurance you may have, financial goals, and a vision for your future life. You then attempt to choose savings and investing options in accordance with your long- and short-term financial goals at various phases of your lives.

When it comes to saving money on taxes, financial planning is crucial. It is necessary for an individual since it aids in maintaining a consistent savings percentage even when the financial markets are continually fluctuating due to inflation. Tax preparation is an important aspect of overall financial planning. We may keep our tax liability to a bare minimum by using effective tax planning. This is accomplished by utilizing all available tax exemptions, deductions, refunds, and allowances while ensuring that your investments are aligned with your long-term objectives.

The researcher conducted a study to learn more about how salaried people organize their finances and save money on taxes. For one month, the survey was conducted in Karachi, Sindh. The goal of the research is to determine the most appropriate and popular tax-saving tool, as well as the amount saved by employing that instrument.

Key Words: Financial planning, tax saving instruments and tax planning.

INTRODUCTION AND LIERATURE REVIEW

Financial planning is the process of achieving life goals through sound financial management. Financial planning is the process by which a person determines where they are now (financially), where they want to be in the future, and what they will do to get there. Financial planning gives people's financial decisions direction and meaning. It enables a person to comprehend how each financial decision they make affects other aspects of their finances. Purchasing a specific investment product, for example, could help you pay off your mortgage faster or drastically postpone your retirement. Each financial decision can be considered in terms of its short and long-term effects on one's life goals when seen as a whole. A person can also adapt to life changes more readily and feel more confident that their goals are on track.

How many people know what they want to do after they retire? People's financial planning differs significantly across the country. Retirement, estate planning, insurance, and career and geographical changes all have various approaches and philosophies.

Deferred Compensationis a contractual agreement between an employer and an employee in which the employer makes an unsecured commitment to pay the employee later for services that are presently being done (Olson et al., 2004).Defined Benefit Planis a pension plan in which the future benefit received by the employee is predetermined. The annual employer contributions are calculated based on the level of benefits to be granted and the projected number of years in the accumulation period (VALIC, 2003).The practice of examining financial statements in order to forecast how the operational plan will affect earnings and losses (Brigham & Houston, 2000).Lump-Sum Distribution is the form of distribution receives the entire balance of the retirement plan in a single tax year (VALIC, 2003).

Mutual fund, which is managed by an investment management firm, invests the money of individual shareholders in a diverse portfolio of securities chosen to satisfy stated objectives. On demand, new shares are sold and existing shares are redeemed; all transactions are conducted at the fund's net asset value, which changes daily. Diversification, liquidity, and competent management are among benefits that mutual funds provide to their investors (VALIC, 2003).

The subject of how much to save for retirement is a common one. It might be impossible to tell what level of funds will be sufficient to live a decent lifestyle in retirement without some form of framework. According to TIAA-Thomas CREF's G. Walsh, the greater an individual’s pay, the higher the proportion of salary he or she should save in order to maintain a comfortable living in retirement. The reason for this is that a rich person will need a lot greater nest egg to support a more expensive lifestyle than someone with a low or moderate income (TIAACREF, 2003).

In this case, financial planning begins once all payments have been paid. After the children have grown up and the mortgage is virtually paid off, many people begin to consider their retirement demands and whether they are financially prepared to meet them. Due to a lack of planning, employees are forced to work longer hours or cut back on spending more than they would like (TIAACREF, 2003).

Financial planning is a procedure that a person goes through to establish where they are now (financially), where they want to be in the future, and what they'll do to get there. Financial planning gives you direction and a goal to work towards while making financial decisions. It enables individuals to comprehend how each financial decision they make affects other aspects of their finances. Purchasing a specific investment product, for example, could help you pay off your mortgage faster or drastically postpone your retirement. Financial products that serve as an investment vehicle and provide investors with the necessary financial security based on the risk-return profile of the financial products. Every individual behaves differently when it comes to investing; therefore investment preferences vary from person to person. Individuals engage in a variety of financial instruments with the expectation of significant returns over a long period of time and a certain level of risk. Today, a range of investment paths are available, and an individual must determine which investment avenue to pursue after doing a thorough market analysis and taking into account his or her specific goals and circumstances. Each financial decision can be considered in terms of its short and long-term effects on one's life goals when seen as a whole. A person can also adapt to life changes more readily and feel more confident that their goals are on track. The purpose of this study is to look at the investment preferences of salaried people when it comes to various financial products, taking into account demographic aspects.

