

5 Expert Strategies For Effective Cashflow Management In New Financial Year

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By implementing these strategies, individuals can gain better control of their finances and achieve their long-term financial objectives

Effective cashflow management is crucial to ensuring financial stability and achieving long-term financial goals. In India, where inflation and economic fluctuations can have a significant impact on personal finances, it is especially important to have a plan in place for managing cashflow.

Here are five ways to manage your cashflow effectively:

Keep Track Of Your Expenses: One of the most important steps in managing cashflow is to keep track of your expenses. This involves making a detailed record of all your income and expenditure, including your regular bills, loan repayments, and other expenses.

Mumbai-based certified financial planner Kiran Telang emphasises the importance of tracking your expenses, stating that “knowing where you spend by keeping a track of your expenses will help you cut down on frivolous expenses.”

By tracking your expenses, you can identify areas where you can cut costs and save money, which can then help you to achieve your financial goals more quickly.

Pay Off High-Interest Small Loans: If you have multiple loans or debts, it is important to prioritise paying off your high-interest loans first. This can help you save money on interest charges and reduce your overall debt burden.

Shalini Dhawan, co-founder of Plan Ahead Wealth Advisors, a Sebi-registered investment advisor, suggests that “paying off high-interest small loans is important to improve your cashflow. This will help you save money and reduce the amount of interest you pay over time.”

By paying off high-interest loans first, you can free up cashflow and reduce your debt burden, which can help you achieve your financial goals more quickly.

Plan For Smooth Cashflows: Planning for smooth cashflows is essential for financial stability, especially during periods of retirement, sabbatical, or starting a new venture. It is important to have a plan in place for managing your cashflow from various sources, rather than relying on a single source of income. Dhawan suggests that “cashflows should be planned from various sources, and one should not depend on only one source of cash inflow. Also, while planning cashflows, it’s important to remember that some may have paid payment after deducting tax at source.”

By planning for smooth cashflows, you can ensure that you have enough income to cover your expenses and achieve your financial goals.

Build An Emergency Fund: An emergency fund is an essential component of effective cashflow management. This is a fund that you set aside for unexpected expenses, such as medical emergencies, job loss, or other unforeseen events. It is important to build an emergency fund that can cover at least three-six months of your living expenses. This can help you avoid relying on credit cards or loans in the event of an emergency, which can have a negative impact on your cashflow.

Telang suggests “building an emergency fund should be a top priority for everyone, regardless of age or income level. This can help you manage your cashflow effectively and avoid financial stress.”

Invest In Income-Generating Assets: Investing in income-generating assets, such as stocks, bonds, or real estate, can be a great way to improve your cashflow and achieve your long-term financial goals. These assets can provide a steady stream of income that can help you manage your cashflow effectively. However, it is important to do your research and seek professional advice before investing in any asset, adds Dhawan.