Create Your Wealth

By understanding Simple Money Concepts

NOV 2015

FINANZ INDIA
Giving Total Financial Solutions

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FINANZINDIA Giving Total Financial Solutions

Create Your Wealth

By understanding simple money concepts

!! Dedicated to all our Investors !!
"Finanzindia"

Author's First Word

"There is no wealth like knowledge,
And no poverty like ignorance."

-Buddha.

Since we have established 'FINANZINDIA' a certified financial planning firm,

Our mission is, helping our investors to decide right choice of investment in their journey of life towards various responsibilities and dreams.

While reading the views and ideologies of various experts from so many years...

We have taken these Simple Money Concepts of industry experts, who are our mentors and gurus.

Investment world is too vast and complicated but investment principles are very simple. We want to become a helping hand for our investors to become wealthy and prosperous

.... with knowledge and wisdom.

Thanking You,

FINANZINDIA

On behalf of FINANZINDIA team,

I herewith thanks to 'Kavita Devi 'my partner for her daily dedicated efforts of awareness & Special thanks to Mr. Jatin Suratwala for helping Kavita for designing daily Simple Money Concepts.

Pravin Mutha CFPcm (Nashik)

1.

Assets could mean different things to different people but balancing among all is important	
Physical Assets (Durga symbol of Shakti) 	Financial assets (Laxmi symbol of Money) 
Mental asset (sarswati symbol of Knowledge) 	Philanthropic assets (parvati symbol of emotions) 

- Many people in India think money is not good & no need of more money and they can settle for less.
  They settle for less because they don't know more is possible.

- If we try... more is possible, more money, more financial freedom, more peace of mind.

- The rich don't take what is yours. They build on what they have.

- **They build on what..?**

  In most cases....

  - They take very hard effort to create.
  - It looks simple to create but it's not easy.
  - Need discipline, Patience, Persistence, Perseverance.
  - You have to change the way you think about money and spending.
  - You have to sacrifice today for a better tomorrow.

Wishing you all give equal importance to all pillars of our life including Devi Laxmi.

"Managed money works harder and gives you sense of destiny and purpose." – Dave Ramsey

2.

Give your children assets not liabilities.

- Assets of qualification, skills and experience of how to tackle circumstances.
- Let them fight hard like butterfly struggling to come out from its cocoon for birth.
- As a parent try to cultivate spending pattern which can sustain them in ups and downs of their life.
- By depriving our children from struggle, we are depriving their growth.
- Every success comes after struggle.

3.

Prepare your menu card-

- When we go to a restaurant for lunch/ dinner, we have our personal eating choice.
  - For e.g. weather vegetarian or non vegetarian, south Indian / Punjabi/ Chinese / Italian / Indian...;
  - Our choice depends on how much hungry are we?
  - If we are on diet- we prefer salad or fruit juice all the choice is ours.
- But when it comes to investments, your agent, banker, broker, distributor offer you what they like.
  - Sir/ Madam, this stock is going to get double in 3months,
  - This deposit is giving excellent returns,
  - This is best insurance plan,
  - Invest in gold coins,
  - New schemes in MF have been introduced and such various options.
- As we don't know our dreams & responsibilities so we don't work properly on that.
  Ultimately we work for other people’s goal to earn money for them.

Financial planning is finding our own needs and linking our sources of income towards our needs.

“Decide on a way of life and then earn the money to finance it – don’t do it the other way around.” – Fred Smith

As an individual we invariably want instant gratification and tend to delay hardships.

- We all have heard the story of Ant and Grasshopper.

  - Mr. Grasshopper was watching Ms Ant walking far off to get the food, bring it back and working hard on such a nice day.

  - Second example is a man comes home from his work.
    He parks his car in such a way that its nose is facing the inside wall and the next morning he gets late for work.

Very rarely do we find individuals parking the car facing to the exit or planning for future contingencies.

- **Exercise with yourself –**

  If we have the option of getting Rs 10 now or Rs 11 after six months, which will you choose?

  Be honest!!

  Many of us will opt for Rs 10 now.

  However financial planner will tell you that receiving Rs 11 after six months is better.

  The annualized return works out to be 21%.

As an individual we invariably want instant gratification and tend to delay hardships. (Continue...)

- But what is interesting here is that, in the above example the feeling of grasshopper and an ant and the man all have the same concern and delight.

  Only the order and timing is reversed.

- Saving and spending gives us the same feelings, concern and delight, only the order changes.

- Spending gives instant gratification.
  You can buy car or go for vacation.

- It is only afterwards that there is concern about the future, when one's earning abilities may not match up to one's needs.

- Another important reason to save initially is that by starting early,
  we can give time our money to grow and compound.

Moral-

- Faster you sow the seeds and nurture them, the larger your tree will grow.

6.

Equities /Diversified Equity Mutual Fund:

Most Indians consider equities or stock market as risky investments.

- Due to this, there is very little participation in the equity / Mutual Fund market.
- There are approx **900 lakh crores** in bank FDs and only **3 lakh crores** in equity/Mutual fund.
- Investing in equity mean...
  - We are buying a part of an actual business, whose products, we consume daily.
  - When we wake up,
  - We use Colgate, Gillette, and Lever....
  - We also use bank like HDFC, SBI......
  - Mobile networks of Idea, Bharti, etc.
  - We also use motor cycles, rickshaw and car which are the products of companies like Maruti, Bajaj Auto and Hero Honda.
- Through equities actually we get part ownership of such growing companies.
- They can expand their business with our money and can make good profits. Simultaneously, we as an investor will also make money.

"Stock market is a device for transferring money from impatient to patient." – Warren Buffet

Equities Vs Equity Mutual Fund

Vehicle of Direct equity is driven by seeing back mirror.

And

Vehicle of equity Mutual Fund is driven by seeing front mirror.

- General trend in the market is, buying stocks, not businesses.
- The entire focus is on share prices not the value.
- It means we are too lazy to work hard and less interested in acquiring knowledge.
- Most have an attitude to depend on others like tips and opinions rather than trend in economy, future earning and scope of business.
- So if you don't know how to drive, hire an expert driver. It means a fund manager of Mutual Fund.

How can we eliminate the risk of Equity?

For driving a car if we follow some rules like-

I. Having a good car,
II. Drive with reasonable speed,
III. Follow the traffic rules
IV. Give enough time to reach.

Like that equity market also has some rules which have to be followed,

I. Select a good fund/share
II. We should have a diversified portfolio.
III. Spread funds through SIP
IV. Period should be above 5 to 7 years.

Moral-

- Risk isn't in the stock/funds, but the way you invest.
- Take the route of SIP to take advantage of volatility in our favor.

"Risk comes from not knowing what you are doing"- Warren Buffet

9.

Don't run behind money but let money run behind us.

- We all love money and we are running full day and night behind it.
- If our hard work doesn't give result, we get frustrated.
- We run behind money unconditionally, in whatever form, continuously just thinking about it.
- But instead of running behind it, if we take a control over it and manage it well and don't allow it to remain idle then it will start working for us.
- Put it into more returns generating asset with a link to our goal.
- Try to balance four wheels of our life i.e. Income, expenses, asset and liabilities.

Wish you make your money work for you.

"Make your money work hard for you and you will not have to work so hard for it" – Napoleon Hill

10.

Spending more time on family budget is more important than union budget.

- Watching Union budget and understanding its implications in a broader perspective is okay but depending on that is not good.
- Our spending on movies and restaurants don't depend on budget then why should be our savings and investments?
- How much should we save, isn't to be decided by our finance minister. It should be decided by us.
- Our financial responsibilities aren't dependent upon Sec 80C, 80 D, 80 E of income tax act.

  We go for vacations, Our Children study, Get married, We will retire someday.......
- All events will be funded irrespective of whether there are tax benefits or not.

Moral-

By giving more time on our family budget, we will create more wealth irrespective of what the finance minister does in a particular budget.

"Beware of little expenses; a small leak will sink a great ship"
- Benjamin Franklin

Why plan for start early?

- Anyone who has just joined the workforce for the first time has a list of things to spend on from clothes to gadgets and more, saving and investments rarely feature in this list, sound boring and even unimportant.
- But if you don't want to lose financially, you must plan your finances.
- Warren Buffet starts at 11 of his age and other Uday Kotak starts at age 20. Still both are saying," We are late."
- Money loses its value due to inflation and Taxes.

Moral-

- Don't wait or postpone your savings and investments.
- Starting early is the first key for being financially free.

12.

Life insurance policy isn't an investment.

What should one think before buying insurance?

- Best policy is that, which gives us adequate financial support at minimum cost.

Rules to be followed –

- Don't buy policy which combine insurance with investment.

Example:-

Insurance coverage - 1crore Age -35 years Policy - Term Insurance Premium – Rs. 40,000/- P.A.	Insurance coverage - 1crore Age- 35 years Policy- Endowment Premium – Rs. 4,80,000/- P.A.

Term policy is much cheaper.

How many people can afford to pay nearly 5 lakh every year?

- Don't buy insurance merely to save tax.
- Don't buy insurance if you are sufficiently wealthy.
- Don't buy insurance if you have no dependants.

Moral -

- Keep separate your Insurance and investments.
- Term plan + SIP are always a best combination.
- Think once

Contingency Fund-

- It's important to allocate money to fulfill the demands of life confidently.
- It's a creating financial cushion for financial setbacks like-
  Whether to quit the Job,
  Requirement of fund for children's study,
  Pursue higher studies,
- Creating contingency fund when regular income is at risk.
- It is generally 6months of income or 12 months of expenses.
- For contingency, we should never depend on –

  Long term assets like real estate, Equity funds and any schemes for which we have to pay penalty.
- We should use liquid fund and short term funds or flexi deposits, which are available within 1 working day with returns like inflation.
- Prefer loan against Gold, FD or Mf / shares only if interest rate is lower than investment return.

Moral –

Contingency plan is the first step towards financial planning.

!! Best Finance Oscar winners!!

- Basic investment pattern always remain as it is...
- Many of us feel it boring but various categories of our personal finances remain constant and consistent.
  - Best life insurance - Term policy
  - Best Health insurance - Individual Mediclaim policy
  - Best credit card-Low limit, low usage and low interest
  - Best property - Affordable
  - Best gold- Earlier Gold ETF now through Gold monetization Scheme.
  - Best Fixed deposit- AAA quality Borrower
  - Best Equity share - Excellent Management
  - Best Mutual Fund -Matching your profile
  - Best loan - Lowest EMI per lakh for a given tenure.
  - Best pension - Make your own plan
  - Best Tax - No winner (All taxes hurts)

Moral-

- Above is the perfect recipe to become crorepati and believe these winners with full faith.

"Add dose of discipline and patience and be the winners."

15.

Difference between rich and wealthy-

- Rich people spend most of the money they earn.
  Spending lavishly but hiding themselves behind credit card and debts.

- In the Book "Millionaire next Door" by Thomas and Williams, they have written about 1100 wealthy people.

- **Common habits of Wealthy people –**
  - Live within their means.
  - Budget their spending.
  - Save the Taxes.
  - Borrow very little.
  - Take professional help to manage their money.

- When we save, we make our money work for us and
  When we spend our money, we make our money work for others.

- Invested money generates income and when our income dries up we need wealth to call back.

Moral –

Before you pay to others, ask yourself.....Do you pay for yourself?

