A Study on Financial Planning for Salaried Employees and Strategies for Tax Savings

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Abstract: **Individuals who possess fixed incomes can maximize economic security, cut down on taxation, and achieve wealth building for the future by good planning of finances. Comparing salaried class individuals' different planning strategies and investment in saving as well as its tax saving option in Gujarat State, India, is done by this study. It examines essential factors like the income range, habits of saving, and choices of investments. Data was obtained through a structured questionnaire prepared and handed out to two hundred salaried employees. Strategic planning and systematic implementation of sound plans leads to effective tax management and better financial security due to the increased financial awareness. This research identifies the influence of financial literacy on investment choices and the constraints to optimal tax planning. The study also looks at the employer-provided financial advice and its effect on the saving and wealth accumulation activities of an individual. Studying the tax knowledge relative to the income level offers insights on how salaried employees can effectively use tax benefit and retirement plans. The paper concludes with recommendations to improve the financial literacy which will transform the workforce into a more financially secure and stable one.**

INTRODUCTION

Financial planning is of particular importance for the self-employed to achieve financial security, enhance wealth, and make the most out of tax savings. Financial planning is a strategy that requires a clear direction that guides the management of income, expenses, and investments in such a manner that the desired long-term financial objectives are achieved. Most salaried employees have problems trying to balance their income, savings, and spending in light of the complicated tax laws. Left without any planning, one will have to deal with financial worries, excessive amounts of tax paid, and lack of steps taken towards making possible wealth. This aims to analyze the financial behaviour, and investment and tax saving strategies of working class professionals from the state of Gujarat. The primary objective of this research is to help develop effective financial management systems to address the needs of employees by evaluating their everyday financial actions. The other part of the study investigates the relationship between financial literacy, employer-provided financial guidance, and investment and saving decisions. This aims to demonstrate how smarter financial planning and wealth strategy can enable more individuals to increase their income and achieve optimum financial stability. By revealing striking common denominators of issues concerning finances, this study aims to provide guidelines that will refine the effectiveness of financial planning. At the same time, the study aims to determine the extent to which financial education and advisory services provided by the employer improve employees' financial status. Employees standing in the salaried class will be able to understand the effective tax avoidance tools available.

OBJECTIVES

- To learn more about the financial management practices of salaried workers.
- To raise awareness of financial planning among the working class.
- To learn more about the investing and saving practices of salaried workers.
- To understand the importance of tax preparation.

REVIEW OF LITERATURE

Myron S. Scholes, G. Peter Wilson and Mark. A. Woolfson (1990): They test whether investment and financial policies of banks can be explained by the fiscal position. They document changes in bank ownership of municipal bonds due to changes in tax regulations regarding the deductibility of interest income.They also document a relationship between banks' marginal tax rates and their investment and financing decisions consistent with the existence of tax clients.

Kumaraswamy and Divakar velya M (2020): Housing loans enable an individual to own a house. The gradual increase in real estate will cost mortgages will continue for decades. Because the main purpose of any government is to provide protection for all its citizens; on the other hand, it reduces the tax burden on mortgage borrowers tf several income tax provisions.6. An Analysis of Investors Attitude.

Bharathraj Shetty and M. Muthu Gopalakrishnan (2013): The purpose of the study is to study the preferences of investors towards various tax saving schemes (under various sections of the Income Tax Act 1961). Tax saving schemes in which investors have invested to identify the patterns of making tax saving schemes. Information needed to identify the historical growth of investments in various tax savings programs.

RiniHastut (2014): The self-assessment system requires taxpayers to fully understand the tax rules. College students are viewed as potential taxpayers because they will receive taxable income in the future. Previous research has shown that a full understanding of the tax promotes tax evasion; therefore, tax education becomes key.

Evidence and Implications Jon Gruber, Emmanuel Saez (2002): A key tax policy parameter that has received much recent attention but is subject to considerable uncertainty is the total elasticity of taxable income. The elasticity of real income without the tax credit is much lower. They also estimate a small income effect of changes in the taxation of reported income, meaning that the compensated and uncompensated elasticities of taxable income are very similar.

Achar (2012): Factors influencing the investment behaviour of the teacher community were age, gender, marital status and lifestyle, monthly family income and the stage of the life cycle of the family and the education of the person. road status A study conducted by Bhardwaj, Sharma and Sharma (2013) attempted to analyze the investment behaviour of workers in the lounge area of Bahra University. It has been found that the teaching fraternity is largely unaware of investment opportunities in the stock market and other financial securities and prefers to invest in bank deposits.

Direct tax reforms in India created a state of liberalization" from 1991-1992 to 2000-2001 Siddhu

(2003): He found that direct tax reforms could not contribute positively to the economic problems of the United States. A reduction in tax payments could not lead to better tax legislation. The reforms succeeded in increasing the scope of assessments, but did not increase critical state revenues. Finally, during the long review, the researcher strongly recommended that the tax reform rules be revised with the help of the authorities.