SCOPE OF THE STUDY

The goal of this research is to familiarizeyourself with the numerous investing options available in the market. To investigate an individual's life stages and determine their risk tolerance, income flow, life goals, and existing investment. The research should include all aspects of the individual's financial demands and lead to the accomplishment of each of the individual's objectives. The following items will be included in the planned scope:

- Planning for Risk Management and Insurance
- Investing Strategy
- Planning for Retirement
- Planning for Taxes

CONCEPT & SIGNIFICANCE OF THE STUDY

Financial planning is an important element of anyone's life, especially in today's society when the value of everything is measured in dollars. In comparison to the life duration, the active working span of a human life is brief. This suggests that people will spend roughly the same number of years after retirement as they did during their active working years. As a result, it is critical to save and invest while working in order to maintain a satisfactory income and a comfortable lifestyle.

Investing firms will gain insight into their clients' investment preferences for numerous investment options. Create appropriate investment offerings that will help organizations flourish. The study paper will aid research scientists and students in their pursuit of further education in their respective fields. Individuals' financial planning and investment behaviour are linked, according to the study.

OBJECTIVES OF THE STUDY

Primary objective

- To gain a better understanding of how salaried employees organise their finances.
- To increase working-class people's awareness of financial planning.
- To gain a better understanding of salaried employees' saving and investment habits.
- To grasp the significance of tax planning.

Secondary Objective

- To learn about different investing options while keeping in mind the importance of tax savings.
- To comprehend how various tools can be used to boost future savings.
- To determine which investment product is best for salaried investors.
- To determine how much money was saved by using that device.

MATERIAL AND METHOD

The primary data from salaried individuals was collected via a survey method in this study. A questionnaire was created with the goal of gathering the necessary information from the participants. The sample was recruited from Karachi and included salaried people with a variety of economic, social, and geographic features. Participants in the survey were asked to provide demographic information as well as questions about their investments in mutual funds, life insurance policies and fixed deposits. Statistically data was analysis in percentages.

Research Design

Type of research design: Descriptive research.

Research equipment: Questionnaire.

Sampling technique: Non-probability techniqueconveniencesamplingmethod.

Sample size: 200 samples.

Sample design: Data has been presented with the help of bar graphs & pie-charts.

Area of research: Karachi, Pakistan.

OBSERVATIONS AND RESULTS

Demographic & Social Profile

According to the Demographic and social Profile, 68 percent of the respondents are male, 32 percent of the respondents are female, 67 percent are between the ages of 20 and 30, which was the most active age group, 69.5 percent of the respondents are graduates and 23.5 percent are postgraduate, 56.5 percent of the respondents are married while 43.5 percent respondents are unmarried, 77 percent of the respondents work in the private sector and remaining 23 percent respondents are government employee, and 36.5 percent of the respondents' annual income is between Rs.15 lac to Rs.1.5 lac, meanwhile only 10 percent respondents income is above Rs.2.5 lac (Table: 1.).

Table: 1. Demographic and Social Profiles of Respondents

Variables	Categories	Frequency	Percentage
Gender	Male	136	68%
	Female	64	32%
Age	20-30 Years	134	67%
	30-40 Years	46	23%
	40-50 Years	12	6%
	50-60 Years	08	4%
Educational Details	Higher Secondary	14	7%
	Graduate	139	69.5%
	Post Graduate	47	23.5%
Marital Status	Married	113	56.5%

	Unmarried	87	43.5%
Current Employment	Government Employee	46	23%
	Private Employee	154	77%
Annual Income	Below Rs.1 lac	45	22.5
	Rs.1 lac to Rs.1.5 lac	73	36.5%
	Rs.1.5 lac to Rs.2 lac	23	11.5%
	Rs.2 lac to Rs.2.5lac	39	19.5%
	Above Rs.2.5lac	20	10%

Respondents Age

The most of responders, 66 percent, were between the ages of 20 and 30, while 22 percent were between the ages of 30 and 40 (Figure: 1.). These are the age groups that are thought to be the most active.

The 20-30 age groups are the most active of all age groups.An individual in this age group has only recently begun to start/build a profession. This age group has a proclivity for extravagant spending and might be targeted for investing and saving. The age group of 30-40, on the other hand, is more stable and cautious since they have more commitments such as family, home loans, auto loans, and so on. This is the point at which individuals start to think about and plan for a secure future.As a result, they take cautious steps toward investments.