"Money and Relationship" –

- Money can cause strain in relationship.
- Money isn't only a piece of paper.
  Rather it works as oxygen and helps us to achieve our aspirations.
- It's a reflection of our feelings.
  If husband wants I Pad, but wife desires gold jewellery, it won't work.
- How wealthy are you, isn't important.
  Important is how both you manage with whatever you have and how enjoy spending it together.
- Also Important is how both of you grow your wealth to fulfill bigger dreams.
- For all this, communication and building up financial compatibility are must.
- A financially happy and secure family is a team effort not one man or one woman show.

Moral –

- Sharing financial matters with family increases our happiness.

17.

!! Women's Special!!

Be ready to take charge of your financial future -

As per the latest data

- Only 4% women have excellent knowledge of finance
- 12% women have good knowledge
- 40% women have very little
- And 44% have almost zero.

Herewith I will take an opportunity to tell my women friends.......

Think of money as a tool

Which help to achieve our goals.

And tool with whose help we care ourselves.

"A woman's best protection is a little money of her own." –
Clare Boothe Luce

18.

No asset class can be termed as risk free.

We have **physical assets** - Gold and Real estate

We have **financial assets -** Equity and Debt/ FD

1. FD and Gold have no risk in short term. No ups and downs in short period. But, there is risk in long-term for not beating inflation.

2. Real estate has no daily rates. / Equity looks very risky/ volatile in short term But, wealth creation is excellent in both segments for long-term.

3. Whoever has done monthly SIP of Rs. 1000/- since last 20 yrs in equity funds, have created wealth above 30 lacs.

   And same SIP or investment of Rs. 1000/-per month has created wealth up to 6 lacs in FD/ PPF/Gold/Post.

   - Just like, for good health, we have to go out and play cricket, football or any physical game.

   - Risk of injuries is always there but benefit of being healthy is more important than minor injuries.

   - Otherwise sitting at home and playing cards, chess and carrom is more easy.

   - Same applies with Finance- Risk is always there in investing in equities, but not investing in equities carries much more risk.

"The hardest thing to judge is what level of risk is safe." – George Soros

19.

Income and wealth are different-

- Just like cooking material for cooking, and cooked dishes are different.
- While cooking, we use the materials like rice, wheat, grams, pulses, spices, vegetables, etc and make various tasty dishes.
- Our income is the "cooking material" for cooking our "Healthy Delicious Dishes".
- Income is the money that we earn by way of salaries, profits, fees.
- Wealth, on the other hand, is 'accumulation of money'
    - It could be cash available to you.
    - It could be your bank deposits.
    - It could be your portfolio of stocks, mutual fund and / or insurance policies.
    - It could be the gold or silver that you possess.
- In the other words, wealth is the money that we own and build assets for you.

Moral-

What we "Earn" isn't important, what we" Own" is important.

"Wealth is the ability to fully experience life." – Henry David Thoreau

20.

We Indians currently consume about 800-1000 tons of Gold in a year

1. Gold isn't produced in India. We are paying approx 3 lakh crore in foreign currency.

2. Why our consumption of Gold is reason to sleepless nights to our Finance Minister?

- **Reasons-**

  - Our CAD and Fiscal deficit increases and ultimately rupee depreciates.
  - Actually gold as a only fancy shiny piece, practically no economic use.

- We Indians rarely sell gold. Presently it is estimated 20,000 tonnes of gold is lying in our homes.

- We can be superpower if we divert 20 to 30% of gold into financial assets like equity and debt/ FD which leads to economic growth and there would be no need to depend on FDI money.

- Average returns from gold over the last 2-3 decades have been merely 7 to 8% p.a.

- Every patriotic Indian should just give a thought on this.

"Too many people miss the silver lining because they're expecting gold." – Maurice Setter

Inflation is called as a "Bhasmasur" of our Indian mythology-

- **Money is burning**
    - Before 10 yrs what we paid for apple, milk and petrol was much less than what we pay today.
    - In 1993 we paid service tax of 5%, in 2003 -8%, 2007-12% and now 2015 -14%.
    - Value of 100000/- will be 10000/- after 30 yrs.
    - Inflation and Taxes eats away our purchasing power.
    - Inflation also eats away a major part of the returns that our investments earn.
    - If FD gives a return of 8%, after taxes and rate of inflation is 8%, we are actually earning nothing on our investments.
- Wealth should be created by observing impact of inflation.

"Inflation is taxation without legislation." – Milton Friedman

The process of earning 'Income on income ' is termed as compounding.

- Suppose 4yrs ago you invested 10000/- and now it is 20000/-

  So as per simple interest -

  Profit of 100%/4 yrs = 25% yearly returns.

  But actual calculation is

  CAGR= (Final value/initial amt) ^ (1/yrs)-1

  (20000 /10000) ^ (1/4)-1=0•1892 so CAGR is 18.92%

- However it doesn't mean that every year you earn the same returns. CAGR merely calculates the average annualized return.

- We had seen people or bank saying,

  "Give me fixed amount every year and after 20 years we will give you 195% of total amount deposited with us."

  Ex. 50000/- yearly * 20 yrs = 10lakh.

  Work out to be back = 19.5lakh.

  If we calculate CAGR, it is 9.75%

  And what they calculate is straight returns.

- So if we really care for our money, we should calculate CAGR for Real estate, Equity, Gold and Debt.

"Start calculating performance of your assets with CAGR"

‘Will ' is a result of care for your dear ones, not merely in your mind.

But your actions demonstrate it.

- ‘Will ' is a statement of your wishes and instructions.
- Don't think will is for the very rich and for the very old.
- If our dear ones aren't found around us, it gets really scary.
- Take a piece of paper and just make some notes in your own handwritten words.
- It takes only 10 to 15 minutes to do that.
- Just nominate one person to carry out your wishes and instructions.
- This is called executor.
- Our Indian succession law has designed simplest way of making 'WILL'
- WILL making is an inheritance Planning or Estate Planning.
- For the love of your near and dear ones, plan for them.

“Estate planning is an important and everlasting gift you can give your family. And setting up a smooth inheritance isn’t as hard as you might think.” –
Suze Orman

Few do’s and don’ts of real estate

- **First let's understand Property –**
  - Property has always been a great wealth creator.
  - From last 50 yrs it has delivered 15% CAGR.
- **But question is how much should be our allocation in property?**
  - A thumb rule is that towards - Every "One Rupee" investment in property you have" Two Rupee" in other investments of other asset classes
  - Or 30% in Real Estate and 70% in other investment vehicle are idle.
  - More than 60 to 70% is not a good for financial health.
- **Reasons for above rule for property –**
  - Not easily divisible and liquidated.
  - Cycle of demand and supply, leakages of expenses like maintenance and taxes,
  - Extra efforts for rent and inheritance & High risk of litigation with siblings, society

“Real estate investing even on a very small scale remains a tried and true building of an individual’s cash flow and wealth.” – Robert Kiyosaki

Strategic Asset allocation –

- It means dividing our investments into different asset classes.
- This allocation is as per our responsibilities and dreams of life.
- But after clarity of our goals, allocation comes.

For e.g. If our investment amount is Rs. 1, 00,000/- .

Our strategy decided to invest Rs.60, 000/- into equity which has potential of 15% returns,

Rs.30, 000/- into FD which has potential of 9% returns,

Rs.10, 000/- into gold ETF which has potential of 8% returns.

Average returns of this portfolio will be 11%.

- If next year value of Equity gets more, then we should transfer some amount from Equity to Debt.
- If value of Gold is less, we should transfer some amount from Debt.
- Balancing our decided allocation 60%; 30%; 10% should be fixed.
- As an investor we have to understand that volatility is a part of wealth creation. Asset allocation inculcates discipline.

Moral:

All investors should focus on long-term asset allocation and link it with your dreams and responsibilities.

"Proper asset allocation combined with careful selection of investments within each asset category is the key to long-term investment success.

Let's play financial cricket –

- Sunil Gavaskar says:- In test matches, you just have to stay at the crease, the runs would follow.

- Albert Einstein says same- power of compounding is the 8th wonder and who understand it, earns it and those who don't, pays it.

We have seen,

- Rahul Dravid and Sachin Tendulkar v/s Vinod Kambli and Kieron Pollard.

- Many investors due to lack of knowledge and out of fear in a market rally.....wish to book frequent profits, but such short term decision may not be wise.

- Investing is not a 20:20 game; it is a long-term test match.
- Discipline and patience with winning players creates good score.
- The longer we stay at the crease, the more can be our accumulation.

"Investing should be more like watching paint dry or watching grass grow."
– Paul Samuelson

27.

We all need to focus three things in finances

- In Cricket, batsman has to protect the three stumps.
  Otherwise he will get out and will have to walk back to the pavilion.

- **Likewise in finances,**

  Wealth protection,
  Wealth creation and
  Wealth distributions are the three stumps.

1. Wealth protection

- It is transferring the risk of life, health, properties and liabilities.

2. Wealth creation

- It is reaching to targeted amount for your responsibilities and dreams.
- In cricket good run rate with one and two runs are most important than only sixes and four
- Like that in financial wealth SIP with consistency are most important.

3. Wealth distribution

- It is our golden period of life, it will be protected with fixed withdrawal for you and your loved ones and bequeathing of our assets also is the part of our third stump.

Moral –

Financial planning is helping us to protect our three stumps.

"Take charge of your financial future. I believe investing small amounts each month will give you financial freedom in later years of your life." – Bo Sanchez

Benjamin Franklin says-

- Money never produces happiness. The more a man has, the more he wants.
- It creates more vacuum due to our desires.
- Our happiness only depends on us.
- There is no amount of money in the world that can make you comfortable if you aren't comfortable with yourself.
- We have seen many people compromising their family life by departing with family or postponing their retirement or not going for vacations.
- They always thought a big corpus of money will give them happiness.
- Financial planning stops us from running unnecessarily behind money.
- It is also the life planning.

"Some people are so poor; all they have is money." – Patrick Meagher

Equities are considered inherently riskier than investments in bonds and FDs.

What makes equity investment risky?

1. Is it because of inconsistent performance of business behind the stocks?

   Or

2. Is it because of the behavior of the market participants, who as a result of greed and fear get excessively optimistic and pessimistic about the future events and results?

   Right Answer is 2nd one.

- No owner of the business will run his business to do losses.
- Market in short term runs on sentiments but over a period rate of the companies has to match with their earnings.
- In businesses, we are not depended on short term factors of any country's economy or our political factors, RBI and also we take a charge of our emotions of greed and fear.

Moral-

SIP investors will always be happy whether it's a Bull Run or Bear.

"Patience, persistence and perspiration make an unbeatable combination for success." – Napoleon Hill

How many of us calculate the returns on our investments?

- Whoever keep records or know how to calculate, will take proper decisions for choosing investments.
- Understanding of simple interest and compound interest is also necessary.
- Simple interest remains same for entire period, as it is only on principal.
- While compound interest grows every year as it is calculated on the total interest with added sum.
- While calculating Gold, Real Estate and Deposits, we have to calculate CAGR for each of them to compare.

Moral-

Calculate all your assets as Compound Annualized Generated Returns (CAGR) not with simple interest.

"Understand the magic of compound interest. Once you get enough money working for you, you then no longer have to work for money. It's truly amazing." – Jim Yih

Inflation

- In our mythology, to demolish Bhasmasur Lord Shiva took a help of Lord Vishnu.
  "Vishnu" in our case is diversified equity funds.

- Fund managers role are buying the shares of the companies that make products that we are using in our day to day life.

- Change is a part of life.
  We should also change our mindset from traditional products to market regulated products.

