

Don't get swayed by exotic investments

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WITH LIQUIDITY across the globe driving the prices of all assets upwards, and salaries and business profits in India poised for significant gains; all investors seem to be seeking the next big opportunity for huge gains. With stocks, commodities and real estate at record highs, investors are looking at the option of exotic alternative investments. The range of exotic investments are very large ranging from investing in wine, whiskies, champagnes, art, sculptures, antiques, coins, stamps, films and race horses, amongst other items.

Whilst each of these sounds like an exciting opportunity, the fundamental tenets of investing need to be kept in mind before making investment decisions in these products. In fact, sticking to the basics is probably even more important whilst investing in some of these exotic products.

■ Investing toward primary goals like education for children, retirement, home purchases and medical provisions need to be made into assets that have clearly verifiable track records so that you do not compromise any of these goals by allocating funds into these asset categories. Invest only a small portion of your wealth into this category if you finally decide to.

■ Being a connoisseur of



wise strategy

Investment in exotic assets such as wine, art, sculpture, antiques, coins, films and race horses should be made only after making provision for essential requirements. Here are a few tips:

- ▶ Invest only truly disposable income.
- ▶ Invest only in what you understand.
- ▶ Be prepared to be a very long term investor.
- ▶ Invest to grow your wealth. not to discuss at parties.

wine or whisky, or purchasing paintings for putting up on the walls of your home does not make you an expert on the subject or give you the ability to make a good investment in the same. Just like driving a car to work everyday does not equip you to participate in a Formula one race.

If you are willing to buy a painting anyways because you really like it, go ahead and do the same but don't believe that it is an investment that is likely to appreciate significantly.

You will need the help of an expert if you wish to invest in this category. Look for a clear track record of the person making the investment recommendation and do not be in a hurry to close the deal if you have not done adequate due diligence. You will do well to remember that investors in exotic investments burnt their fingers in the last bull run of 2007.

■ Investments in this space can take an extremely long time to deliver returns so

you need to be extremely patient. During a downturn, these investments could lose significant values so you need to have the financial strength to hold during a downturn. Also remember that pricing of these assets can be very subjective, so it may not be easy for you to value your portfolio accurately.

■ Do not buy these products just because it makes great conversation at the next wedding party that you attend. If you are convinced that you have done enough research and there is a sound track record of the manager of these investments, only then go ahead.

Don't get carried away by the optimism in the air when you discuss these options with your wealth manager.

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