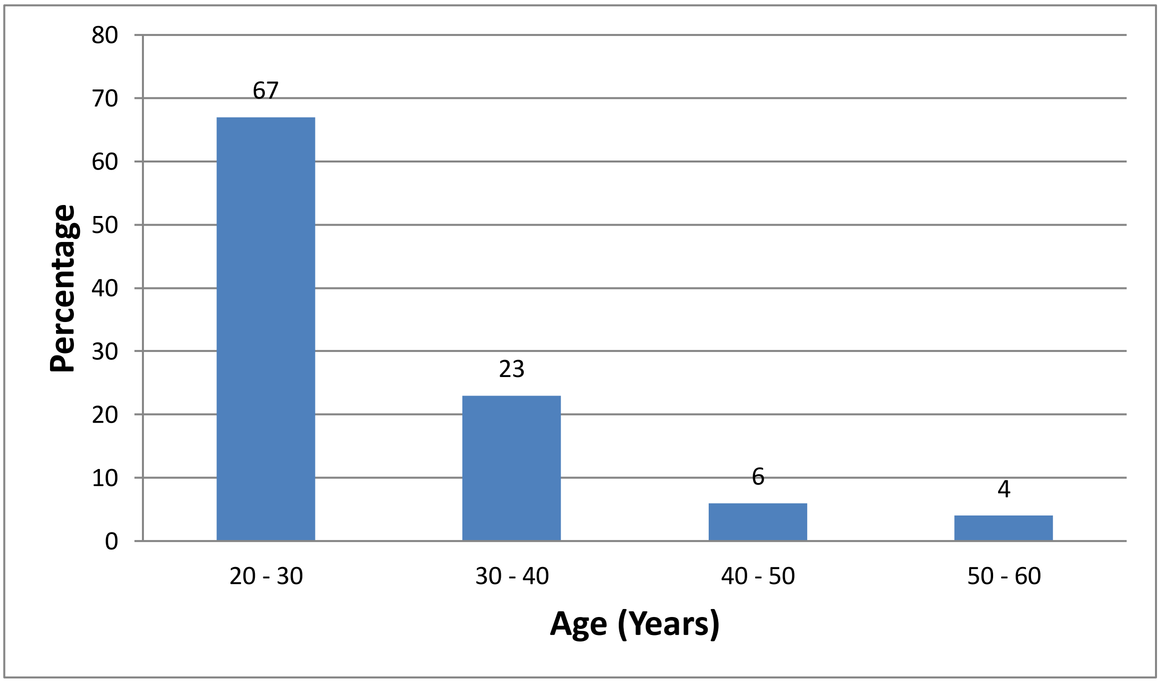

Figure: 1. Age of the respondents.

Respondents Gender Distribution

From the (Figure: 2.) we can deduce that males account for 68% of all responders, while females account for 32%. As a result, we can claim that in our evolving society, ladies have begun to work side by side with males.

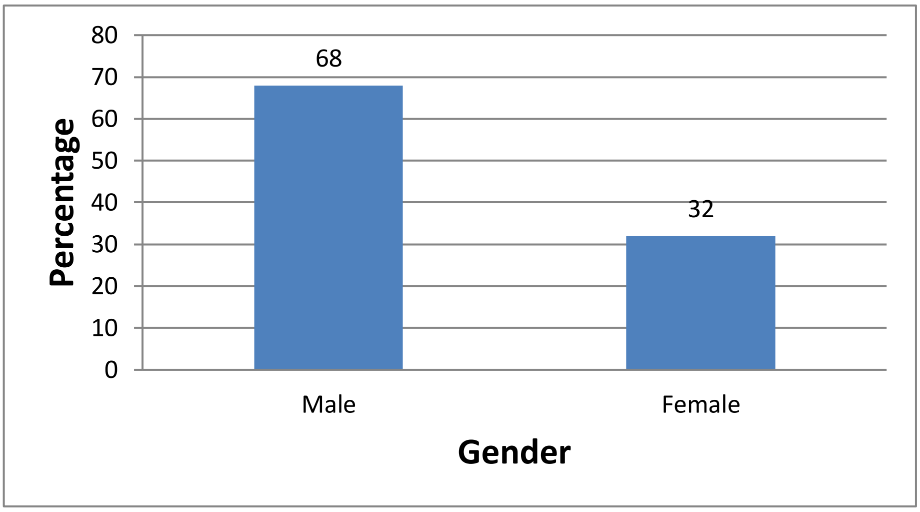

Figure: 2. Gender distribution of the respondents.

Respondents Monthly Income

The (Figure: 3.) reveals that a large percentage of respondents (36.5%) have a monthly salary of more than Rs.1 lac, implying that they are in their later stages of their careers. The second largest group of respondents, on the other hand, comes from the income of up to Rs.1 lac, accounting for 22.5% of the total, indicating that they are in the early stages of their career. Respondents in the other brackets are in a steady period of their careers.