- In past 20 yrs whoever has invested 1lakh in equity diversified funds, his today's value is above 20lakh.
  And if same 1lakh invested in Bank FD will receive only 4.6lakh

Moral-

Use FD vehicle for your short term goals and equity vehicle for your long-term goals.

"Your life does not get better by chance, it gets better by change."
– Jim Rohn

Health's various parameters are BP, cholesterol levels, sugar levels etc.......

Likewise in wealth also many parameters are there that will help you to evaluate your financial health.

- **Liquidity Ratio- (any time money)**

  In saving bank account **+** Liquid funds **+** Flexi deposits

  = Total Liquidity

  ÷ Monthly expenses

- **Expenses should include -**

  Emi + School Fee + Household expense + Savings
  For e.g. If our monthly expenses is 20000/- per month
  We should keep up to 60000/- to 120000/- but not more or less than that.

- The answer of that ratio should be minimum 3 to 6 months of your monthly expenses.

- Above that should be invested at higher rate as per our future needs.

- And if it is less, we should accumulate that amount as early as we can

"Be prepared to do a great job of monitoring your financial life in future." – Manish Chauhan

Other few parameters that will help you to evaluate your financial health-

- **Saving Ratio=**
  Amount invested per month divided by your take home pay.
  Answer should be 25% to 40%

- **The debt to income Ratio =**
  Total loan EMI per month/ per month take home pay.
  It shouldn't exceed 30% to 40%.

- **Net worth Ratio =**
  Total assets - liabilities.
  If I want to retire today, how many months I will survive.......??

"Success is neither magical nor mysterious. Success is the natural consequence of consistently applying basic fundamentals." – Jim Rohn

Three things to turn yourself into crorepati-

- We are very well aware that we need three things to grow a plant. such as Seed, water, sunlight, manure......

- But the only best seed won't give you a plant if not using proper gardening skills.

- But again only Gardening skills are not enough if we don't put enough inputs such as Seed, water, sunlight, manure......

- Like that in finances inputs required is time, Discipline and Patience..... Above three are required for desire results and without that any one can't work out.

- Wealth Creation is- how wisely we use our money... protects it...... and invest it...asset classes we choose that is financial skills...
  Time, discipline & Patience... and giving time to your investments...

- There are no instant fruits/ returns

Wishing you grow your financial plant successfully.

“Time spent in the market is more important than timing the markets.”

Wealth Protection

- Protection of material and emotional wealth.
- Emotional wealth is you and you're near ones.
- For Emotional wealth we need to plan strategy to deal with eventualities of near ones.
- And protecting material wealth is our house, car, office
- And we also need to protect our self from liabilities.
- Emotional pain of loss takes a longtime to cover
- But we can be able to ignore financial stress.

To acquire wealth is difficult, but to preserve it is more difficult"- J. Edward Day

36.

Wealth accumulation –

Don't focus on Maximizing returns, Example of 3 neighbors.

- Mr. Shah, Mr. Mehra & Mr. Iyer all start morning 9.15 together.
  Mr. Shah wants to go nearby bank, he decided to walk.

- Mr. Mehra want to reach at 10.30 in a nearby town about 40km away, he decided to go by car, a speed of 50 average.
  And
- Mr. Ayer running late for his flight and reporting time is 9.30. He told driver to drive as fast as he can. The mode, speed and vehicle differ in each three cases.

- If were to take the car to the bank,
  He would reach quickly but he would waste time searching for parking.

- Mr. Shah Like that Mr. Mehra's car could travel at 180kmph;
  He would reach early but there involves a risk of an accident. And

- If Mr. Ayer decided to walk to the airport, He would certainly miss his flight.

If there is a mismatch between your financial goals and investment strategy,

You may either not reach your financial goals at all or may not reach at appropriate time.

"A goal without a plan is just a WISH." – Antoine De Saint

37.

Wealth digestion –

- Wealth is like a river. Please let it flow.
- By all means, save and spend on yourself and your near and dear ones.
- But also give it back to the society.
- The biggest business house in our country have spent heavily on community and society is still undivided and highly respected.
- And other families which only hoarded wealth for themselves and have split.
- The way u digested food gets thrown out of the system, undigested wealth also get thrown out in the same way or other.

Moral-

Moral of saying is that when we know exactly, what we have and how much we will need..... We surely don't go behind the materialism and digest our wealth.

"When you create wealth, it's your responsibility to return it to society." – Robert Kiyosaki

38.

A simple recipe to transform your income into wealth.

1. Collect all incomes from various sources

2. Filter out wealth leakages which slowly erode your wealth .
3. value every rupee you spent.
4. Building protection against wealth destroyers by avoiding unnecessary risk
5. Channelize your income through wealth creators and wealth preservers.
6. Try your every rupee delivers multiply by leveraging
7. Reap your wealth, wait and make Wealth

“Wealth is well known to be a great comforter.” – Plato

39.

Most of times in media and website,

- **We always try to find out....**
  Top running investment options,

Top performing MF schemes,
Top shares scripts or
Best property places.....

- Warren buffet says the investor of today does not earn profit from yesterday's growth.

- Don't look short term returns of performance, because winners rotate.

- In Olympic, there are two kinds of races.
  One is 100 meter and second is marathon.
  Athlete who wins 100 meters is fastest but not necessarily the strongest runner.

- What we need in reality is an investment which is like marathon runner.

  One who gives us returns for long duration.

  Because we know long-term consistent returns gives us the effect of compounding.

"You must have long term goals to keep you from being frustrated by short term failures." – Charles C Noble

Self discipline is one of a key for investment success.

- Successful people are simply those, who make a habit of doing what unsuccessful people don't like to do.

- Successful people do that because it is a price of success.
- Investing is simple, but the investment industry and we have made it complicated.
- In industry and ours thrust for instant gratification, has woven a web of complexity for confuse all of us.
- If we regularly invest proportion of our income for our clear specific goals, we will get success of having a peaceful life.
- Every act of self discipline with hard work and persistence be needed for investment success.

“Success is nothing more than a few simple disciplines, practiced every day.” – Jim Rohn

41.

Those who fail to plan, they plan to fail.

- Don't spend time only asking friends, relatives and colleagues for good investment avenues.

- Instead of that know your responsibilities and dreams.
- And link your resources of income towards those is your first task.
- Other person's clothes do not fit you, same as..... Other person's investments also do not suit you.

Moral-

- In most cases, people do not exactly know what they are saving for.
- As we don't know, we will try and copy others to maximize returns and in most of cases we end up with taking unnecessary risk.

"Formal education will make you a 'living', self education will make you a fortune" – Jim Rohn

42.

How fund manager select the equity companies....?

It's mostly same like we select the good cricketers...
They mostly do two types of analysis

A. Fundamental Analysis

B. Technical Analysis

A. Fundamental Analysis- In fundamental they study

- Consistency and performance
- Sentiments
- Fundamentals
- Profitability of the company
- Our economy prospects
- Demand and supply....

Fundamental tells what to buy? And It is for long-term.

B. Technical analysis –

- It studies price and volume, past charts, past historical.
- And it is generally for short term.
- If we directly want to purchase Shares, we have to study above all. And we should also decide we want to purchase on fundamental basis or technical basis.
- It is just like driving.... looking back mirror or front mirror.
- Have proper fundamental study before investing for successful future.

“If you don’t study any companies, you have the same success buying stocks as you do in a poker game if you bet without looking at your cards.” – Peter Lynch

43.

In India there are 2 types of insurance policies

Traditional

ULIP’s (Unit Linked Insurance Plans)

In traditional plans there are five different plans

Endowment

Money back

Whole life

Pension plan

Children's plan

- The investments of above policies are done in debt/ FD investments.
- These policies cost investors at least 35% in the first year and 5% in second year onwards and returns of these policies are 4% to 6%.
- These policies don't serve the purpose of insurance or investments.
- ULIPS invest money in mutual funds; investors allotted units and amount invested in equity and debt.
- The biggest flaw with ULIP is its high upfront cost around 15% to 60%. And in addition to this there are administration charges and several other charges.
- High cost policies will take several years to just breakeven.

So what investors should do?

- Tell your insurance agent to give you a online term plan.
  Take insurance for insurance cover.
  And for investments prefer SIP via MF or even pure FD will give you better returns.

"In insurance lots of people get together to share the burden therefore it is a cost sharing mechanism & not money making investment."

44.

Benefits of term plan:-

- You pay much less premium
- Over a time as you create wealth, your insurance needs go down.

So if you decide that you do not need insurance and do not wish to continue your policy, simply stop premiums.

- You have right kind and amount of insurance and have not compromise by being under - insured.

  Normally, people make a big mistake when taking investment -oriented plans where premium is higher but the cover is lower.

  Policyholder is under insured.

- Most people are able to maximize their Section 80C investments through home loan principal, children school fees, and PPF.

- The limit under 80 C is 1, 50,000/-. So, if you are paying a higher premium there is no benefit anyway.

- Term plan premiums are fully tax deductible.

Wishing you take prudent decisions for your hard earned money.

"You don't buy life insurance because you are going to die, but because those you love are going to live."

45.

Human life is rare.... and in such short span of life, we all have our dreams and aspirations with our loved ones.

- A right amount of money, at our right age is most important.

- Time doesn't wait for anyone.

- We can't postpone our vacations or children education and marriage.
- We can little bit postpone our retirement, house, car, gadgets.
- Vacation fund at the age 60 isn't right planning.
- We must be healthy to enjoy our vacations.
- Vacations fund should be since age of 40 and onwards.......
- A little bit financial planning will give you happiness at a right age.

Wishing you plan your financial dreams and aspirations.

"You cannot save time for the future use. But you can invest it for the future you."

46.

Love yourself by creating retirement fund for yourself.

- Love your family by following rules of nomination and co holders to your financial transactions.
- In many developed countries and even developing countries take care of your retirement partly or fully.

- But we Indians having huge population, we have to create our own retirement funds.

- So loving ourselves by giving salary to ourselves first is very very important.

- Nominee is legally trustee of our investments.

- If you love your family "WILL" is the best option otherwise always try to understand the rules of Nomination is also very very important.

"Your best retirement plan for retiring happy and prosperous – don't be a burden on others." – Ernie Zelinski

47.

Which are our assets and which one is not?

- Financially speaking, assets are things that should give you some returns I.e. 'Put money in our pocket'

  - Our car, electronic gadgets, our house, furnishings and fittings in home aren't assets.

- Except our house, all losses value when we go for sell and also replacement cost is high.

- Even while we own them, you have to spend money on them in way of taxes, insurance, maintenance, repairs.

- Real assets are stocks, property, gold, bonds etc.
- That will put money into our pockets by way of interest, divided, rent and appreciation.
- So solution is first try to convert your income into wealth and buy these things out of additional inflow that this wealth generates.
- Your wealth creation by way of saving should not be disturbed while purchasing that.

"Don't buy luxuries until you've built the assets to afford them." – Robert Kiyosaki

48.

"Make" v/s. "Keep"

Income may "make" you rich but may not "Keep" you rich.

- We have seen many instances of the people....
  who were born with golden spoon or earned huge money
  or regularly earning good income, but ended with nothing enough.
- Because they avoid to understand money concepts of creating wealth.

They lived a lavish show off lifestyle.

- Wealth has potential to keep you and even your future generations rich.
  If we give respect to our money and plan it according to our dreams and responsibilities......,

- No one can stop us from being wealthy, peaceful and financially free person.

- So start thinking whether we only want to "Make" our money or "Keep" our money.

"A wealthy person is simply someone who has learned how to make money when they're not working." – Robert Kiyosaki

49.