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Correlation of saving and investment model of Srividya and Varalakshmi teachers of an educational institution (2013): The following factors influence the financial decision of investors regarding the return of desirable investment, the annual income of teachers and the amount of annual savings. According to Vasagadekar (2014), due to poor awareness of working women in Pune, they make poor portfolio investment decisions. The study participants were financially illiterate. Umamaheswari and Ashok Kumar (2014) tried to find out the investment attitude of the salary grade towards investments and the results showed limited awareness about investment opportunities which indicates the emergence of awareness among the respondents.

Several studies by Bhushan and Medury have reported gender differences in investment behaviour. (2013): Bhushan and Medury argue that gender differences in investment behaviour have been reported in various studies. Women are more conservative when it comes to investing and don't want to take risks.

HYOPTHESIS

Null Hypothesis (H0) – There is no relationship between Income Earnings and Monthly salary savings.

Alternative Hypothesis (H1) – There is relationship between Income Earnings and Monthly salary savings.

RESEARCH DESIGN

Type of research design : Descriptive research.
Research equipment : Questionnaire.
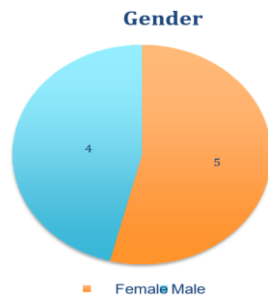Sampling technique : Non probability technique convenience sampling method.
Sample size : 200 samples
Sample design : Data has presented with the help of bar graphs & pie charts.
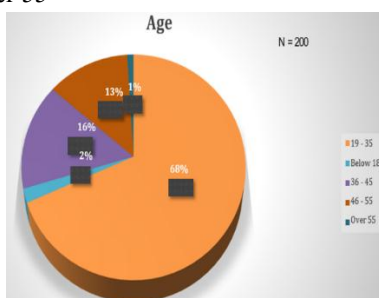
QUESTIONNAIRE

1. Gender

a) Male
b) female

The findings of the survey indicate that 54% of the respondents are females, and 46% are males. This implies that most of the participants are females. 200 people participated in the questionnaire.

2. Age

a) Below 18
c) 19-35
d) 36-45
e) 46-55
f) Over 55

The survey data indicate that most of the respondents (68.5%) belong to the age group 19-35. Furthermore, 15.5% are aged 36-45, 13% are aged

46-55, and 2% are aged below 18. Conversely, only 1% of respondents are aged above 55. This reveals that the largest group of participants is 19-35 years, while the least covered group is those aged above 55.

3.Income Details

a) Below 5 lakh
b) Between Rs 5 lakh and Rs 7.5 lakh
c) Between Rs 7.5 lakh and Rs 10 lakh
d) Between Rs 10 lakh and Rs 15 lakh
e) Above Rs 20 lakh
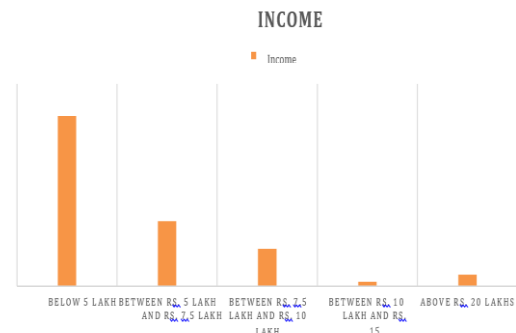
The survey statistics also show that 59% of participants have an income of less than ⬜5 lakhs and are the largest income group, with 118 people belonging to this group. While 22.5% have an income of ⬜5 to ⬜7.5 lakhs, 13% have an income of ⬜7.5 to ⬜10 lakhs, 1.5% have an income of ⬜10 to ⬜15 lakhs, and just 4% have more than ⬜20 lakhs as their income. The lowest number of respondents, just three people, belong to the ⬜7.5 to ⬜10 lakh income group.

4.What percentage of your monthly salary do you save?

b) Less than 20%
c) Between 20% to 35%
d) Between 35% to 50%
e) Over 50%
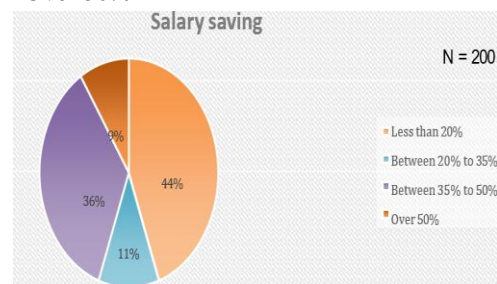
The survey results show that 44.5% of respondents save less than 20% of their monthly salary, making it the most common savings group, with 89 individuals

falling into this category. Additionally, 35.5% save between 20% to 35% , 11% save between 35% to 50%, and 9% save more than 50%. The smallest group, consisting of 18 respondents, saves over 50% of their monthly income.