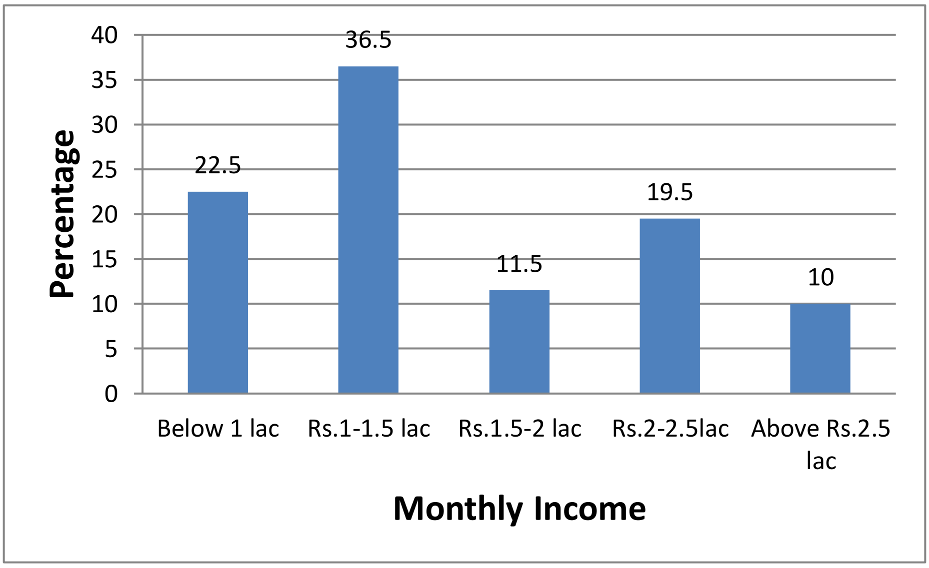

Figure: 3. Monthly income of the respondents.

Respondents Occupational Status

Doctors/engineers accounted for 55% of the responses, while bankers/others accounted for 24% of the total. Teachers/lecturers/Professors and officers accounted for 12% and 09% of the total number of respondents, respectively (Table: 2.).

Table: 2. Occupational status of the respondents.

Occupational Status	No. of Respondents	Percentages
Doctors/Engineers	110	55%
Bankers/Others	48	24%
Teacher/Lecturer/Professor	24	12%
Officers	18	09%

Respondents Monthly Savings

The majority of paid employees, or 47% of the total respondents, have monthly savings of less than Rs.25,000; on the other hand, 21% of the total respondents have monthly savings of more than Rs.100,000. Increased responsibilities of a middle-class worker, less income, more spending, debts/loans, lack of information regarding saves and investing, and inflation, to name a few factors, can all contribute to low/decreasing monthly savings. After they've paid their bills, the respondents have also showed a slow and steady/increasing saving tendency, as indicated in the (Table: 3.).

Table: 3. Monthly savings of the respondents.

Monthly Savings	No. of Respondents	Percentages
Less than Rs.25,000	94	47%
Rs.25,000 – 50,000	36	18%
Rs.50,000 – 75,000	16	08%
Rs.75,000 – 100,000	12	06%
Above Rs.100,000	42	21%

Respondents Motivators of Savings

The only person who knows the reason for preserving is the person himself. Since demonstrated in the (Table: 4.), the main reason for respondents is to achieve a specific goal, as 49 percent of respondents chose this choice. Personal expenses such as buying luxuries, family expenses, saving for children's futures, health expenses, vacations, weddings, and so on are examples of specific reasons to save. Only 1% of respondents said that getting tax benefits motivates them to save, indicating that the majority of them are unaware of the benefits of tax-saving investments.

Table: 4. Purpose of the savings.

Purpose of Savings	No. of Respondents	Percentages
To meet specific purpose	98	49%
To earn Income	46	23%
To meet contingent expenses	18	09%
To get tax benefits	02	01%
To be secured at old age	36	18%

Factors forStimulating the SavingsSize

According to the (Figure: 4.), an increase in salary is expected in order to raise the size of savings, since 45 percent of salaried respondents chose this choice. In order to enhance savings, more income/increments must be considered. Future demands of an individual might be considered a factor that motivates them to save more of their income because it will help them in the future. When it comes to accumulating savings, tax benefits and statutory requirements are the least recognized concerns.

