

## PRESS RELEASE

# Most urban Young Aspirants rely on advice from friends/ relatives while chalking out financial plans, reveals HDFC Life ValueNotes Life Freedom Index

*Majority (76%) of Young Aspirants have started planning for their future, but they are aware that their plans are not comprehensive enough to cover their immediate and future financial needs/ goals*

**April 27, New Delhi:** HDFC Life, one of India's leading life insurance companies, in association with ValueNotes, a leading provider of market intelligence and research, today launched its inaugural Life Freedom Index report. The Life Freedom Index score for Young Aspirants at 54.2 on a scale of 100 indicates that India's millennial generation has low financial freedom, primarily due to poor levels of financial awareness and lack of comprehensive financial plans. Their sense of financial sufficiency and liberty appear to be marginally over-estimated and ill-judged, given the low score for financial planning and poor awareness levels.

Though Young Aspirants' awareness about events (25.8 on a scale of 0-100) borders on being extremely poor, knowledge and awareness about financial products (55.2 on a scale of 0-100) is comparatively higher. They are more concerned and aware about expected events, whereas unexpected events and external forces rank low. Among unexpected events, accident/ illness (40%) are top concerns, while youngsters give highest importance to government regulations (36%) and inflation (33%) among macro-economic factors during financial planning exercise.

The Life Freedom Index is made up of five sub-indices:

- **Financial Awareness Index:** Captures the financial product knowledge and the awareness level of events (expected, unexpected, and external factors) that can have a significant impact on current and future financial needs of Indian urban Young Aspirants
- **Financial Planning Index:** Reflects the existence of a comprehensive financial plan, which is regularly reviewed and realigned to address evolving financial needs.
- **Financial Sufficiency Index:** Reflects the state of Indian urban Young Aspirants on the sufficiency of their financial plan to meet immediate financial needs.
- **Financial Adequacy Index:** Reflects the level of confidence of the Indian urban Young Aspirants' financial management practices being adequate to live life with dignity, independently and meet the desired standard of living throughout their lifetime.
- **Financial Liberty Index:** Reflects the psychological feeling of 'Financial Freedom' and 'Financial Security' of Indian urban Young Aspirants.

These five sub-indices together measure the state of financial freedom of urban Young Aspirants consumers (aged 20 to 30 years), which fall under the Socio Economic Classification (SEC) groups A and B.

Mr. Sanjay Tripathy, Executive Vice President and Head, Marketing and Direct Channel, HDFC Life said, "We have coined this emerging segment as 'Young Aspirants' because of the high inspirational quotient. They are at a stage in life wherein they are interested in acquiring wealth and other comforts/luxuries for living a comfortable life. However, the Young Aspirant is also conscious of life's major responsibilities and is keen to fulfill them without compromising on the fun quotient of life. His/her desire to fulfill these aspirations and the need to meet his/her responsibilities has made the Young Aspirant realize the importance of financial planning. Consequently, he/she has developed a habit of adhering to these plans. The Young Aspirant however, is a novice when it comes to goal-based financial planning and is not able to use his financial know-how to realign and arrive at a comprehensive plan, which can cover short and long term financial goals. The findings of the survey would definitely guide them in better financial planning."

Mr. Arun Jethmalani, MD, ValueNotes, said, "The survey reaffirms that Indian youngsters have realized the necessity of financial planning. It is interesting to note that only a quarter of them seek professional help, which opens up immense opportunity for certified financial planners to guide this emerging segment on right approach of financial planning. The Young Aspirants' score of Financial Liberty is higher than the other index, which reflects that though they mentally feel 'financially free,' but this feeling is ill-judged and not supported by right planning parameters such as awareness, planning, sufficiency, and adequacy."

### **Key Findings of HDFC Life ValueNotes Life Freedom Index - Young Aspirants**

**Not financially free:** Indian Young Aspirants' score of 54.2 on a scale of 100 indicates that India's millennial generation has a low sense of financial freedom, primarily due to poor levels of financial awareness and lack of comprehensive financial plans. Their sense of financial sufficiency and liberty appear to be marginally over-estimated, given the low score for financial planning and poor awareness levels.