5.   What percentage of your monthly salary is used to repay loan?

a.   Nil
b.   Less than 20%
c.   Between 20% to 35%
d.   Between 35% to 50%
e.   Over 50%
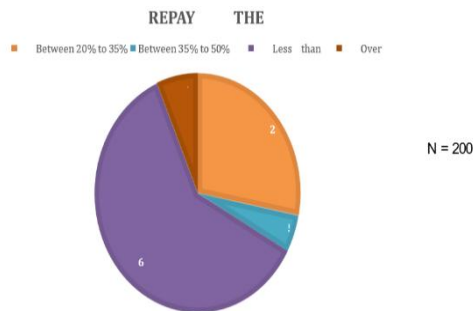
The survey data shows that 60.5% of respondents repay less than 20% of their salary towards loans, making it the most common repayment category, with 121 individuals in this group. Additionally, 28% allocate between 20% to 35% of their salary for loan repayments, while 50% fall within the 35% to 50% range . Meanwhile, 6.5% of respondents repay more than 50% of their salary, making them the smallest group, with just over 10 individuals.

6.   Are you doing tax planning at the beginning of every ever?
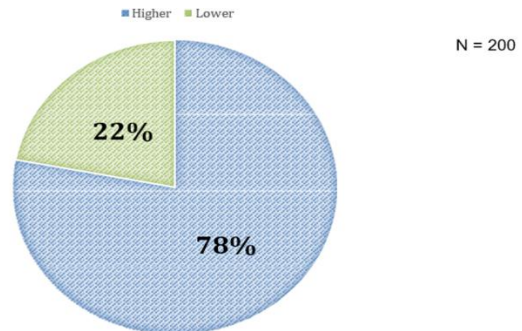
A –Yes
B –No
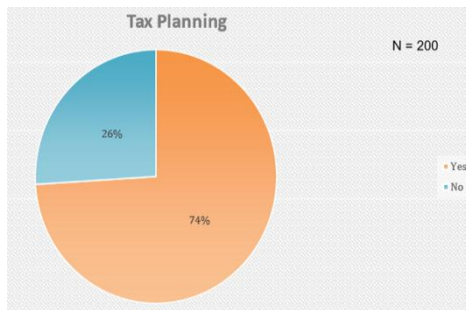
The findings of the survey indicate that 26% of the respondents plan taxes at the onset of the year, whereas 74% do not. The implication is that 148 out of the respondents do not perform tax planning at the onset of every year.

7.   Would you expect your taxable income in 2026 to be higher or lower than it is today?

a)   Higher
b)   Lower

The survey results show that 26% of respondents plan their taxes at the beginning of the year, while 74% do not. This means that the majority, 148 individuals, do not engage in tax planning at the start of each year.

8.   Under which heads of income, your income becomes taxable?

a.   Income from salary
b.   Income from house property
c.   Profits and gains of business, profession
d.   Capital gain
e.   Income from other sources
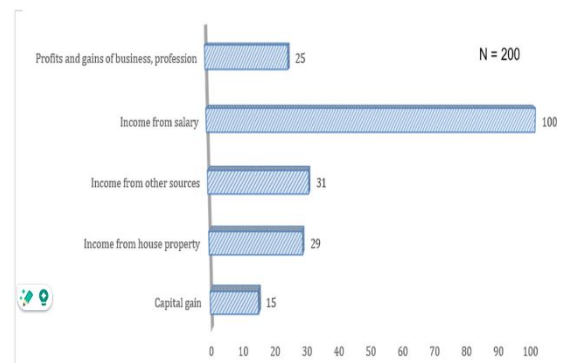
The survey data reveals that 50% of respondents consider their taxable income to come from salaries, making it the most common category. Additionally, 15.5% report income from other sources, 14.5% from house property, 12.5% from business or professional gains, and 7.5% from capital gains

9.   Are you aware about the deductions exempted under chapter VI (i.section 80c, 80ccc, 80ccd, 80d, 80e, 80g)?
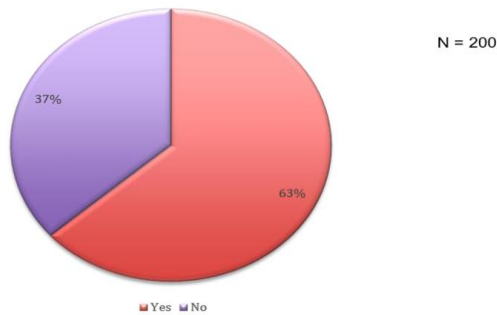
The survey results show that 63.5% of respondents are aware of tax deduction exemptions, while 36.5% are not. This means that the majority, totaling 127 individuals, have knowledge of these exemptions.