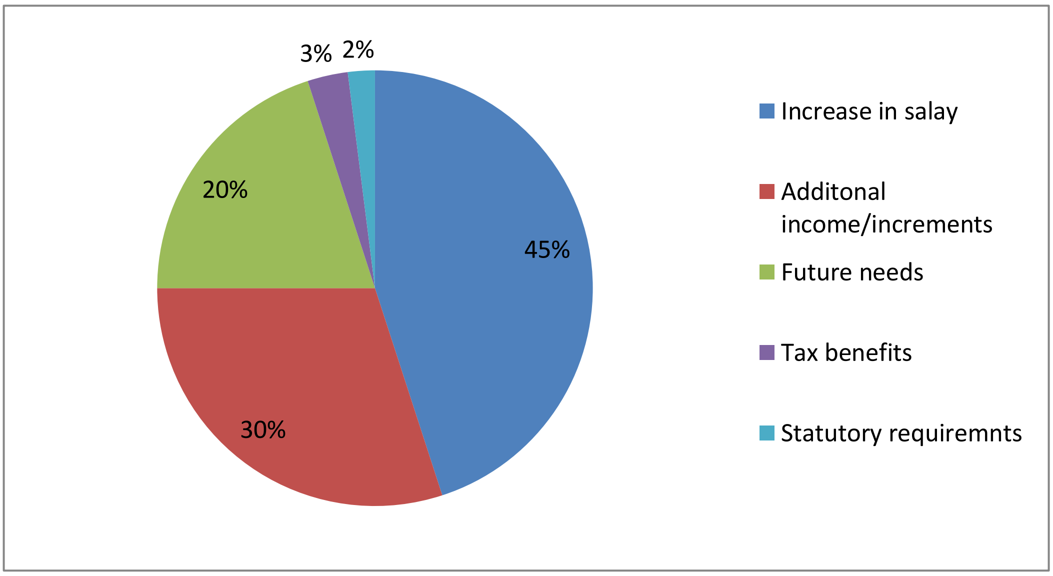

Figure: 4. Factors considered by the respondents for increasing the size of savings

Respondents Investment Preferences

It has been shown that most of the respondents (41.5%) prefer to invest in gold. Gold is one of the most recommended investments in India due to certain influencing variables such as high liquidity and inflation-beating capacity. Gold can be purchased in a variety of ways, including jewellery, coins, bars, gold exchange-traded funds, and so on. Rest of the respondents prefer Bank deposits (27%) and fixed deposits (22%) (Figure: 5.).

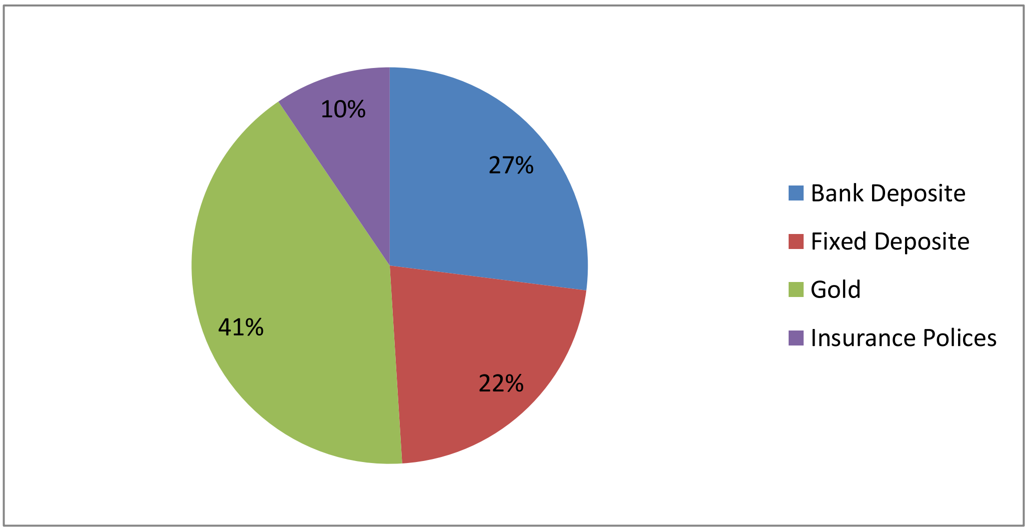

Figure: 5. Investment preferences of the respondents

Time Period of Investments

43 percent of respondents prefer to invest when it is convenient for them (Table: 5.). The investment goal determines the investment tenure and channel to a greater extent. Different investment channels are available to fulfil various investing objectives. Individuals can readily pick the investment vehicle by determining the goal. Other than convenience most of the responders' invest for the time period of 5 (26%) and 10 years (21%).

Table: 5. Time period of investments.

