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Review Article

PLANNING AND FINANCIAL LITERACY : STAGES , PRINCIPLES AND COMPONENTS

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ABSTRACT
Decision making is a daily routine of many individuals. Most of these decisions are simple with less impact, but some of them are complex and have long-term effects on the personal and financial situation of decision makers. Few people take in to account the best way in their decision making. In order to develop a good personal financial planning and its successful implementation it is necessary that people be fimiliar with planning principles and processes. People gain their necessary financial resources from their job, investment or business. Gaining financial resources and how to utilize them is the principle of financial planning. as these sources and expenditures can be used in all financial activities, it lead us to adopt proper financial decisions and increase of individuals financial resources also issuance of credit cards by some banks and financial institutes which facilitate shopping especially irrational shopping by those who are not familiar with financial principles. These and similar cases result in ceasing importance of financial concepts and planning the present study deals with the gathering of library research datas and addresses the categories of financial planning and its stages and components. Finally the lack of attempt for the promotion of financial literacy and planning can be felt. Because based on researchers studies little attention has been paid to public education with regard to concepts related to financial literacy and planning, and there is not a suitable tool for the measurement of financial literacy therefore, every attempt should be made in this regard

***Keywords**: personal finance, financial literacy, financial planning*

INTRODUCTION
This process helps people control their financial situation every person has a unique financial situation. Therefore /she/he should have a program in order to realize his / her aspirations. Now a days , whit regard to complexity of financial market, expansion of financial institutes and their continuous attmpt for attracting market shares financial literacy and planning are of high importance. our country is of no exception in this regard. Because the advent of problems related to Implementation of article 44(I.R.I constitution) and expansion of privatization which lead to increase of participants in stock market. also, establishment of private banks and new financial organizations which by all different methods try to attract customers and invest in fruitful markets on one hand/and mass media informing mission and responsibility with regard to coin and exchange market and commodity market on the other hand lead to complication of conotry's financial markets. Achieving financial welfare under such circumstances requires understanding financial problems and mastering financial concepts and planning.

Problem statement
Results of some researches suggest the importance of financial discussions for university students. Because adopting financial decisions in the years of their study have considerable impact upon their financial situation after graduating from university. More over, their financial situation determines academic performance. Lyons in his study realized that the financial situation of one third of students affects their academic performance (lyons ' 2003) bodvarsson and walker also after controlling various

factors which affect university students performance realized that students who recive money from their parents to cover their tuition and books, fail more than student's who are financially independent. (bodvarsson and walker 2004).in our country the advent of electronic banking, implementation of article 44 of constitution lexpansion of privatization) and distribution of equity among deffrent startas of people and it's purposeful continuation, result in considerable increase of participation in stock market. This in turn lead to providing tempting loans. With high interests and finally decrease of financial welfare. Also issuance of credit cards by banks and financial institutes which facilitate shopping leads to irrational expenses by those who are unaware of financial know ledge. This fact attests to ever increasing importance of financial concepts and planning among all stratus of society. Because under such circumstances , achieving financial welfare and long lasting welfare cannot be realized whitout mastering financial concepts.

Personal finance

Personal finance has been defined as the study of important resources used in order to achieve financial success. This field deals whit how to expend our financial resources , investment and protection of investment. Generally, the most important topics in personal finance include tax management, budgetting, management of liquidity, issuing credit cards, loans, risk management, pensions, plans for real estate investment (garman and forgue ,2000).

Personal finance defined as applying financial principles to monetary decisions. It deals with monetary issues like budgetting, depositing and expanding.

Of course each one of aforementioned stage result in risk and different futurs scenarios. in this research, financial literacy can be assessed by measuring different dimensions of personal finance personal financial planning is a process for the management of financial resources for the achievement of economic satisfaction. this process helps people control their financial situation . every individual and family has unique financial position .therefore, everyone should have proper planning for removing his /her fundamental needs . a comprohensive financial planning increases people satisfaction and quality of life by reducing hesitations about realizing future needs and increase of financial resources .some of the important benefits of personal financial planning are as follows:

.Increases people`s effectiveness in investments and financial resources.