Stop v/s. continuous

- Income would stop one day in so many cases.
- One day we will retire from our work.
- For different types of work there are certain age limit.
  It differs from sports person, actor, and professional to business man and for salaried person.

- That apart illness, old age and any disability may also reduce our ability to earn during later years of our life.

- Wealth......, however has potential to give us lifelong income.
  - Bank FD gives you interest.
  - Equity / Mf give you dividend / appreciation.
  - Real estate gives you rent.
  - Gold gives to appreciation.
- Above all wealth has potential to provide you income perpetually.

Moral-

Conversion of income into wealth is a very very important and it should be from the first day when you start earning.

"It is best to start investing earlier in small increments rather than invest big increments at a later time." – Aya Laraya

50.

Wealth destroyers-

- **Lack of right knowledge-**
  If you don't know how to cook, you surely make a bad dish.
  Lack of knowledge surely will lead to make bad decisions about your finances.

- **Lack of right attitude-**
  If we don't care of your money, no one else can.

Putting money in share market (equity) for short term and be attracted to fast making of money into false schemes is not right.

- **Lack of right record -**
  If we don't keep our income and expenses record, it will surely prevent us from making wealth.

- **Lack of right advisors-**
  Doing it own always is not right.
  Giving time to find right advisor is the path to create wealth.
  His experiences gives us guidance and we will able to create wealth and control our emotions.

"Financial planning is about more than just good advice or investment returns. It's about providing GUIDANCE THAT YOU CAN TRUST."

51.

Gold

Love of Indian's for gold has no comparison.

- Let us see gold history from 1975 to 2009
  For most of the time during this 34 yr period gold has been in the range of $ 300 to $ 400
  There were practically no returns for almost 25 yrs.
  Out of 34 years, in 14 years returns were negative, while 4 times returns were very low 1-5%

- Maximum negative return was 25% in 1981 immediately after max. Maximum positive returns of almost 100 % in 1980

- Average return from 1975-2009 is mere 6%

- In view of the forthcoming situation, it may not be prudent to consider investment in gold as an investment that would generate good returns for you.

- Gold should be treated more like emergency/insurance against bad times and not wealth creating asset.

- It should not be more than 5 to 10% of your portfolio that can be mix of jewellery and gold coins and bars, units of gold Mf… and extra all gold should prefer to put into gold monetization scheme by government.

"All that glitters is not gold." – William Shakespeare

52.

Mutual funds

- If we want to travel from Delhi to Mumbai ... We prefer plane, train, bus or travel by our own car to reach our destination.

- Mutual funds are like public transport means driven by others.
  Just like using the services of plane, train and buses.
  They are highly regulated with their timings and all the services are transparent.

- Driving the car on our own is purchasing the equity, bonds and gold by our own.
  As we don't prefer chauffer to drive our investment vehicle, there is always risk of missing the road.
  But if we want to travel long, we should prefer public transport.
  They have fixed times of reaching the destination. And they also have in between stops where we can easily get down.

- Through mutual fund drivers we can purchase Equity, debentures, bonds, gold and even few mutual fund have real estate funds also.

- They are highly regulated and transparent.

- We will get these expertise with a very low cost of hardly 0.50% to 2%.
  This is the best vehicle through which we can safely reach our destinations

"Mutual funds have historically offered safety and diversification." –
Ron Chernow

53.

All asset classes have five different phases called by expert Elliott wave theory-

- **First wave** of Bull Run starts on almost universally negative news of that asset class and economy probably don't look strong.
  All headlines are negative. Continue with bad news and bearish sentiment.

- **In second wave** that asset class prices goes up and corrects little.
  Positive news started coming.

Correction is short lived.

- **In third wave** Most market players remain negative.
  This is the largest and most powerful wave of bull market.

- **Fourth wave** is consolidation phase.
  Rates are as it is. All this four waves are opportunities in the market to buy that asset class.

- **In Fifth wave** in this every coming person is bullish and making money above expectations.
  This is the time for profit booking and revising asset allocation.

  We have already seen Bull Run of Gold and Real estate.
  Now is the time of equities. Stay invested and keeps investing at every fall.

Thoughtful financial planning can easily take a backseat to daily life:
Suze Orman

54.

Let's understand financial planning with Local train Facilities.

- Choose a right local train -A local train brings life to city of Mumbai.
  Everybody in Mumbai, daily decides their train as per their reaching time.

Fast train = Investment product 'A'
Semi Fast train =Investment product 'B'
Slow train = investment product 'C'

Time to reach office = Duration of financial goal Destination = your office /your financial responsibility / your goal Speed of train = Rate of return on an instrument.

- Financial planning helps us to be financially free and required following questions –

1.	Know your desired destination (know your responsibilities and dreams)
2.	Know the time to reach the destination (Find the duration of that goals)
3.	Know the speed of the train (Find the rate of returns required for your goals)
4.	Lastly, sit in a right train (choose the right investment product)

- So choose right plan to reach at the desired destination at right time.

"Just like anything in life, if you organize and track what you are doing, you have a better probability of attaining success."

55.

Planning for your children

- Financial plan for child isn't buying insurance policy; ULIP, opening a PPF account, making FD or starting recurring deposit.

- Actually it is deciding how much money will be required and
  For that how much saving we can do.
  After that, it has to be decided, in which product and how much return.

- E.g. you have a child of 2 yrs.

  - Assumed wedding cost 5lakh.
    Needed for Higher education 3lakh for 2 yrs = 6lakh

  - Professional education 1.5lakh for 5 yrs. = 7.5lakh.
    Than
  - Total cost 18.50Lakh at 8% inflation Around 90 lack needed.

  - Expecting **4%** returns which you get popular children policies, you need to invest about **Rs. 50lakh lump sum** or **26000 per month.**
    Many fancy child policies would yield 2 to 5%.

  - Expecting **8%** returns via PPF /RD/BONDS etc you need to invest about **Rs. 24lakh lump sum** or **19000/- per month.**

  - Expecting **10 to 12%** returns via child ULIPS/ balance funds etc.
    You need to invest between **13 to 17lakh lump-sum** or
    13000/- to 16000 /- sip

  - Expecting 14% returns.
    You need to invest 90% plus equity MF -**10lakh lump sum or 12000/- sip** starting for now.

"Children are great imitators. So give them something great to imitate"

Difference between Gambling and Equity investing

- Gambling is a zero sum game, only one can be winner....
  Either you or gambling house.
  In Equity, everyone can be winner.
  You as an investor can make money, simultaneously with our money company can expand its business and win by making profits.

- In gambling winning chances are very low and a rare occurrence.

In equity chances of making money is too high if invest sensibly.

- Gambling is for thrill, excitement and lots of disappointment and in the end own nothing.
  In Equity you get to own and be part of some business and their income.

- In gambling no study or skill required and it's a short term game.
  Equity is a game of skill.
  It needs lot of research to identify the right company and their performance.
  It's a game of time.
  Businesses grows with time and also your share price.

- Gambling is transfer of money from one person to another but equity isn't.
  So it's transfer of money from investor pockets to company pocket and profit of that into all pockets.

"Although it's easy to forget sometimes, a share is not a lottery ticket... It's a part ownership of a business." – Peter Lynch

57.

On 4th may we had lost our Mentor Mr. Parag Parikh, who had a long experience in our field based on behavioral finance.
He was a Master of value investing having his own AMC PPFAS.
Below Three Messages is a tribute to his thoughts about investments.

He always says-

- Failure is as predictable as success because it is the strength of character, which separates the winner from the looser.
  - Sow a thought and you reap an act,

- Sow an act and you reap a habit, and
- Sow a habit and you reap a character,
- Sow a character and you reap a destiny.

- All changes in our life… start with changing our thoughts and actions.
- So form habits that sow the seeds of our success and make those habits our masters.
- All understanding of human nature begins with understanding the way we are and it begins with an honest understanding of ourselves.
- The key knowledge is self knowledge and self awareness.

"Prepare, plan and commit to a strategy." – Mr Parag Parikh

58.

Human characteristics which prevents to create wealth

- **Laziness** - We always seek easiest way to do things…
  The inability to delay gratification (wishes) is a primary reason for failure to create wealth.

- **Greedy** - We all try to get the most with the least expenditure of money or efforts.
  We are never ever really contended…satisfied.

- **Ambition** - Each of us always work to improve the quality of our lives....even while committing suicide also, one believes that it would get better, by putting end to his life than by being alive.

- **Self -interest** - Each person thinks, feels, acts and experiences happiness or sorrow, by or for him /herself.

- **Ignorance** - We all act on the basis of incomplete information...

- **Ego** - We always thinks highly about ourselves. We consider ourselves superior to others in many ways in terms of intelligence, personality, appearance, wealth and so on...

  The basic law of nature is that people always tend to seek the fastest and the easiest way to get the things they want...right now.

- Less than five percent people master themselves in controlling their 'E' factor (emotional) and 'I' (intellectual) factor.
  That five percent succeed in long run.

"In a very real sense we have two minds, one that thinks and one that feels." – Daniel Goleman

59.

How to get success –

- Successful people simply make a habit of doing what unsuccessful people don't like to do.
  That is the price of success.

- The strength of character is simply the ability to resist acting in a lazy, greedy, ambitious, selfish, ignorant and egoist way.
  Resisting the temptation to take the fastest and easiest way and sticking to self discipline is the way to success.

- Investing is simple but industry has made it complicated
  You can't sow a seed today and reap tomorrow.
  It takes time for the seed to grow into a tree and it has to go through different seasons.
  Nature doesn't help us to grow instant fruits.

- Same is the case with investments.
  You can't make a fast buck through investing.

- Successful people like Warren Buffet, Charles Munger.....follow
  The 'Law of the farm ' and ability to avoid the pull of the 'E'(emotional) factor and Only concentration on 'IQ' (intellectual) also don't work out.

- We are as a human having heart and also mind.
  Proper understanding and balancing of the two leads to a successful life
  And Lead us to a more fruitful, happy existence.

"I know the price of success – dedication, hard work, and an unremitting devotion to the things you want to see happen." – Frank Lloyd Wright

60.

Finance is like a bridge which helps the individuals to travel from present to future destinations.

And our investments are different vehicles.
Vehicles= Asset classes

- Like Banks, MF's, Insurance Co, finance Co's are public transport of your money.

- Bank and debt funds are like intercity trains for short distance and of great convenience if we want frequent stoppage.

- Equity is like a journey which needs solid preparations, patience along with a plan.

- These are vehicles like superfast trains and aero plane with less stoppage, but you surely reach your destinations.

- Investment mix traditional Insurance policies are like a Rickshaw.
  If you want to go America you can't go by rickshaw or else you will reach hardly up to Rajasthan only.
  These are so many different investment vehicles for different destinations.

- **So before investing, question yourself –**
  - Where I want to go and how?
  - How much risk and returns I need?
  - How often do I need to get out of the vehicle?
  - Proper planning is essential if we want to reach the desired destination

"To build a bridge to your destination always takes a plan."

61.

Equity portfolio is less risky than individual equity

- Since childhood we are listening a story of 5 brothers with example of sticks that.....

- Individual stick gets easily broken but bunch of sticks can't be broken.

- In shares or equity we always hear story of zooming up and crashing down.

- That's why we all think, it is too risky to invest in shares.

- But if we consider a portfolio holding a group of shares, In that..... If one share isn't doing well another is doing very well.

- And if it is created by experts and managed carefully with adequate supervision...
  You might not fly high like a winner or lose like a loser.....
  But definitely you stay afloat with decent returns...

- And it is ultimately safe flying with equities...

