INVESTMENT NAVIGATOR

A 12-step guide to managing your money in 2012 - IV

—Vishal Dhawan

WE are now in the final quarter of addressing one of the biggest myths about managing money, that is managing money is all about returns on your investment. Whilst returns are no doubt an important component of managing money, we believe it is critical to take a more holistic view on finances. A quick recap on what we have already covered as to do items for quarters 1, 2 and 3:

January—Put it all together

February—Question what you really want your money to do for you

March—Keep what matters, let the rest go

April—Plan for emergencies and contingencies

May—Put your risk control mechanisms in place

June—File your taxes correctly and diligently

July—Use technology to improve the management of your finances

August—Build a team of trusted advisors

September—Build your succession plan

October—Invest in yourself—There is a tendency to go into a comfort zone with respect to our professions and careers, especially as we become masters at doing the same thing over and over again. Macolm Gladwell in "The Outliers" has shared a 10,000-hour rule which I'm sure a lot of you already know about. For those who don't, the 10,000-hour rule indicates that mastery in a field is driven by spending 10,000 hours in it. So what happens after you have spent 20 hours a week doing the same thing for 10 years? Maybe it's time to move your cheese before someone else does that for you. Just like companies spend a significant portion of their revenue on research, how many of us have a financial plan that includes spending a portion of our income (or our wealth) on improving ourselves. As Warren Buffett says, "Investing in yourself is the best thing you can do."

November—Accept that you are an investor—Whilst most of us start off as investors, there is a high risk of becoming a speculator along the way. The difference between an investor and a speculator is two-fold in our opinion—firstly, an investor thinks more with his brain and less with his eyes, and secondly, an investor knows what he owns, why he owns it and can explain that clearly. Avoid buying an investment just because it has done well in the recent past or because it excites you. As George Soros says, "If investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring." In case you cannot avoid speculating, restrict it to a very small portion of your portfolio and understand that you are speculating, not investing with that portion of your wealth.

December—Review your plan and rebalance your portfolio—Whilst it's great to have a plan and even better to implement it, it's important to ensure that it is on track to deliver what was expected from it. Whilst different types of investments deliver results over different time frames, it is critical to evaluate that the overall plan is moving in the direction that you wanted it to. Whilst it is good to spend some time on the specific products that you have invested in, the overall allocation across different asset classes is ideally where the focus should be, so that assets that have become cheaper can be added to the portfolio, and more expensive assets can be reduced. This simple strategy of rebalancing, at least once a year, can make a significant difference to your overall portfolio returns.

Whilst we are already at the end of February now, it is never too late to start in case you have not started implementing this calendar already.

Vishal Dhawan is a certified financial planner by profession and founder of Plan Ahead Wealth Advisors Pvt. Ltd. He can be reached at vishal@planahead india.com.

Vishal's rich experience of 15 years in the financial services industry has led him to frequently write columns and appear on television, including CNBC and Bloomberg UTV. He shares his insights and views in various leading publications, including the Wall Street Journal, Economic Times, Indian Express, Reader's Digest, ET Wealth, Asian Age *and* Deccan Chronicle. *He is also a member of the Financial Planning Association, USA.*

Plan Ahead is a wealth management and financial planning firm that works with both Indian and NRI investors to help them achieve their financial goals and manage their wealth. (www.planahead.in)