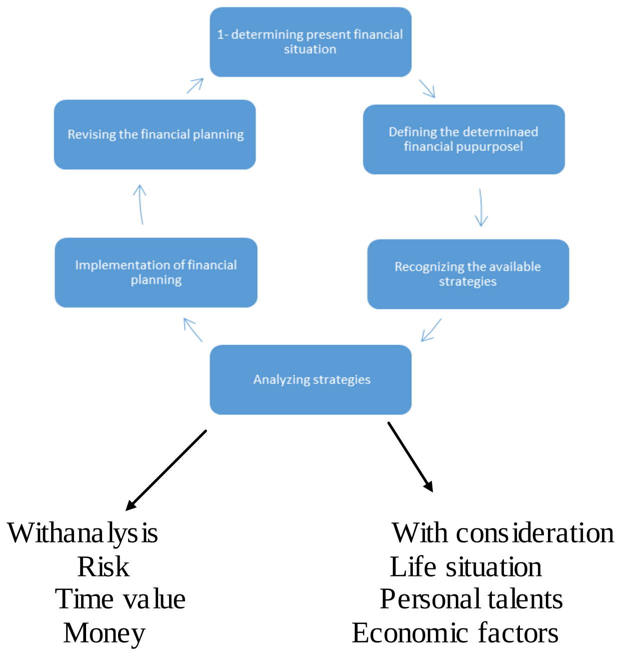
.Increases control over financial crises by preventing bad debts , bankruptcy and dependency and increases economic exemption .

Consolidates personal relationships by proper planning.

Reduces conurns about financial obsessions by providing a clear picture about the situation.

Decision making is the daily routine of many people. Some of these decisions are simple with no long lasting effect, and some are complex with lasting effects on individuals` personal finance figure 1-1 shows 6 stages which can be adjusted with every kind of life programs (kapoor 2008) Stages of financial planning :

1. Determining financial orientation
2. Defining financial purposes
3. Recognizing available strategies
4. Analyzing available strategies
5. Implementation of financial planning
6. Revising of financial planning .



Stages of financial planning

Determines both investment and the degree of risk tolerance. The from of available assets also plays an part in the entity of additional investment. If there is low risk assets and tendency to risk in new investments, there is more enthusiasm towards diversification. If ones wealth has no stocks, there is more tendency towards investment in stock market. Also the principle of diversification of stock portfolio has been affected by type of stocks. Financial liabilities also affect investment decisions. One with heavy loans has no tendency to allocate money to riskful

investment. In fact the best strategy is to utilize available funds for the reduction of liabilities instead of investment. Financial liabilities can be in the from of family commitments. One with dependent children has adifferent situation, than a person without any relatives. The former can invest more and tolerate more risks. Financial purposes are of high importance for invested assests , investment domain , and risk tolerance. One who has tendency toward investing money in order to face unpre dectable exigencies is in dire need of liquidity. Liquidity means the ability to transform assets in to cash rapidly and without risk. bank and social investment have high liquidability.

People have different view points and attitudes towards risk .some are highly risk-repellent, even to the extent that the expected high interests are not enough for them. one the extreme side stands those who are easily ecouraged by the prospect of possible interests , and have tendency towards incurring considerable losses. some people don`t understand the possible risks. beacuase they are certain about their expectations. it seems that bubbles are as such that some people forget that market is unsecure , and beahave in such a way that their direction is certain and assured. also there are people who are less informed about risks. some people choose bank instead of possible interests , and have tendency towards incurring considerable losses. some people don`t understand the possible risks. beacuase they are certain about their expectations. it seems that bubbles are as such that some people forget that market is unsecure , and beahave in such a way that their direction is certain and assured. also there are people who are less informed about risks. some people choose bank instead of securities and stock market in order to avoid the risk of losing their money.

they are not fully aware of the risks which threat bank deposits , in terest rates have been in fluenced by fluetuation of bank incomes more than securities and stock market.

Investment expenditures have been affected by the ability to invest and tendency towards investment . the former approaches and attitudes.

Most people have no inclination towards depositing. they prefer to ignore their futur financial need or they think tax payers will pay for them. for others investing and deposting are of high priority (rebhid , 2008) components of personal financial planning .

In order to develop and implement personal financial planning, individuals should beacome familiar with its components .

Then ,components of planning wiil be defined concisely .

1.Acquisition

people acquire their required financial sources from their occupation , investment and business .acquiring financial sources is the basis of financial planning, because these sourses can be used in all financial activities.

2.Planning

Planned expenditure along with depositing is a key to achieve intended goals and futur financial exemption.

professional groups who serve as financial planners,of which 56000 are certified accountants. there is concern about youths who are not aware of financial planning concepts .

