

Swatantra Kumar Explains: Time Value of Money



There is a difference between 'investing your bonus' and 'investing only when you get a bonus'. While the former is advisable, the latter can cost you lakhs because of Time Value of Money (TVM).



What is TVM	TVM talks about the present and the future value of money.
	The money that you have today has more worth than the same amount in the future.
	The value of the same amount, thus, changes with time.
Why is the value of money more today	If you invest the sum that you have today, you can earn returns on it.
	The power of compounding adds value to your money.

For example:

Investing your bonus	Saving your bonus
You have ₹1,000 today and you invest it at 10% return	You get ₹1,000 as a bonus every year and you save it in your wallet
After 1 year, you will have ₹1,100	After 1 year, you will have ₹1,000

₹1,000 has more value today than ₹1,000 in the future. Thus, you must not wait for a bonus or increment to start investing.

*This content was created exclusively for UTI Swatantra. Visit <http://www.utiswatantra.com> for more information

In the next edition: Be it creating an additional source of income or managing it, you need someone to advise you. In the next edition, we will look at how Independent Financial Advisors (IFA) can help you better your finances.