10. If yes then what are the exemption you apply for?

a. Insurance premium
b. Payment to pension scheme
c. Medical insurance premium
d. Other
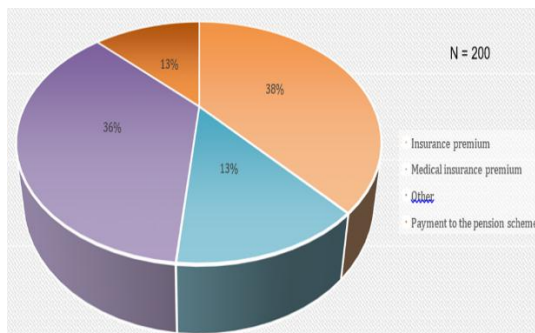
The survey results show that 38.5% of respondents apply for tax exemptions through insurance premium payments, making it the most common exemption.

Chi-Square Tests

Value		df	Asymptotic Significance (2- sided)
Pearson Chi-Square	285.018[a]	20	.000
Likelihood Ratio	83.117	20	.000
N of Valid Cases	200		

a. 22 cells (73.3%) have expected count less than 5. The minimum expected count is .01.
 (*Source: Primary data computed in SPSS)

o The key results in the Chi-Square Tests table are the person Chi-Square.

o The value of the test statistic is 285.018

o The test statistic is based on a 6x5 crosstabulation table, the degrees of freedom (df) for the test statistic is

On the other hand, only 4.7% apply for exemptions through payments to a pension scheme, making it the least used option.

11. The type of investment plan does the future employee prefer or not?

a. Regular return plan
b. Medical plan
c. Specific purpose plan
d. Pension plan
e. Multiple option plan
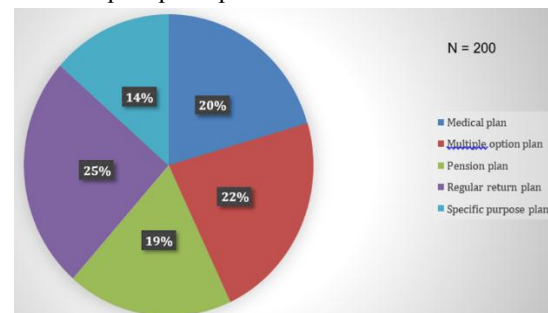
The survey reveals that 25% of the respondents prefer investing in a Regular Return Plan to enjoy tax exemptions, which is the most preferred option. Comparatively, just 13.5% go for a Specific Purpose Plan, which is the least favoured investment option.

$df = (R-1) * (C-1) = (6-1) * (5-1) = 5*4 = 20$

o The corresponding p-value of the test statistic is $p = 0.000$

DECISION AND CONCLUSIONS

o Since the p-value is lesser than our chosen significance level ($\alpha = 0.05$), we do reject the null hypothesis. Rather, we conclude there is no significant difference between Income Earnings

and Monthly salary savings.
o   Based on the results, we can state the following:
o   No association was found between rewards and performance ($X^2(2)> = 285.018$

FINDINGS

1. Majority (68.5%) of the respondents belong to the age group 19- 35 years.
2. Majority (54%) of the respondents are female.
3. Majority (59%) earn an income of Rs.5000000.
4. Majority (44.5%) of respondents save less than 20% of their monthly salary.
5. Majority (60.5%) of the respondents repay the loan less than 20%.
6. The majority (70%) of respondents do the plan taxation at the beginning of each year.
7. The majority (78%) of the respondents indicated higher tax revenue in 2026 accordingly.
8. Majority (63.5%) of respondents are aware of exceptional deduction.

CONCLUSIONS

The emphasis of this project revolves around financial planning and tax-saving approaches for white-collar employees. It is clear that good financial planning not only assists in curtailing tax obligations but also greatly contributes to relaxing the mind and providing a sense of financial security. This is based on the employees' financial information, and therefore it is ensured that the strategies developed will be as customized as possible in terms of cost reduction and income utilization. In Chapter 2, the literature scope is examined and conceptual framework for the study is established. It details the formulation of the research problem, analyzes the survey of the literature on tax planning and saving among the white collar employees, and assesses diverse measures to improve the financial health of those employees. The Chapter describes the design of the questionnaire for the survey and the procedures for obtaining the required data for the study. The analysis of surveys shows that employees want to understand how much tax they are liable to pay and need adequate financial planning services. With sufficient understanding and knowledge, one is competent to manage income in such a way that minimizes tax payments and allows sound financial decision-making. Most people are under the impression that financial planning is difficult. With proper advice and proper application of very basic financial planning guidelines, any planner can set up a suitable plan that meets the objectives of the planner.

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