Wishing you fly with experts and also in group not alone.

"They have expertise and they want to bring that to the mutual fund world. They have experienced managers who have been with the organization for a long time."
– Kunal Kapoor

62.

Three places where we shouldn't use our credit cards

- If we see the USA's situation, where living on credit is quite common and because of which they are experiencing extreme financial difficulties.

- Actually we all should spent our money more prudently and use cash in three places instead of credit card for self discipline –

1. **Eating out-**
   Few years back eating out is rarity but now a day's not eating out is rarity.
   Remember outside food is 4 to 10 times more expensive than home.

By paying cash we would automatically be more cautious.

2. **Malls and shopping -**
   Especially in so called sales....we can't resist the temptation of latest gadgets, mobiles, designer dresses. ....
   Carry limited cash and not using credit card helps a lot.

3. **Petrol pumps -**
   Don't use credit card on petrol pumps just for paying Rs 1000 or 2000
   Better you pay in cash ....helps to pinch you.

- Rather prefer walking for short distances to save petrol for our next
- generations and also good for our health.
- Sometimes using public transport is also a good option.
- Saving petrol is also good for our environment.

"Saving money starts by removing all possible debts."

63.

Mutual funds are like a bridge between us and the securities market

- There is a huge borrowers, issuers and investors in the security markets.
- There are three types in securities market-

1. **Money market securities -**
   When banks and large institutions are in need of money they take that through this by issuing commercial papers....
   This is from 1 day, 14 days, and 30 days to 1 year.

2. **Debt funds-**

In these banks and large institutions issues the bonds and securities of 1 year, 3 years r to up to 10 years....very much depend on interest rate cycle.
All this companies and banks required this money for their day to day transactions or expansions of their businesses.

3. **Equity market-**
In this there are Good, bad, ugly companies and even large, medium and small companies are there.
Mutual funds fund managers are the experts of these three markets.
For debt funds and money market they study ratings and so many factors of banks and companies on behalf of us.
And for equity they study so many factors of fundamentals of each companies, or economy....

- For that they charge us annually between 0.50% to 2.25% as per the funds.

“Equity mutual funds are the perfect solution for people who want to own stocks without doing their own research.” – Peter Lynch

64.

MF is a bridge to participate into large big securities market Continue...

- Yesterday we have seen securities market is a place where our money is continuously **borrowed, lend, used, churned....**
- And requirement of money is by Government, Companies and Large and small institutions.
- This is a large market where all kinds of borrowers and issuers issue papers of various kinds and with complexity.
- For worth holding that you need expert to select from the markets.

- Mutual funds do that job for us.

- Mutual funds are professional managers of money who are the experts in the securities markets.

- MF'S select set of stocks which they believe will do well and they will come and offer it to us as Equity funds.

- By investing in MF we all are engaging professional managers for various segments and for our various requirements.

- Money market fund - For our requirements of short term
- Debt funds - For our requirements of medium terms
- Equity funds - For our requirements of long term.

- That is the task MF'S will do for us.

"Mutual funds continue to be the most cost – effective means of investing." – Mark Constant

65.

FII enjoying Indian equities

- In 1990 - 45 % ownership of Indians, in companies equity
  In 2015 - 9% ownership of Indians, in Companies equity and 26% of FII'S.

- Singapore, Hong-Kong, London and New York's investors are enjoying the fruits of hard work of our excellent entrepreneurs and managers of Indian companies. ...Rather than we Indians. .

- Indian companies are progressing but Indian investors are still on reverse track...
  If Indians didn't sell 'HDFC', HDFC would be Indian company, not a foreign

- We Indians loves gold, real estate and bank FDs...
  Whereas FII love businesses.

- Indians look for Job and prefer safety and security.
  Whereas FII'S creates job and prefer risk and entrepreneurship.

- History has proved that businesses always make money...
  To become rich we have to start business or invest in businesses, but people don't read or believe history.

- Total SIP of 78 lacs Indian's are in MF... Continue and reap the benefit of equities by believing in our own Indian companies......

"A nation's strength ultimately consists in what it can do on its own, and not in what it can borrow from others." – Indira Gandhi

66.

Why wealthy people are wealthy

- Actually wealthy people are not magicians who created wealth out of thin air.

- They are not born with luck or blessed

- They are wealthy because they follow some values in their life-
  - They do what they love
    And Love what they do.
  - They dream big.
  - Being passionate about their work....
  - They work hard and work smart and wish to follow the best.

- ➢ They try and ensure that every rupee they spend, delivers the right value.
- ➢ They hate waste.
- ➢ When they invest, they seek to best returns
- ➢ For them risk is not their enemy but their friend.
- ➢ Most important, they have patience.

- They don't rush things.
  Simple isn't it?

So wishing we all try to adopt above qualities.

"Successful people never worry about what others are doing." - Unknown

67.

Money has no room for emotions
After all Money is just a medium of exchange

- ➢ We don't eat money...Don't drink money...
- ➢ Don't drive money...Doesn't play music for us...
- ➢ Nor do we stay in money...
- ➢ But Money enables us to buy....
- ➢ Food that we eat,
- ➢ Juices that we drink,
- ➢ Cars that we drive,
- ➢ IPods to play music, and
- ➢ A house where we stay.

- Money is merely a medium of management.

- Managing money whether by investing, borrowing, spending, tax planning or insuring etc.
- But in reality we managing our emotions.
- It's a only tool, it will take you wherever you wish,
- But it will not replace you as a driver....

Wishing you all to take control of your money.

"Do not value money for any more or any less than it's worth; it is a good servant but a bad master." – Alexandre Dumas

68.

The importance of financial literacy-

- Millions of people are trapped into frauds quite regularly;
  Millions suffer with financial problems despite earning good money;
  Millions don't know how to handle their money in an informed manner.

- The knowledge to handle our personal finances appropriately has become a necessity today
  Financial knowledge may not guarantee financial success but surely save us from financial failure.

- There's no hurry.
  Managing money is a lifelong activity.

- Go systematically,

Learn product by product and Scheme by scheme.

- Whether you are 18 or 80, it's never too late.
  Whether you are rich or poor,

- Everyone requires financial knowledge. Whether you are educated or not, it is immaterial.
  You don't have to become an expert. You require that much knowledge what your advisor or others say.

"The number one problem in today's generation & economy is the lack of financial literacy." – Alan Greenspan

69.

Natural disaster and death without warning –

- Mental stress we can't but we can definitely control financial stress with little planning.

- First is the contingency fund-
  - Keep aside certain amount of money in the form of cash and partly in saving account.
  - This type of situations will generally take 90 days normal money life to come into operations.
  - So keeping 3 months expenses is always suggested by planners.

- **Secondly....**Life cover must be up to maintaining our living style and responsibilities.

- In online term insurance we can afford maximum cover.

- **Thirdly….**Nowadays medical cost is also increasing, so maximum cover including inflation should be taken.
  - Suggest taking individual health cover for each member.

And

- **Fourth …**precaution is household insurance coverage for your home and office.
  - Take control against financial disaster with proper planning.

"Investment planning is about structuring exposure to risk factors." – Eugene Fama

70.

Borrowing against your MF units

- We can borrow against our Gold investments;
  We can also borrow against our property,
  Like that we can also borrow against our MF UNITS

- Unit holder can borrow / pledge MF units to Banks, Financial Institutions, Non Banking Finance Companies.
  That lender creates lien of units.

- **Process –**

  - Letter is submitted to R&T agents by unit holder and Banks… (Lender)
  - R & T agent records lien against units.
  - Lien appears in account statement

- Letter contains- Folio number, scheme details, number of units and bank details
- All units or part units can be marked."Unit holder can't redeem those units"
- When loan amount paid by borrower liens unmarked units are transferred back to borrower, and if unpaid by borrower lender redeems the units

- Process is easy and simple...

"Loans against securities offer you a wonderful opportunity to take care of your financial needs without liquidating your investments."

71.

We are suffering from 'financial obesity' when our debt / liabilities exceed our income / assets.

- More the difference the more obese we are.

  Quickly check and start a debt diet plan today.
- Not understanding, appreciating and investing in the Mutual Funds is the biggest financial mistake anyone can commit.
- The moment someone promises you super normal interest, we guarantee you won't get your principal back.
- Keep things simple...
- Simple insurance, simple mediclaim and simple Mutual funds etc will work well in most cases.

- Complicated products often lead to financial destruction.

"Simplicity makes for less stress and more happiness."

72.

Consider all costs while buying a House –

- Buying a house includes many other costs other than Rate per Sq. Ft. and these would make an addition of easily 10 to 20 % of the basic cost.

- These expenses includes –
  a) Stamp duty and registration charges
  b) Parking charges
  c) Onetime Maintenance charges
  d) Additional charges for higher floors
  e) Annual Municipal Taxes
  f) Vastupuja expenses
  g) Legal charges for property registration

h) Power and water connection charges

i) Monthly charges on usage of club, swimming pool, gym etc.

- Above all apart from, Loan processing charges, broker commission (if any), furnishing house etc...
- Don't stretch your budget and EMI for basic cost.
- There are many recurring expenses also to take care of.

"People who build their own home tend to be very courageous." – Tom Kundig

73.

Overcoming Hurdles for starting an investment –

- Let's see what are the excuses peoples give;
    - I don't have any money to invest
    - I don't have enough knowledge
    - I don't have the time
    - I am too young, I am too old
    - I don't have a good advisor,
    - The market is too high
- Any of these above are not legitimate reasons.
  These are only the good excuses for not investing.
- It makes no difference how young or not so young you are.
  How rich or not so rich you are.
  How much you know or don't know.

- It doesn't require huge amount. .
  Everybody can start with Rs 100 to any amount and all the amount has so many opportunities.

- In banks we can do recurring with Rs 100 and accumulate our short term required funds

- Also in Diversified equity SIPs starts from Rs 100 to any amount......
  We can create our long-term wealth through this.
  You can save as little as 1% of your salary to any percentage and start investing.

Wishing you all overcome all the hurdles for investing.

"One of the reasons people aren't rich is because almost everyone has more excuses than money." – Robert Kiyosaki

74.

Invest every month. No matter how small the investment –

- Successful investor always keeps his money into play.

- Among the wealthy people, 70% invest on regular basis.

- Money that's not in the market doesn't reap the benefits of time and compounding.
  Money that's not invested is eventually money that is spent.

- It has a negative multiplier effect.
  Spending is really negative compounding.

- And investing every month lowers your investment risk.
  And investing every month is a form of time diversification

- We can limit the risk of buying at peaks and also assure yourself of periodically buying near market points.

Wish you protect yourself from negative compounding.

"Anyone who is not investing now is missing a tremendous opportunity." – Carlos Slim

75.

Give your every money a purpose –

- 'If you don't find a purpose for your money, it will find its purpose on its own'
- Assign a financial goal to that investment.
- If you are purchasing a life insurance policy, ask yourself...
  - If you aren't around still then...
  - Is your family protected?
- If you are investing in a PPF account,
  - Ask yourself that it is a debt investment for your retirement?
  - As that will be used after 15 yrs.
  - Don't open only because all are doing so.
- If we assign our investments towards our goal... we become more accountable towards it and also can stretch ourselves.

“A good money plan is dynamic and changes as your life does.”

76.

Different between saving & investing

Saving	Investing
We earn	We desire
We spend	We set aside money with patience
And the balance we put aside	We achieve
That’s saving	That’s investing
Saving is aimless.	Investing is directed
Saving is a fear,	Investing is a confidence
Saving means 'you' work for money	Investing means money works for 'you'.