The researchers indicate that university students in the o.s.v.k and Australia have not been educted in this field.

This fact results in large debt, risk and increase of bank ruptcy.

3. Depositing

long term financial security requires a preplanned deposit program , paying unpredictable bills , substitution of important items , buying necessary good and etc. once people start living a life based on planned program , they can save extra fund in a safe place .

It is important to differentiate between short-term and long-term deposits. The deposited fund should have high liquidity and be available for current needs .the need for liquidity changes based on age. health, and family situatoin (kapoor,2008). Short-term depopsits , investment in public bonds and so on are among deposits which can be transferred to cash amounts easily .more over, funds which can be deposited for futur needs can be saved in long-term bank deposits and real estates in order To be more profitable.

4. Loans

Having control over illogical buying with credit cards are among issues related to financial aims. Extreme use of credit cards can lead to losses and bankruptcy.

5.Expenditures

It should be noted that financial planning does not make us to live a life without joy and happiness but it helps us to reach our goals. In most cases people go shopping without paying attention to it's impacts. Inconsiderate shopping leads to financial problem. In order to overcome this problem , it is necessary to planin advance. The best way for achieving financial security is spending less than acquiring.

6. risk management (insurance)

Proper insurance coverage is another component of personal financial management. Usually there are certain kinds of insurance coverage in financial planning. For example the number of people who become disabled at the age of 50or above are more than who died at this at this age, therefore at this age people need disableness insurance than life insurance. Researchers indicate that at present , life insurance have been used more than disabledness insurance. More over, most families use extra and less efficient insurance coverages.

7. Investment

Moreover there are many available investment tools, but people invest for two main reasons. Those who prefer current income , choose investment with regular interest. On the contrary, investors who prefer longterm inrcease, invest in stock market, joint venture funds, realestate etc

8. pension plan (retirement)

People mostly think investing money for purchasing important goods in future (like new T.V ,car , home, etc) attests to their wise behavior. But most of them even don't know the most expensive goods they purchase is pension plan. Perhaps they even don't think about pension plan, but exactly when they pay for their retirement, they are purchasing it. The most important reason for retirement is that people works 15 to 20 years, and their retirement period may last more than their working years. This necessitates planning for retirement more than before. Moreover some people have not been employed by a company or organization and are self-employd.

These people pay considerable amount of money for their pension plan. It should be noted that it is necessary to have an accurate planning in order to choose a proper retirement plan. (kapoor,2008). The need for retirement is of utmost concern in most developed countries. For example, the need for funding specially during retirement period can be defined as follows:

Personal deposits (including insurance and investment).

Social welfare insurance plans, and employees protective pension plans. among aforementioned plans the protective pension plan is of utmost importance. This plan results in considerable changes in insurance and pension income of personnel. In the u.s these changes become more popular. (Murphy and yet ma,2010). in the u.k too a non-profit organization entitled (pewg)dealt with pension issues and goal and tried to increase the adults and young adults knowledge about hidden benefits and advantages of pension plans. Some goals of this group are as follow:

Informing adults about retirement plans, so much so that ita importance becomes more clear.also of effective decision making can be felt. In contrast to its importance, university researches pay less attention to teaching and measuring financial literacy and financial planning. Financial literacy, financial science and financial education which are the maininputs of measuring models, can be used interchangeably in most media.

Few researches defined these terms accurately, and contrary to physical health which can be assessed with one of the standardized methods teaching programs are important for certain groups (devlin, 2003)

CONCLUDING REMARKS:

Today, words financial markets have undergone gradual transformations. The wish for the promotion of life quality. Freedom and flexibility gradually become the core of employees values and substitute the idea of working hard schiffman and kanuk,2007). The motivation for consumption, understanding risk concept, and money value also gradually change. At this changing environment, the source of concern for students is their lack of understanding about financial planning. This problem has been emphasized in many studies (pang, 2010). Latest crises in developed countries, irregular increase of debt level among consumers, and increasing level bankruptcy among families all attest to this fact. Under such circumstance for the analysis of financial literacy level and financeial planning, the need for a structure which measures the ability there is no standardized tools for the measurement of financial literacy(Huston/2010).The aforementioned concepts are only part of the existing problems in developed countries. Some of these countries took proper action to promote financial literacy. It can be anticipated that these problems are more evident in our country, because according to our researches there is no public education addressing the concepts related to financial literacy and planning.

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