The Rules of Money: How to Hold on to Your Wealth

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Staying rich is also an art. If you have money and you don't know how to grow it, it is highly likely that your wealth will deplete over time. So if you want to stay as rich as you are today or want to become wealthier, here are a few things to keep in mind:

1) Invest in a mix of assets

As the saying goes, never put all your eggs in a basket. What this basically implies is that one should diversify across assets classes because every asset class goes through a cycle. For example, gold which is considered to be a safe haven, has given negative returns over the past three years. Even real estate, which is one of the preferred investment class among the rich, has been going through a tough phase over the past two to three years. Broad equity market indicator Sensex fell 5 per cent last year but debt mutual funds did relatively better, delivering over 8 per cent return in 2015.

So you need to invest across asset classes to optimise your returns. Choose an asset mix as per your risk profile. Jitendra Solanki, a certified financial planner, cautions investors against risky options. "While choosing assets, people should be careful that they are investing in an asset class for diversification, not for fancy returns," he said.

2) Spend out of Income

You should live on your income, not your wealth. The mistake that people do is that they liquidate their assets to buy luxury items. "Your lifestyle expenses should be in line with your income not your wealth," says Jitendra Solanki, a certified financial planner. Encashing your fixed deposit or liquidating your mutual fund investments to buy a bigger car or fund a foreign travel may not be a right thing to do if you have not saved the money for this purpose.

If you want to retain your wealth, you should save for your goals from your income and not your existing accumulation, says experts. "People need to be careful while converting their investment assets into consumption assets. For example, if you break your fixed deposits to upgrade your house, you are converting an investment asset into a consumption asset and hence reducing your wealth," says Vishal Dhawan, founder and chief executive officer of Plan Ahead Wealth Advisor.

3) Don't ignore tax planning

The rich and wealthy have to pay tax at the highest rate of 30 per cent. So, while investing you have to be very careful about how your gains are going to be taxed. "Tax implications both long-term and short-term should be kept in mind," says Vishal Dhawan.

4) Estate planning

If you have wealth, you would want it to be used by your loved ones after you. Therefore, estate planning is important to preserve that wealth, believes experts. If something happens to you and if you don't have a proper estate planning, then your wealth might go into litigation and your loved ones won't be able to use it.