Time period of investments	No. of Respondents	Percentages
More than 10 years	42	21%
More than 5 years	52	26%
More than 1 years	16	08%
Less than 1 years	04	02%
As Per convenience	86	43%

Whose Investing Advice do Respondents Follow

The majority of financial selections are influenced by the advice of spouses or family members (39 percent), Friends or colleagues (21 percent) or are self-made (36 percent) (Figure: 6.). Investing money necessitates a methodical approach, and taking on advice necessitates an extra degree of prudence. The investor in today's world has a myriad of investing possibilities at their disposal. To maximise advantages, however, it's critical to be aware of the risks and seek assistance from seasoned professionals.

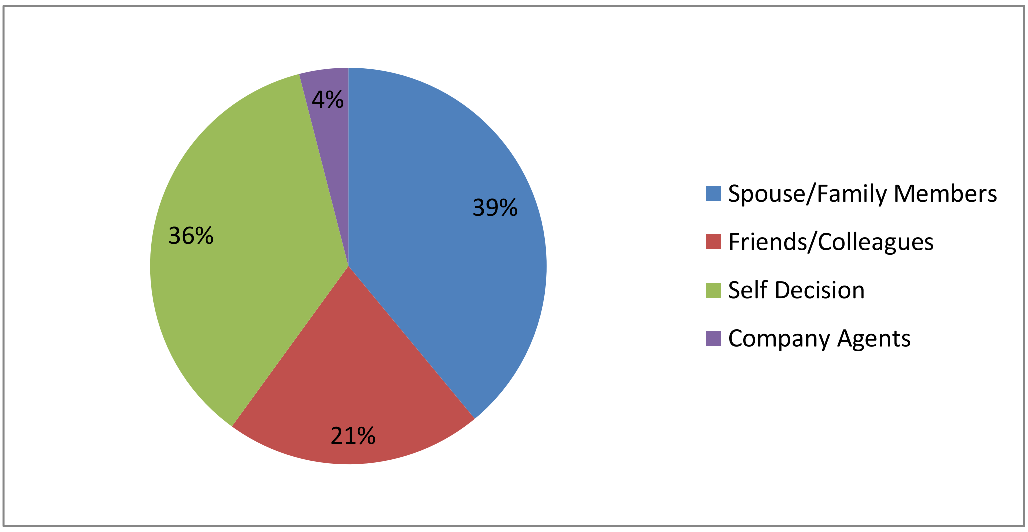

Figure: 6. Advisor to the respondents to do investments

Sources Does the Respondent Use to Get Information for Investment

The majority of salaried employees (66%) learn about their benefits investment via their family members and co-workers. Others (31%) received information from radio, TV, Magazine etc. (Figure: 7.). Receive information regarding investment from the people on the ground. We can only know for sure that a specific investment will give high returns once people invest their money and earn higher profits. Although financial firms make every effort to promote their investment products via television, radio, magazines, and other media.

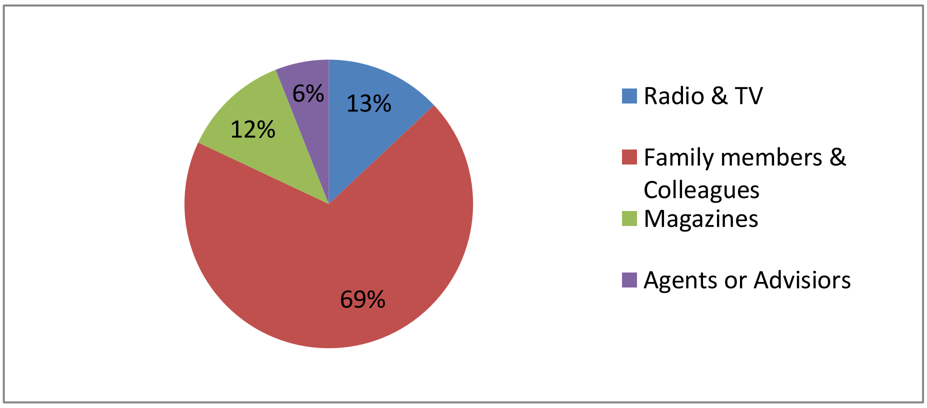

Figure: 7. Information for the investments

Respondents' Knowledge of Tax-Saving Strategies

The most popular insurance products, such as life and health insurance appear to be the most popular, as the majority of respondents are fully aware of these investment tools (Figure: 8.).