#### **Novice in goal-based planning**

Although, Young Aspirants have chalked out a financial plan, it is not aligned appropriately with financial goals. This is a result of poor awareness about financial events. The Young Aspirants are not completely aware about the merits of goal-based planning.

#### **Concerned about major responsibilities in life**

The Young Aspirant, although still a novice, is aware about the major long-term responsibilities in life such as child's education, health expenses and retirement. However, he also accounts for certain aspiration/lifestyle goals such as family vacations and purchase of durables in his financial plans. He is also aware about the impact of macro-economic forces as inflation or government regulations on his/her finances, and thus accounts for them in his/her financial plans.

#### **Financial planning at a nascent stage**

Majority (76%) of Young Aspirants has started planning for their future but they are aware that their plan is not comprehensive enough to cover their immediate and future financial needs/goals. Only 16% Young Aspirants believe that they have a comprehensive financial plan, which is capable of covering their immediate and future financial needs/ goals. Only 5% realign their

financial plans according to all significant financial events in their or their family's lives, while majority (73%) realign them to suit only some of life's significant financial events.

#### **Moderately disciplined, but not financially sufficient**

It is interesting to note that in this young age, the Indian Young Aspirants show a moderate level of discipline in their financial management activity. While a majority of Young Aspirants believe that they adhere to some level of financial discipline, only 16% of them believe that they are extremely disciplined.

#### **Depends on social network for financial advice**

Young Aspirants depend on their social network of friends and family when seeking advice on financial planning. Only a quarter of them seek professional advice (financial planner). Given their low awareness level and insufficiency of their financial plans, there appears to be a potential for increasing professional help for better awareness levels and more comprehensive financial plans.

#### **Plan not sufficient to meet all life goals**

Majority of Young Aspirants are generally confident about the sufficiency of their plan in supporting immediate financial needs. Only 14% are extremely confident and feel that their plans are sufficient to cover them for all eventualities. Majority of them have realized that there are some inconsistencies in their financial plans, which make them insufficient to meet their immediate financial needs.

#### **Feeling of financial liberty and security is high**

Financial Liberty reflects the mental state of financial freedom and financial security. This state of mind is irrespective of the individual having a financial plan or enough financial reserves. The young aspirants' score of Financial Liberty is higher than the other index, which reflects that though they mentally feel 'financially free,' but this feeling is ill-judged and not supported by right planning parameters such as awareness, planning, sufficiency, and adequacy.

#### **Notes to the Editor**

*>Over 400 Young Aspirants were interviewed in a survey conducted in February 2012 across 11 Indian cities; Ahmedabad, Bengaluru, Bhopal, Indore, Bhubaneswar, Chennai, Delhi, Kochi, Kolkata, Ludhiana and Mumbai. The findings from the survey were distilled into various specific measurement indices that collectively form an overall 'Life Freedom Index.'*

#### **About HDFC Life**

HDFC Life, one of India's leading private life insurance companies, offers a range of individual and group insurance solutions. It is a joint venture between Housing Development Finance Corporation Limited (HDFC), India's leading housing finance institution and Standard Life plc, the leading provider of financial services in the United Kingdom.

HDFC Life's product portfolio comprises solutions, which meet various customer needs such as Protection, Pension, Savings, Investment and Health. Customers have the added advantage of

customizing the plans, by adding optional benefits called riders, at a nominal price. The company currently has 25 retail and 9 group products in its portfolio, along with 10 optional riders catering to the savings, investment, protection and retirement needs of customers.

HDFC Life continues to have one of the widest reaches among new insurance companies with about 500 branches touching customers in over 900 cities and towns in India. The company has a strong presence in its existing markets with a strong base of Financial Consultants. For more information, please visit [www.hdfclife.com](http://www.hdfclife.com)

### **About ValueNotes**

ValueNotes is a leading provider of market intelligence and research, with expertise across industries. The firm provides a wide range of bespoke business research, financial research and competitive intelligence about markets, industries and companies. Their clients include global corporations, consulting firms, research and B2B publishers, PE and VC firms, and money managers. For more information, please visit [www.valuenotes.co.in](http://www.valuenotes.co.in)

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