

Applying Steve Jobs' principles to your investment portfolio

POST the passing of Steve Jobs in early October and the release of his biography recently, I have been thinking about how Steve's investment portfolio would have looked and behaved if he managed it just like he managed the other parts of his life. Whilst he was known to be an extremely private person and I profess to have no idea about his personal investment strategy, I believe that a lot of his thoughts could have done wonders to an investment portfolio and to everyone who wishes to add meaning to their finances, and their life. A few of his principles that I strongly believe investors and investment portfolios should be focused on include:

Spend maximum time on the portfolio design—Steve said, "Design is a funny word. Some people think design means how it looks. If you dig deeper, you realise it's how it works." A significant amount of time tends to get spent on identifying the best product in the portfolio, looking at past performances over multiple timeframes and trying to identify the best time to enter the markets. However, empirical evidence indicates that portfolio returns are dictated most by your asset allocation strategy, i.e. your portfolio design, and only marginally by security selection and timing of entry. Thus, as an investor, a significant amount of time on your investment portfolio should be spent on the portfolio design rather than which manager/

stock and when to enter?

—Vishal Dhawan

Understand what you are investing in

—Steve said, "It takes a passionate commitment to really thoroughly understand something, chew it up, not just quickly swallow it. Most people don't take the time to do that." Investments can be fairly dull and filled with jargon getting thrown at you by investment advisors. Don't be in a hurry just because you are approaching a last day for the offering to close. Only buy what you completely understand and ask as many questions as you wish to before you sign on the dotted line. If you don't understand what is being offered, stay away. If it sounds like it is too good to be true, it probably is. For example, if you are investing for tax savings purposes, don't wait till March to complete your tax planning investments and buy the first thing available because you don't have the time to understand it.

Simple can be harder than complex—Steve said, "You have to work hard to get your thinking clean to make it simple". A large number of investors tend to believe that complex, new and innovative investment products will outperform simple investment offerings. This may not always hold true. For example, term insurance for most investors is the most efficient way to cover their lives in spite of multiple variants of insurance policies available from multiple providers.

Build your own life and financial plan— And last but not the least, one of my favourites from Steve: "Your time is limited. Don't waste it living someone else's life. Don't be trapped by dogma—which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice." As an investor, define your own life goals, and integrate your money and investment strategies to deliver to your own life goals. Don't invest in something just because your neighbour or colleague is doing that. If you need help with defining your financial goals, consult a financial planner.



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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.

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