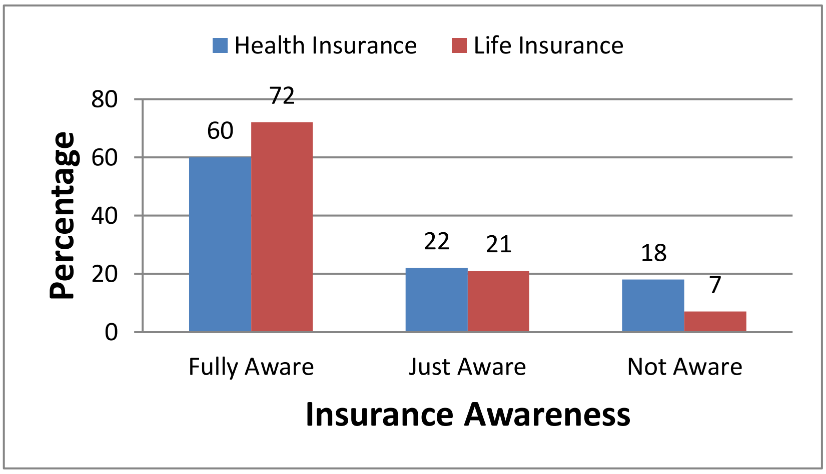

Figure: 8. Awareness of tax savings.

The Form of Investment Plan do Respondents Prefer in the Future

We can deduce from the below (Table: 6.), that the majority of respondents prefer a regular return plan for future investment since their primary motivation for investing is to earn a decent return on investment as they continue to invest. Approximately 44% of respondents are interested in such a proposal. With 32% of the vote, respondents select pension and various choice plans as their second most favoured investment plan. With 13 percent and 11 percent, respectively, medical and specific purpose plans are among the least favoured investment plans.

Table: 6. Future investment plans of the respondents.

Future investment plans	No. of Respondents	Percentages
Regular Return Plan	88	44%
Pension Plan	64	32%
Medical Plan	26	13%
Specific Purpose plan	22	11%

Respondents' Recommendations for Raising Investing Awareness

Workshops and seminars, as well as training programmes, are among the good approaches for developing awareness regarding investments among salaried employees, as seen in the0 (Figure: 9.) below. As these options assist in providing the audience with accurate information and practical expertise. Traditional methods, such as commercials, are also widely used to raise awareness, but this approach is not as popular as the other two.

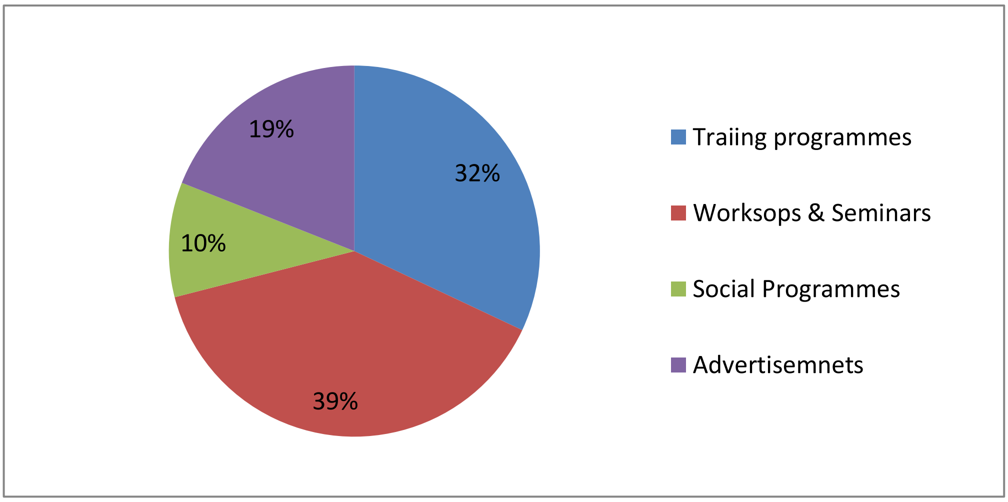

Figure: 9. Recommendations for the awareness of investments for the salary employees

DISCUSSION

Financial planning for salaried employees is more than simply a driving procedure; it is a basic need for everyone and their families. It's a full cycle that starts with a monthly budget and ends with retirement planning. Budgeting, Insurance, Goal-Based Investments, Debt Relief, and Retirement are all part of the process. The cycle will be incomplete if any of these phases are skipped.

Financial planning will assist in ensuring that the inflow and outflow of funds are in balance. It enables a company or individual to adapt to changing market conditions and, as a result, change their strategy. Some people believe that financial planning entails saving regularly in bank deposits or fixed deposits. However, haphazardly allocating money and investments is insufficient to achieve your life goals. Such investments, on the other hand, result in wasteful use of your financial resources. To become wealthy or to achieve all of your goals, such as purchasing a home, a car, a dream vacation, or your child's school, you must make money work for you. Aside from that, a wage or business income will not suffice.This is when your financial planning comes into play. A budget allows you to create a road map for achieving all of your financial objectives. It also aids in the development of a contingency fund for any unforeseen demands that may emerge. Individuals' financial planning and investment behaviour are linked, according to the study.