"Saving is focused on wealth preservation; Investing is focused on wealth creation."

77.

"Eight steps to seven figures"

- **Step 1**- Start investing now
- **Step 2**- Establish a goal- any goal - it doesn't matter what it is as long as it matters to you.
- **Step 3**- Invest in stocks and stock mutual funds for wealth creation forget about the asset allocation.
- **Step 4**- Swing for singles. You'll strike out fewer times and hit some home runs in the process.
- **Step 5**- Invest every month, no matter how small the investment.
- **Step 6**- Buy and hold....and hold....and hold. ..And hold.....and hold.
- **Step 7**- Be aware of government taxation.... Prefer tax free
- **Step 8**- Limit shocks to your finances by stable living style.

By,
Charles B. Carlson

(Author of bestselling book "Eight steps to seven figures")

"I said anyone can invest his or her own way to a million dollars." – Charles Carlson

78.

Steps towards financial freedom –

- **The first step**
  - In our financial life to clean up our life insurance portfolio, before we start work on different areas of our financial life.
    We will try to optimize the mess created in our financial life due to life insurance policies and make sure we are adequately covered.

- **The second step**
  - In our financial life is to sort out your other investments like Stocks, Mutual funds, ULIPS, Bank accounts, credit cards, and other investment products.

- **The third step**
  - In our financial life is to tackle Health Insurance.
  - It's an important part of your securities before we move over to investments,
  - It makes sense to take adequate health cover

- **The fourth step**
  - In our financial life is.....

- To arrange for adequate emergency funds, to deal with uncertainties and unexpected surprises in life.

- **The fifth step**
  - In our financial life is.......
  - To think about our short term and long term financial goals, and be ready with some tentative arrangements for them.

Steps towards financial freedom (Continue...)

- **The Sixth step** in our financial life is........

  - To think about our retirement planning and start working on it now.
  - Retirement planning is one of the major goals in our life and should be taken very seriously.
  - We are getting old day by day. It is not avoidable like that Retirement is also not avoidable as it is also a natural process.
  - We have to just prepare ourselves for that.

- **The Seventh step** in our financial life is......
  - To think about our estate planning.
  - Estate planning is to plan how your wealth will be passed on to your next generation or whomever you wish to in, with a smooth and hassle free way.

- **The Eighth step** in our financial life is........
  - To think about our debt (loan) repayment.
  - These are applicable to most people. Need to understand composition of interest and principal.

And

- **Last Ninth step** in our financial life is.......
  - To organize all the documents well and keeping records in a systematic manner by keeping duplicate copies and online version. Wishing you all live a great financial life and be informed investor.

"Financial freedom is available to those who learn about it & work for it." – Robert Kiyosaki

80.

How Mutual fund works?

- We invest in MF and receive units as per prevailing NAV (Net Asset Value).
- Expert fund managers invest our money in the assets like bonds, stocks and gold based as per the scheme objectives.
- All profits accrued from buying and selling of assets are added to net asset value (NAV) of our fund and it reflects daily.
- When we need money we can sell the units at prevailing market NAV Money gets credited to our bank account directly in three working days for equity funds and 1working day for debt funds.
- Mutual funds make investing easier as the risk of timing of the market is properly taken care of by an expert fund manager.
- Whatever expectations we have from our investments can be achieved through MF.

“Mutual funds give people the sense that they’re investing with the big boys and that they are really not at a disadvantage entering the stock market.” – Ron Chernow

81.

Meaning of "Risk" is different for different People
Future is unknown but more risk in "not investing"

- Being trader is risky, but buying and holding isn't.
- Risk is.... not investing at all and losing ground to inflation
- Risk is.... not achieving life's responsibilities and dreams
- Buying FDs where return is so small that inflation and taxes eat up all return.
- Only buying FDs in not a risk in short term but risk in Long-term of not creating wealth for our goals.
- Ignorance of not understanding asset classes is also a Risk.

"Being afraid to invest because you are afraid of losing money is just like refusing to ride a car because you are afraid of getting into accident."

82.

Investing on Autopilot –

- Investing on a monthly basis instills discipline to an investment program. This is the most difficult amongst the all investments.

- We can compare it with yoga, walking or sit ups. Doing it for one day is simple but to do regularly it's difficult.

- It is same with investing.

- Investing or doing anything on regular basis requires discipline and it is essential to a successful investment program.

- Investing every month means putting money into play, saving your money from spending and giving your money a lower market timing risk with period diversification.

- Something we need to do if we want to be wealthy with seven figure portfolios.

Wishing we all go with Autopilot of health and wealth related things.

"Some steps need to be taken. It's the only way to really figure out where you need to be." – Mandy Hale

83.

Asset allocation with comparison with cricket-

- Indians have fantasy about cricket and so, let us use the game of cricket as an analogy to discuss our investment process.
- We all are the selector of our team.
  - Our objective is to build a team (buy assets) that.....
  - Could win matches (fulfill our needs and desires)
  - Play well across different pitches (different situations)

    And
  - Should be consistent.
- Logically, we could achieve this, provided we have.....
  A well diversified and a balanced team of quality players
- Further we will see who are our Batsmen, wicketkeeper and Bowlers in our financial team.

84.

Asset allocation with comparison of cricket - (cont...)

Your investment Team

A. Batsmen to score Runs (Asset to generate Returns)

1. Blue-chip Company / large cap funds
2. Mid-cap Company / Mid - cap Funds
3. Balanced Funds
4. Property
5. Gold/ Gold ETFs
6. Bank FDs/ Debt funds/ Post office schemes

B. A wicketkeeper who saves Runs and also Bats (Assets that save Tax and also generate returns)

1. PPF
2. ELSS

C. Bowlers to Protect Your score (Assets that protect your corpus)

1. Term Insurance
2. Medical insurance
3. Asset insurance
4. Emergency corpus

Depending on the quality of the pitch (our circumstances), we have to choose the most appropriate eleven players time to time.

Wishing we all have a nice financial cricket team

"Investment policy (asset allocation) is foundation upon which portfolios should be constructed and managed." – Charles Ellis

85.

7 Golden Rules of Investments.

1. Any time is good time to invest- Do not play the waiting game.

2. Start early to create wealth- Early stand a better chance of achieving our financial goals

3. Long Term pays - Probability of earning positive returns increases.

4. Invest Regularly - SIPs are suitable way & which helps to ride volatility, by averaging the market fluctuations.

5. Diversify your investments - Ensures that underperformance by any one asset class is offset by good performance of other assets.

6. Choose Asset Classes according to goals- First define your objective & time horizon.

7. Rebalance your portfolio- Asset allocation for maintaining your target.

Wishing you to follow the golden rules.

“Play by the rules and you will win. It’s that simple.”

86.

What is in our control and what isn’t?

- Where to do our investments?
 (It is in our control)

- What returns are we expecting?
(It's our choice as per our requirements)

- How much period of investments is required to get expected returns?
(This is not in our control for short term but long-term we have that control. If want Higher returns)

- We have seen many people doing investments in FD's for 3 yrs and again for 3 yrs...And again and again for many years up to death.

- And actually till death they don't require total amount.
(Note - FD is considered for short term investment not for long term)

- So only thing in this is, we shouldn't afraid of giving time period to our investments and getting higher returns.

- If we try to understand our short term, medium term and long term requirements we can comfortably get good desire returns.

Wishing you understand your requirement of period to get expected returns.

"The market doesn't know you exist. You can do nothing to influence it. You can only control your behavior." – Alexander Elder

87.

Be aware-

Never ever disclose your top secret account details to anyone.... not even to any bank employee.

Keep the following information absolutely top secret -

- ATM pin
- 3D secure PIN
- Credit card and debit card number
- Expiry dates of these cards
- 3 digit CVV no.
- One time password sent to you on your registered mobile

In addition

- Preferably don't conduct your banking transaction in cyber cafe
- Don't reply emails/ SMS /calls that ask you to disclose above details
- Don't access your bank account through links in email.

Be very careful.....

Some unknown Mr. X is sitting on his laptop at some unknown place.

Wishing you always safe online transactions by taking above precautions.

“Awareness is empowering.” – Rita Wilson

88.

Personal loans are injurious to Financial Health –

- Home loan, car loan, education loan all needs some kind of a security.... but Personal loans are one of the simplest forms of loans without any security.
- Thumb rule says that the total repayment per month shouldn't exceed more than 10 to 15% of your monthly take home pay....
  don't break that rule.
- The interest rate offered in personal loan vary widely ranging typically from 12% to even 30% p.a.....are very expensive.
- Taking personal loans for finance consumption like TV, marriage etc are wrong financial decisions.
- Never take personal loans unless it is an emergency

  Or
- You are getting some excellent benefit out of it despite the high cost.
- Always compare EMI, not the interest rate because all banks calculations differently with flat rate or reducing annually, quarterly, monthly or daily could also mean a higher effective cost than stated.

Wishing you all to take prudent decision of your loans.

“It’s easy to get a loan unless you need it.” – Norman Ralph

89.

The magic of compounding –

- We all knows compound interest is the eighth wonder of the world,
- He, who understands it, earns it....
  He who doesn't. .....pays it.
- Taught in school but now what's the point?
- Just imagine this,

we are young ,20 years old...and on JUST one day instead of having our fancy brand name coffee of Rs.125/- !!.....

We opted for the neighborhood Udipi coffee at Rs.25!

And our so called "JUST one day's saving" of Rs.100 invested at 15% per year for the next 40 years till retirement.

How much would we have been saved?

Rs. 26,786/- !!!!!!!!

Yes.... it will be Twenty six thousand seven hundred eighty six only...

This is a simple sure shot formula to get rich.

- So start saving and investing early
- Compound regularly at reasonable rates of return. ...and live a long life.

Wishing you all compound your happiness with simplicity in life.

If you understand compound interest, you basically understand the universe- (Robert Brault)

90.

Plan your taxes-

Nobody like taxes but we all have to pay taxes

- **Income tax-**
  Income from salary, business, rent and capital gains.

Keeping books in order of our incomes and expenses helps us a lot in many ways like for building up assets, application for visa taking of loans, education loans, expansion of business ...etc

- **TDS -**
  Tax deducted at source
  It's paid off to the government not only on salary but also on so many things like Rent, commission, professional fees etc.

- **Advance tax-**
  Companies, businessman and individuals have to know their rough taxable liabilities and as per that pay advance taxes time to time.

- **Service tax -**
  It is paid on the amount received for the service that is provided by professionals, contractors, large amount of lease /rent etc. for above certain limit of incomes.

And keeping records of your cash flows is a necessary

"The payment of taxes gives a right to protection." – James M Wayne

91.

Divide your asset as per your responsibilities and dreams.

Do not get emotionally attached with any asset class-

- Actually wealthy don't look beyond properties and their own business and
- Middle class obsessed with Gold and FD's.
- Investors think any asset is good as it serves the purpose. ...but it's not the right strategy.

Taking asset allocation decisions by default can prove dangerous.

1. At young age flexibility of investments is necessary,
   Don't get tied up with fixed commitments.
   Don't take a big house. .
   Division into all asset class helps a lot.

2. Retired person should think for his long living risk and inflation risk also.
   Due to inflation daily cost of living will rise day by day...
   So they should divide their investment into FD/ Debt and little portion to equity MF also.

3. A businessman putting all his money into his business doesn't think about the risk of failure...he should divide allocation generally in ventures opposite of his business.

"Asset allocation is a proven technique that leading institutional investors apply frequently."

