THE ECONOMIC TIMES

FT Home > MF > Analysis

Search for News, Stock Quotes & NAV's

09:44 AM | 09 NOV LIVE
MARKET STATS ▼

ಸೆನ್ಸೆಕ್ಸ್ **33,379 ▲** 160.32 ನಿಫ್ಟಿ 50 **10,354** ▲ 51.60

ಚಿನ್ನ (ಎಂಸಿಎಕ್ಸ್) (₹/10 ಗ್ರಾ... **29,520.0** ▲ 83.0 ಯುಸ್ ಡಿ/ಭಾರತೀ... **64.88 ▼** -0.15





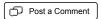




Q

Demonetisation altered investor behaviour in a big way

BY ET ONLINE | UPDATED: NOV 08, 2017, 01.43 PM IST



By Vishal Dhawan

The first anniversary of demonetisation is a great time to reflect on its outcome. As a financial planner, I would like to speak about some changes that I have noticed in investor behaviour after demonetisation. I believe that some of these changes are likely to be transient and temporary, while some may be more structural and permanent.

It is commonly believed that there are some things that would remain the same in future. I believe investors tend to have short memories and we need significantly more evidence before we accept that the shift is structural and more permanent. Here are some trends that may be transient or temporary:



Big Change:

The end of Five-Year Plans: All you need to know

Financialisation of savings is more tactical than strategic

The shift from physical assets to financial assets has been significant over the last few years. It gained traction after demonetisation. Though there is a consensus that this shift has been structural and India could be moving towards a larger use of financial assets, our experience indicates that investors continue to favour and have greater comfort with physical assets especially real estate.

In our interaction with investors, we found out that the movement of money into equities and bonds has been driven by superior past performance data in the recent past vis-a-vis real estate and gold. It is less by a movement away from physical assets that is more permanent. Whilst we do hope that we are wrong on this one, we think this shift to physical assets is more tactical than strategic.

Non-guaranteed instruments vs other fixed income options



How large should your retirement corpus be?
UTI MUTUAL FUND



Open Free Demat A/C Online - Zero Account Opening Charges

Motilal Oswal Securities

Recommended By Colombia 🎂

Falling interest rates have made bank deposits and other small savings instruments less attractive on an absolute basis, relative to their past. A combination of falling bond yields and rising equity markets have resulted in non-guaranteed instruments like mutual funds (both equity and debt and hybrid) significantly outperforming bank deposits and other fixed income instruments.

A large segment of investors have been replacing fixed income investments with certain categories like hybrid/balanced funds, with the expectation that the higher returns of the past will continue in the future. A global or domestic event that causes a sharp equity market correction, or interest rates to move up sharply, could send a large number of these investors back to the comfort and safety of fixed returns.

However, there are some changes that are more permanent in nature, and can impact investors and investment portfolios for a significantly longer period. These include:

Risk of holding cash is a real risk, not a perceived risk

Traditionally holding cash at a zero cost was looked upon as a far better alternative than paying an income tax of 30 per cent. The fact that the cash could be converted to a significantly lower value through an event like a currency note ban has instilled the fear of a loss of

value, either partial or complete. This has led to small business owners and individuals dealing in cash in sectors like real estate shun it, rather than suffer sleepless nights caused due to this loss.

We believe that we are now seeing a set of individuals doing their businesses or transactions, without any cash dealings, to ensure that they are not exposed to this risk. Thus, real estate transactions and gold could see investors insisting on transactions that are completely documented.

Automated savings mechanism like an SIP

Recurring deposits and monthly insurance premiums have always existed and have been used by a certain set of investors to automate their saving process. The benefits of saving through SIPs, that too over long periods of time, are now starting to get noticed. As a financial planner, one of the recommendations that we make most often has been that money gets invested before it gets spent, rather than investing what is left after saving. We think that SIPs are a great way to ensure this, and a lot of investors will benefit significantly from this discipline that they have got into over the last 12 months.

When we celebrate possibly the third anniversary of demonetisation in a couple of years, we should have more clarity on what shifts are permanent and what shifts are transient. Till then, investors need to stay focused on their financial goals.

(Vishal Dhawan is a certified financial planner and founder of Plan Ahead Wealth Advisors Pvt Ltd, a SEBI registered investment advisory firm.)

Stay on top of business news with The Economic Times App. Download it Now!



Powered by TIMESINTERNET

Live Market

Industry Newsletters

Create Your Own Ad

News Portfolio Mobile

Commodities Speed Advertise with Us

Terms of Use & Grievance Redressal

About Us

Live TV Blogs
Biz Listings RSS

Privacy policy

FOLLOW US















Other Times Group news sites

इकर्नोमिक टाइम्स | ઈडोनो्भिड राઈम्स | Pune Mirror | Bangalore Mirror | Ahmedabad Mirror | ItsMyAscent | Education Times | Brand Capital | Mumbai Mirror | Times Now | Indiatimes | नवभारत टाइम्स | महाराष्ट्र टाइम्स | ವಿಜಯ ಕರ್ನಾಟಕ | Go Green | AdAge India | Eisamay | IGN India | NavGujarat Samay | Times of India | Lifehacker | Gizmodo | Samayam Tamil | Samayam Telugu | Miss Kyra | Bombay Times | Filmipop

Living and Entertainment

Timescity | iDiva | Entertainment | Zoom | Healthmeup | Luxpresso | Gadget Reviews |
Titanium & Platinum Credit Card | Online Songs | MensXP | Hotels | Travel
Destinations | Cricbuzz | Recipes | Gaana | Happytrips | Getsmartapp

Interest Network itimes

Hot on the Web

Demonetisation | Gujarat Elections 2017 | GST | Business News | Income Tax | Sensex Today | Gold Rate Today | Sensex | SBI Share Price | Share Market | HP Elections | Aadhaar

Services

Book print ads | Online shopping | Matrimonial | Astrology | Jobs | Tech Community |
Property | Buy car | Bikes in India | Free Classifieds | Send money to India | Used Cars |
Restaurants in Delhi | Remit to India | Buy Mobiles | Listen Songs | News |
TimesMobile | Real Estate Developers | Restaurant Deals in Delhi | Car Insurance |
Gadgets Now | Free Business Listings | CouponDunia | Remit2India | Techradar |
AliveAR | Getsmartapp App | ETMoney Finance App | FeedbackManage Notifications

In Case You Missed It

Reliance Nippon AMC

Multicap mutual funds

Best mutual funds to invest in 2017

Best Mutual Funds

UTI Mutual Fund

ICICI Mutual Fund

Mutual Funds

Mutual Fund Investment

Should I consult an advisor or invest directly?

Reliance Mutual Fund

HDFC Mutual Fund

National Pension Scheme