According to the findings, the majority of the respondents (67%) were between the ages of 20 and 30, and the majority of them were men (68%).The target respondents were middle-class and upper-middle-class working employees, according to the monthly income. Doctors and engineers made up the majority of the respondents.

The majority of respondents save less than Rs.25,000 per month from their earnings.For the majority of responders, saving is motivated by the desire to achieve a certain goal.A rise in salary or additional income/increments, according to the findings, will assist an individual in increasing the size of their savings.Gold has been discovered to be the most popular investment option, with bank savings and fixed deposits coming in second and third.

The majority of paid people do not invest with a specific time horizon in mind, preferring to invest as and when it is convenient for them. On the other hand, the majority of them make medium and long-term investments.

The majority of salaried employees follow the counsel of their spouses or family members, as they are the most trustworthy individuals. The respondents have also made their own choices in order to make their own choices.The majority of paid employees learn about investments via their family members and co-workers, while a select number learn from publications, television, and radio, among other sources.

According to the findings of the study, holding workshops and seminars to raise awareness about the importance of investing among paid individuals is a smart idea.The study also found that the majority of salaried employees are unaware of the advantages of tax-saving investing. The most popular investing alternatives are life and health insurance.The majority of respondents believe that a regular return plan is the best option for their future. Pension and medical plans are two other options.Companies can host seminars and sessions in which they can deliver information to the public while also attracting potential clients from the audience. Both the audience and the corporation can gain in this way. A small amount invested on a regular basis over a lengthy period of time can result in greater wealth. If an investor seeks advice from an advisor, he should gather sufficient product knowledge from several sources. It will assist you in making sound investing decisions and selecting the correct advisor. It is also vital for the advisor to have sufficient experience. As a result, when it comes to making investing decisions, the investor has the most responsibility.

Determine your requirements, desires, and savings. Because not all tax savers are created equal in terms of asset class, individuals should select the instrument that best meets their specific needs. The tax-saving instrument's safety, liquidity, and rewards should all be considered. No financial decisions should be made solely on the basis of expected profits. Your goal is to not just save money on taxes, but also to meet other objectives you've set for yourself. As a result, one should constantly have defined goals in mind and attach their tax tools to those goals.

The goal should be separated into three categories: short term, medium term, and long term. According to the time period of the aim, proper allocation in various instruments should be made. There are a variety of tools that can be used to site different time periods. If an investment is yielding a consistent return or is about to mature, it should be properly reinvested. Financial planning is not a one-time effort; financial planners should take the initiative to present this to their clients. The financial planner and the customer should meet on a regular basis to assess the investment portfolio. This is one area where many planners today fall short. Follow-up, follow-up, follow-up is the order of the day, and financial service providers should be aware of this.

CONCLUSION

The project focused on financial planning for paid employees as well as tax-saving methods. The information provided by the employees is used for financial planning and tax savings. Not only does financial planning help you save money on taxes, but it also gives you peace of mind.

Tax preparation is just one aspect of a larger category known as financial planning. A financial strategy is more complicated than it appears. A proper investment strategy that saves taxes is required for a financial plan to be effective. Few things remain constant regardless of the plan you adopt. They are as follows:

- At every stage of your life, you should have well-structured short- and long-term financial goals.
- Start saving as soon as possible so that you have a long period of time to stay invested and earn significant returns.
- Expenses that aren't required are being reduced, and money is being saved for a brighter future.
- Putting away at least 10% to 15% of your savings each month for financial or investment plans that can be used when you need it most.
- Inquiring with a professional if you have any questions or are unsure about something.

RECOMMENATIONS

After all of this, it is reasonable to conclude that the following are the fundamental cornerstones of effective investing:

- Regularly save.
- Regularly invest.
- Begin early and diversify your portfolio.
- Take advantage of tax shelters.
- Keep an eye on your investments and make adjustments as appropriate.

All documentation should be full and kept in a safe place. It is important to submit the investment documents that serve as proof at the time of maturity. However, many investors lack sufficient documentation, resulting in the claim being dishonoured upon maturity. It's also a good idea to keep all of the disclosure documents because they'll come in handy if there's a dispute. People need to be educated and informed about financial planning and tax savings, and this gives financial product distributors more opportunities to do so.

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