Skills required for direct equity shares-

- Selecting right stocks isn't easy job...Needs financial analysis and valuations.
- Quantitative and qualitative analysis of company must be done.
- Only buying isn't enough, holding it till it's full prospects requires skill.
- Simple taking and long term holding isn't enough ...being in touch is necessary.
- Trading and investing are two different approaches. ..Better not to mix it. Most investors keep targets in mind ...and if that didn't come, they hold that shares ultimately.
- Most investors book out winning stocks too early
  And
  Holding losers in the hope that they will turn around.
- Allocation amount is important.
- Even the best winning stock will make no difference if we hold in small quantity.
- Equity requires research and analysis which is done by experts...

“Analysis is not a new trend; it is a tool that successful people have been using for centuries.” – Karina Guerra

93.

Are we balancing our financial diet?

- Balance diet is a mix of carbohydrates, proteins, fats, vitamins etc.
- Balance varies from person to person and as per time... varies with same person also.
- This is also applicable to financial well being.
- Our financial health will be fit and fine..... Provided we maintain the right balance between the various asset classes.
- We have to create mix of asset classes whose security, liquidity, returns and profile... match with our overall financial profile.
- These results in the 'right' balance and make us financially fit and healthy.

Wishing all balanced asset classes.

“Balancing your money is the key to having enough.” – Elizabeth Warren

94.

Keep patience and say no to instant culture –

- Patience - the ability to delay
- Gratification is important lesson to be followed.
- In the mad rush of things, we have built a culture of 'instant.'
- All the time we are looking for instant success, instant money, instant result etc.

And

- Pressure situation of 'rat race'' is our own creation.
  - We must break this 'instant' culture and may have to forget short term benefits, for long-term success.
  - Our journey of that responsibility or dream completion becomes more satisfying and meaningful.
  - Due to that we become more money confident and willing to take a risk and appreciate that losses.
  - Risks are part and parcel of money management and we can continue to build wealth.

"Don't give up what you want most, for what you want now."

95.

Realistic Goal setting –

Money is just a means to an end not an end itself.

- Therefore, if we define our ends, our aspirations, our financial goals....
- Which are 'good' 'genuine ' and 'realistic ' goals.....?
- Then our behavior towards money becomes
  - More rational,
  - More directed,
  - More purposeful and most important of all
  - More satisfying.
- We should distinguish between what we want and what we truly need... And need to set the right priorities.
- As a result, it makes us to take right actions with our money. ..
  And our money behavior becomes more positive.

Moral :

Have a thought over our life's dreams and responsibilities

“The goal isn’t more money. The goal is living life on your terms.” – Chris Brogan

96.

Financial happy and secure futures are a team effort not a one man or one woman show-

- Usually, the men consider themselves as better at finance than the woman due to being the bread winner.
- It may possible that man has better bargaining skills and wife is more rational and objective when it comes to investing.
- But examining each other’s skill and dividing of work according to skill make overall financial picture clear.
    - How wealthy we are!! , is not important,
    - Important is how we both manage whatever we have!!
    - Important is how we both enjoy spending it together.
    - Important is how we both grow our wealth to fulfill our bigger dreams.
    - Important is how we both deal with financial emergencies.
- And for all communication within us is must.

97.

Seeing with right eye-

What does a tax payer think and what is right?

- **Investor feels that.....**
  - Interest up to Rs. 10000 from bank FD is tax free in a year......
  - But fact is under sec. 80TTA interest on saving account up to 10000 is tax free and Interest from FD and RD is fully taxable.
- **Investors believe.....**
  - Interest earned on tax saving infra bond is not taxable but interest is fully taxable.
- **Investors believe.....**
  - There is no tax payable on RD and FD, so they do RD or FD in the name of wife or child but it has to be clubbed with their own and taxed accordingly.
- **Investors think.....**
  - There is no tax on second home which is lying vacant but owner is taxed on notional rent.
  - Investors are not aware for e filing.....But over Rs. 5lakh or if you have any foreign asset or if you are claiming a refund.....e -filing is mandatory.

98.

Misconceptions about Equities –

Belief 1- Investing in stocks is risky.

Belief 2- One has to "buy low and sell high' ...i.e. time the market.

Both assumptions are absolutely false.

- Time in the market is more important than timing the market and ignorance is the risk.
  - In 1979 our index was 100 and now it is 28000... Gave 18% p.a. returns vs. investors returns are 2 to 5% or even negative.
  - Nothing in the real economy world happens over night.
  - Economic policies take time and businesses have to spend years to expand and grow.
  - Anticipating sudden market movement and predicting event risk is most difficult for even fund managers.
  - Today wishing all to break beliefs and take the benefit of our growing economy via regular investing...
  - Regular Investing is a key innovation and instrumental tune given to investors for pleasant experience.

Budgeting –

- Budgeting is a boring and unpleasant task...
  But, howsoever dull the job may be, the end result can be very rewarding.
- A good budget-
- Makes us **' control'** the money, instead of money **‘controlling’** us.
- Makes us **'enjoy'** money, not **'worry'** about money.
- Doesn't mean **‘curbing’** our spending, but making it more **‘purposeful’**
- Budget protects us from getting into financial problems.

Wishing you a enjoyable budgeting...

100.

Did we know what happened in last 20 yrs..?

- GDP - (Earning of India)...
  - Economy has grown from 10 trillion to 126 trillion.

- Per capita income...
  - Has gone up from Rs. 10,900/- per year to Rs.1lakh per year.

- Consumption....
  - Four wheeler sales numbers was **3 lakh** per year to **32 lakh** year.
  - And two wheeler sales **22 lakh** per year to **1.8crore** a year.

- Working age population...
  - Added **35 crore** young individuals and now the total working population is **82 crore.**

- Banking, Pharmacy, IT, Infrastructure and tourism all sectors also became world's best.

India has all the building blocks and elements to become super power in the next 20 years...

- A "resource rich nation”,
  - Fourth largest in the world.
  - We have largest resources of iron, zinc and coal...
- We have a vibrant and active democracy which is world's largest.
- A viable federal structure where state has a healthy competition. .
- Aspiration of middle class expanding educated Indian population.
- Prosperity, rising income to spend... new generation.
- And reducing inefficiency in the system alone can be the significant boost to our economy and earnings growth.

102.

Why company deposits are more risky than bank FD's and Debt Mf?

- Companies offer us higher rates not because of they love us......
  But because they don't find any cheaper lender.

- When anyone need of money generally all goes to a bank but even banks also stop allowing them....that's why they come to you.

  - **Company Deposit** is not providing any security to you.....

  - Whereas **Bank FDs** gives you 1lakh insurance
    And
  - **Debt Mf** are top rated diversified securities professionally managed.

  - **Company FDs** comes in a legal term as an unsecured loan and If the Company files for a bankruptcy.... our number comes last for payment.

  - **Co's FDs** rank high on illiquidity and with tedious TDS...

  - **Bank FDs** can withdraw premature with little charges and if submitted documents no cutting of TDS.

  - **Mf debt funds** are treated as indirect investments so easy to liquid and no TDS.

- So be wise before lending money to someone. ...

103.

Hurdles for taking right decisions in investments –

- Herd mentality –

Induces to take investment decisions in the rising assets of that time...

IN 2008...
for the Reliance power IPO, highest demate account opened as all become greedy and wanted to double their money in just 21 days......but failed in that.

In 2009....
People become fearful and LIC's "Jeevan Astha" had done highest sale as people preferred to investment where their money would be double in 10 yrs.

In 2010....
For e.g. many investors liquidate their long term SIP to purchase gold and real estate.....without seeing the cycle and personal need or asset allocation.
Peer pressure is also a big hurdle....

- So don't follow the crowd blindly or emotionally. ....
- Every asset class has its own importance and all has their own cycle...
- Whoever rises always comes back reverse to its mean.
- So focus on our own requirements are most important than following others.

"Whenever you find yourself on the side of the majority, it is time to pause and reflect" – Mark Twain

104.

What is stock market?

- Stock market are merely a place to go and buy other people's businesses..
- They are just a tool to execute our plans. Nothing more and nothing less.
- What happens at the stock market on day to day basis is completely and absolutely immaterial and irrelevant.
- Movements in the stock market don't impact the businesses or their profits.
- Traders and players will come and go but good businesses and management will be here for many decades....

In 1989, sensex was 400 and today 26 yrs later it is 26000.....
Many ups and downs but still our money grows 65 times...
17% p.a. and of course ... that's the tax free.

And against that...

If we do FD and get 11% returns, our money multiple only 15 times and of course... That's taxable.

- This difference is simply too big to ignore ups and downs.
- So stay away from media to build a good wealth.

"The stock market is a device for transferring money from the impatient to patient." – Warren Buffett

105.

Things which are in our control and which are not in our control

- Things in our control –

Which investments will create wealth over a time?
How much we can save?
For how long?
How do we behave in good and bad times?
Understanding of risk
Asset allocation

V/s

- Things which we can't control –

Market behavior
Volatility - market will go up or down
How will our PM deliver growth?
Global risks
Will RBI cut rates?
Prediction of future

"Stop trying to predict the direction of the stock market, the economy or the elections." Warren Buffett

106.

Arbitrage Funds-

- It is a best option for higher tax bracket people
- Arbitrage funds are a unique equity funds.
- As far as the risk profile and return are concerned...
- They are like a debt funds.
- I.e. low risk and low returns
- However, as far as tax laws are concerned.....
- They are treated on par with equity funds so the long term capital gains and dividends are tax-free.
- With arbitrage funds, we can expect 6 to 9% p.a. Returns like any debt funds.
- But advantage is that here the tax will be less.... thus improving our post tax returns.
- For the short term required funds...
- This can be one of the tax efficient options.

“Successful arbitrage betting relies on knowledge, understanding, dedication and hard work”

107.

Bank and Mutual funds function in the same manner –

What does a bank do?

- It takes money from us and lends it to individuals / companies.
- It charges a certain interest to which it lends money.
- Keep a small portion of it, to meet its expenses and earn profits.
- Pays the balance amount to you as an interest on deposits.

What does Mutual fund do?

- It takes money from us and invests it in the companies.
- It makes profits on the money that it invests.
- Keeps a small portion of it, to meet its expenses and earn profit.
- Pays the balance amount to us as profits on our investments.
- In other words, both **Banks** and **MF** are intermediary.
- They act as an agent between us and the company.

Further we will see why we need intermediaries

Bank and Mutual Fund - (cont...)

Yesterday we have seen objectives of Banks and MF are to invest our money and give a return on the same.

Why do we need intermediaries?

- **Firstly...**

  You and I can't do what they are doing.....

  As any Co needs 1crore but we have only 1lakh.....?

  So bank and MF collects small deposits from numerous people like you and me and gives that to required companies.

- **Secondly...**

  You and I aren't trained to give money to companies.

  Bank and MF'S have well qualified experienced professionals to deploy our money with the company's appropriately.

- **Thirdly....**

  You and I don't have the risk appetite to expose ourselves to one or two corporate.

  Bank and MF'S are able to diversify our money across many companies, thereby reducing the risk.

  In next page will see the difference in approach, strategy and how they manage our money!!!

Bank and Mutual Fund- (cont...)

- Banks give money to a company as a loan and earned fixed interest on that. Equity Mf gives money to companies and earns a profit on it.

- So both have to be same careful and give money only to good companies. Both have to exit from the company at the right time.

In advance countries above 60% people will prefer investments through MF but we in India prefer Bank FD's...

Why should we change our allocation?

- Because excess dependence on fixed deposits will not protect us from the risk of inflation.

- Debt MF ...which are similar to bank deposits, are lot more tax efficient than FDs.

- Equity as an asset class can't be ignored where equity Mf offer an excellent option.

Just like banks well regulated by RBI...MF'S are regulated by SEBI (securities exchange board of India)...With many strict rules and regulations for our protections.

Lastly want to add....MF'S have delivered extraordinary performance over the last two decades and by ignoring them we are hurting our financial well - being.

"Your diet is a bank account. Good food choices are good investment." – Bethenny Frankel

110.

Waiting for a lottery??

- To know that we know...
  - What we know! And what we do not know!!
  - What we do not know, is the first step on the road to success.
- Chances of Winning for a lottery are roughly 1 /10000000.
  Lottery is only beneficial to the issuing person to make money.
- The lottery business is very lucrative.
- So always instead of purchasing a lottery.... prefer be on the other side of the table i.e. issuing the lotteries!
- Don't be weak and attract by mental crutch of lottery.
- Instead we will use our mind, knowledge and skills to succeed.
- Focus on the talents and jobs what we have.

"I figure you have the same chance of winning a lottery whether you play or not."
– Fran Lebowitz

111.

Saving wisely and spending sensibly

- Save a little each month....
- And at the end of the year....
- You'll be surprised at how much you have.
- Try to set aside at least 15% of income towards saving and investing....
- After then create a budget for the balance 85%.
- Diligently follow the budget and consider 'saving ' as a punishment.
- Always borrow for that which will help you to build an asset but make sure, return on your investment should be higher than the cost of borrowing.
- Credit card isn't free money, using it sensibly works out more.

"Avoid extremes; be moderate in savings and in spending, an equal and easy way will win an easy ending": Robart Service

112.

Buying insurance sensibly –

- There is no security on this earth.
  There is only opportunity.

- Insurance amount is only to protect our loved ones who depend on us financially.

- Life and health insurance isn’t to be overdoing of protection.

  - We need to balance between **insurance** and **investments.**
  - We should prefer to buy maximum cover at a competitive premium.
  - We should keep in mind that **insurance** works best only **for protection and not for investment.**
  - It makes sense for us to separate our insurance and investments needs.
  - We shouldn't be greedy for buying insurance just because for saving taxes.
  - Tax breaks may go away but premium payments will continue.

- While insurance is enough we can invest and manage our money smartly.

- And we will have control over our wealth to have easily access in time of need.

Wishing you all healthy and wealthy life.

“It’s success lies in the fact that it’s an insurance plan, not an investment plan or a welfare plan.” – James Roosevelt

113.

Making mistakes are the only way to learn-

- The men who try to do something and fail infinitely are better than those who try to do nothing and want to succeed.

- We shouldn't going to make a big deal of our mistakes.

- At the same time... try to learn from the mistakes to improve decisions and work.

- We should understand every mistake involves the cost ...that's the cost of learning.

- Don't be rigid for any investment vehicles...Try follow the rules of that asset classes and then take the decisions.

Learning from mistakes is reaching near success

"Success consists from going failure to failure without loss of enthusiasm." – Winston Churchill

114.

Developing a Philanthropy habit is part of our culture.

- Make enough money to be able to donate.

- We are knowing very well that we are born with social debt (pay back) towards....

  - Our society,
  - Our town/ city
    And
  - Our country.

- Donating some portion from our earnings are a healthy way of sharing our prosperity for charitable purpose.

- We should create provision for the same in our budget.

- It should be without expectations and we shouldn't be frightened to do that.

- It gives us inner peace and any small difference happens due to that will give us immense happiness of being part of it.

- Financial plan will help you to design road map to fulfill your responsibilities and dreams.

- It will give inner happiness by paying social debts.

"Never respect men merely for their riches, but rather for their philanthropy ; we do not value the sun for its height, but for its use." – Gamaliel Bailey

115.

Taking shares and sitting for long term can't work-

- In 1980 in banking sectors there are only PSU banks but now after 30 years there are also many private banks.
- In 1980 top index shares were century textile, Hindustan Motor and ACC....and now they are not the winners today.
- Long-term investing is holding a winner.
- But in actual.... due to our emotions, we cannot hold winners and holding losers in the hope of revival.
- If we don't have the ability to accept our mistakes and take corrective actions you can't be wealth creator.
- It isn't easy to select a set of stocks. Review them regularly and take a call on what isn't working.
- MF'S are the best bet for simple long-term investors.... As fund managers are taking care of all this for them.

"We continue to believe that mutual funds run by such shareholder friendly firm represent worthwhile investment opportunities for most investors." – Christine Benz

116.

In Mutual Fund investments, meaning of NAV is not 'Not

Applicable Value'.

- When we are buying or selling mutual funds 'NAV' are Irrelevant, Immaterial and Inconsequential.
- It is meaningless to say that Rs.10 NAV fund is cheaper than Rs. 400 NAV fund.
- It is just like saying Sachin Tendulkar is better than Albert Einstein.
- The two simply cannot be compared at all.
- Two funds with the same portfolio, will deliver exactly the same returns.... no matter at what NAV we have invested –

So the relevant are....

- Portfolio of the schemes
- Performance of the schemes
- Fund manager of the scheme
- Corpus of the scheme
- Asset management of the scheme

“A good financial plan is a roadmap that shows us exactly how the choices we make today will affect our future” – Alexa Von Tobel

117.

Real estate would remain overvalued as long as the gap between home loan rate (cost) and rental yield (return) on property remains wide.

- In 2004 Home loan rate was around 9% and rental yield was around 5%.
- So difference between Home loan and rental yield was 4%.
- Today this gap is around 7.5%.
- So that gap has to come 4 to 5%.
- For e.g. today flat worth 50lacs is generating rent of Rs.11000 p.m. i.e. Rs.132000 per year.
- So on 50 lakh cost we are getting 2.6% rent yield.
- And today's home loan rate is 10 %
- So gap is 7.4 %.(10% minus 2.6%)
- So many market experts are predicting home loan rate and also rate of real estate gradually will come down to around 4% to 5% gap. (Home loan rate - rental yield)

"Investments in real estate are an important element of a comprehensive, mid to long term investment strategy as part of a diversified portfolio."

118.

Who is financial planner?

- The person who...

helps you to create multi generational wealth through life time strategy.

- The person who....
  helps you to do rupee cost averaging at every month of your working life.

- The person who.....
  shifts you from seeing short term market, media noise, charts, rating to family feelings and helps to focus on real life.

- The person who.....
  stands by you to remain stable when all investments are instable.
  - Investments are a lifetime process.
  - If you gave full information of family and finances......
  - The financial planner will give his time and efforts for complete understanding of your investment goal.

Planner focuses on knowledge driven past with the trust driven future.

"Choosing a financial planner is as important as choosing a doctor or lawyer; it's a very personal relationship. You want a planner who puts your needs and interests first."

119.

Reverse Mortgage –

Nowadays many senior citizens are asset wise rich but liquidity wise poor.

- **Reverse mortgage is in simple term-** Bank pays you an EMI, while you continue in your house.
- A reverse Mortgage is opposite of housing loan....
- You mortgage your house to the bank and bank pays you a fixed amount every month.
- Important part is this loan is not repayable.
- At the end of the mortgage, bank will take possession of the property and sell it off and recover the amount plus interest from the sale proceeds.
- And remaining amount will be given to that family back.
- If family members are interested bank can sell them also.
- Instead of fixed monthly amount you can take lump sum amount in the beginning or draw a amount as and when needed.
- Reverse mortgage is if retired people has no other option they can convert a dead asset into useful income.
- It's very common in US but nowadays also available in India NHB, DHFC and many banks have this option.

"Reverse mortgage is a true home equity loan." – Ken scholen

120.

Pillars of Financial planning –

Balancing of below four pillars are necessary to be financially free.

- **Income**
  - Learning the things from which income can increase and not to keep our earning dead.
  - It must work for us like we work for money.

- **Expenses**
  - Take a control of expenses by budgeting.
  - Lifestyle expenses and necessary expenses should be differentiating.

- **Assets**
  - Review yearly the asset graph and building up and diversify assets as per our family's responsibilities and dreams.

- **Liabilities**
  - Take a control of liabilities also by keeping records and generally it should be taken to create assets not for consumption.

Wishing you plan to achieve your dreams

"Plan you plan and play your plan" - Parag Parikh

121.

Money Mantras-

- Try to keep your expenses below 50% of your income.

- Invest at least 30% of your income into inflation beating assets.
- Your total EMI should not exceed 30% of your income.
- Only home loan is considered a good loan.
- Don't take loans to fulfill your luxury things.
- Buy a online term life insurance and have a enough health cover.

“When you stop chasing money and start chasing purpose, you will find prosperity and peace.”

122.

Start early for the extra zeroes to your corpus-

- Let's see the case study Example for two brother Ram & Shyam.

- Ram starts at the age of 25 & Shyam at age of 30.
- Both are investing Rs 5000 per month.
- Both want to retire at age of 60.
- At a 12% p.a .compounded growth

- Ram's corpus would be around 3.25 cr
  V/s
- Shyam corpus would be around 1.75 cr.

- That means an early start of 5 yrs. has helped Ram to built 1.5 cr extra.

Moral:

- So friends don't delay to start investments.
- The day when you start earning is a day of investing also.
- Give time to your investments to develop.

"Your most effective retirement planning tool is TIME." – Sally Herigsta

123.

Investor performance is more important than investment performance.

- Equity diversified MF had given average 20% p.a. Returns in last 20 years. ... At that time whoever had invested Rs.10000/- today it's become Rs.380000/-.

- But... very few investors get that benefits.
- Actually equity investing requires following two strategies –
- 1st.... Best route of investing is via SIP but make it sure it should be minimum 5 yrs and above.
  2nd..... If not possible via SIP, invest whenever we get money but in this case our investment horizon should be minimum 10 yrs and above.
- Right time to buy is.... as long as we have the money.
- Right time to sale is...... never (unless we need the money)
- Great risk is.....not having them.

Wishing you a wealthy investing

"The period of maximum pessimism is the best time to buy, and time of maximum optimism is the best time to sell."

124.

Don't expect mangoes in few days and mango from apple tree

- Don't expect unrealistic returns from any asset class.
- FD's and Gold has capacity to give returns likewise inflation...

- If it is giving above inflation we should be alert.
- Equity and real estate has capacity to give returns of GDP+ Inflation......
- In developing countries generally above 15%.
- Many investors asking for advice on stocks which will give ' maximum ' returns or say 30 - 40% returns.
- They will look at prices every day and want 100% returns in few days.
- Those are taking unusually aggressive risks and get into wrong investments which are either a fraud or don't match their risk profile.
- We can't expect to grow mangoes in short period...or mango from apple tree
- If we do, we are sure to lose our crop.

"A big part of the financial freedom is having your heart and mind free from worry about what if's of life." – Suze Orman

125.

- **Where do you invest?**
  - In the asset class you choose as per your goal that creates your wealth.
- **When do you invest?**
  - Once you start earning, save minimum 30% to 40% of your earning for future.

- **How do you invest?**
  - Drop by drop, with discipline and patience, in wealth creating asset. .

- **What are the returns you earn?**
  - A small interest difference can make huge difference in your over all corpus.
  - 1 rupee becomes Rs.1crore in 100 years with a return of 17.5%

    And
  - Same rupee with 8% returns becomes only Rs.2200/-
  - Focus on where, when, how and what returns our investments give.

"Failing to plan today is as good as planning to fail in future" –
Sir John Templeton