Five lessons for New Year

MONEY MATTERS Didn't plan money well in 2018? It's not too late, writes **Revati Krishna**. Include these in your resolution

Start early, invest for long-term

SATYABRATATRIPATHY/HT PHOTO

LESSON1#

If you have just entered the workforce, it is time to start saving and investing your money to maximise your wealth

SHREYANSH PATEL

Age	Profile	Planner
23	Single	Nisreen Mamaji

"Apart from diversification of investments, I also learned the importance and method of goal-setting and aligning the same with my investments."

MUMBAI: Shreyansh Patel, 23, a Mumbai-based bartender, started investing when he turned 21. "My grandfather spoke about how he took care of a family of five, including wife and three daughters, with a salary of ₹3,000 and managed to enjoy his life with a lot of travel," Patel said.

"He had invested in fixed deposits (FD) and insurance policies, which are not recommended for his age group," said Nisreen Mamaji, chief executive officer of Mumbai-based MoneyWorks Financial Advisors.

Initially, Patel had no clarity on where to invest, hence, his parents encouraged him to speak to a financial planner. "None of my family members is well-versed with the markets and my parents too didn't have a positive experience with shares, hence I was advised by my parents to go for a financial planner," said Patel.

Considering that Patel works 16 hours a day and does not find time to learn the ropes of the market, he felt a financial planner could do justice to his investments. His financial planner advised him to shift to riskier assets. "There is a re-investment risk with FDs wherein after the maturity period you are again stuck with where to invest that lump sum amount," Mamaji said. "He can invest in instruments with a higher risk-reward ratio," she said. Mamaji advised Patel to surrender his FDs, along with his insurance policies which were endowment policies. "Endowment policies have lower yields and very high charges." Her logic is that even if Patel lost some money from surrendering, he can always start his investments afresh.

After meeting the planner Patel learnt about diversification into different asset classes and made his first investment in mutual funds.

His goals include travel, financial stability after marriage, buying a house five to seven years from now and retirement planning too, which Patel believes is at least three decades away. Patel's investments include fixed income and hybrid equity funds.

Starting your investment journey early helps you correct your mistakes sooner. If you are in your early 20s, you should start saving and investing and use the power of compounding to grow your wealth.

In your 20s, keep an eye on retirement

LESSON 2#

It is not only the savings but also the power of compounding that can work in your favour

SATYABRATA TRIPATHY / HT PHOTO

GAYLE MIRANDA

Age	Profile	Planner
26	Single	Deepali Sen

"One thing I have learnt is that investments require a lot of your time in monitoring and tracking."

MUMBAI: Did you know that if you save for your retirement from your first job, you need less money to invest to build a larger kitty? It is called the power of compounding. Also it is one of the most common mistakes that people make — ignoring your retirement goals. However, Mumbai-based Gayle Miranda (26), a human resources professional, has already started investing for her retirement.

After completing her Master's in Business Administration (MBA), Miranda joined as a human resources professional in mid-2016. "The first year you see this good amount of money and independence and you want to reward yourself for the effort you have put in. So in my first year I did lots of travel — at an interval of at least two months and bought lots of home decor," said Miranda. During the period her parents advised her to invest money in fixed deposits (FDs) and recurring deposits (RDs). "But when I checked with my friends, they spoke only about mutual funds and equities," Miranda added.

Miranda's packed schedule and low expertise on finance made her turn towards a planner. "I was earlier apprehensive that I am late with my investments considering I was already two years into the workforce and that my future financial stability might be at stake. After I began my journey with the planner in August, I learnt I am an early starter," said Miranda.

"Gayle was already aware something was lacking in her earlier investments and did not want any old-school financial instruments," said Deepali Sen, founder-partner of Mumbai-based Srujan Financial Advisers LLP. Gayle's goals initially included travel, contribution to sister's education and her wedding for whenever it is planned but interactions with the planner helped her to add emergency and retirement funds to it. "The challenge with Gayle was that she had a lot of aspirations which had a misbalance with the inflows so we prioritised her goals according to the timeline," said Sen.

"I had thought that mostly my goals could have been achieved in the next two to three years but once my planner shared more information on long-term planning, I apportioned a good sum for a period of 10 years," said Miranda. Her earlier investments were almost non-existent in the form of FDs and RDs. Her planner directed her towards budgeting and goal-based investments. For example, marriage was categorised as a short-term goal and retirement was put under long-term goals for her. For short-term, Miranda now invests in debt instruments and for long-term goals such as retirement, she invested in equity instruments.

Take out time to manage your money

ILLUSTRATION: SHRIKRISHNA PATKAR

LESSON 3#

Inability to spend time on management and overlooking the details has the potential to derail the entire process

MUMBAI: Most professionals tend to spend longer hours at their workplace. In fact, an average employee in Mumbai works 3,315 hours a year, the highest in the world, according to the findings of a 2018 study by Swiss investment bank UBS. Longer work hours followed by longer commute hours can leave you with little time to handle your finance. Ameya Bhangle, 28, an MNC professional and Anuradha Hardikar, 27 an HR professional, have been facing the problem of not having enough time to manage their finance.

"Earlier we planned our own investments but as both of us began our professional journey together and assessed our goals we realised we needed to get a little prudent at our financial planning, which would require a great deal of time from us," said Bhangle. "We wanted to start planning according to short-, medium- and long-term goals," he said.

Bhangle said the couple were caught in a plug because of transit issues between India and U.S. and a newly acquired professional life. As a lot of time was going towards building their career, they decided to hand over money management to a financial planner. The key reason to hire a professional to manage their money included the planning process for different life stages as well. According to Vishal Dhawan, founder of Plan Ahead Wealth Advisors, the couple were well aware of investment products earlier and were managing their own money well but the investments were a bit scattered in terms of the number of investments they had. "In that regard, simplification of the investments and aligning those with the goals was required. The portfolio needed comprehensiveness and alignment with objectives," Dhawan said.

The financial goal of the couple included paying off their education loan, travel, retirement, contingency, health and philanthropy. The couple have invested in a mix of debt and equity funds with the debt component catering mostly towards servicing the education loan.

AMEYA BHANGLE AND ANURADHA HARDIKAR

Age	Profile	Planner
28 & 27	Married	Vishal Dhawan

"We learnt in our further discussions with the planner that our risk profiles are different"

Do due diligence before hiring a money manager

LESSON 5#

When you seek professional help, don't blindly believe everything. Make sure you understand the financial instruments before you opt for it

MUMBAI: Zarine Kharas, 54, a retired restaurateur, recently inherited some stocks and shares which had earlier been left to a large investment bank where her portfolio was mismanaged, causing her great losses. This sparked the decision of going to a planner. "Before this, when I fell into the category of a single mother, there was no planning for the future, it was more on a month-to-month expenditure pattern," Kharas said. "As I am now a retired person and do not have any source of income I am completely dependent on my investments to meet my monthly and other expenses."

Kharas said she has invested in various mutual funds that are well spread over 4-5 different asset management companies. "My financial advisor has carefully charted my investments to ensure that I have sufficient funds to be independent till the age of 80," she added. "It was definitely difficult to handle Zarine's case because she had come pretty late, so the portfolio was very risky and I had to strike the right balance between safety and growth," said Priya Sunder, director and co-founder at Bengaluru-based Peak Alpha Investment Services Pvt. Ltd.

"It was a situation where we could not have gone wrong and at the same time it was difficult to generate income," Sunder added. Kharas' financial planner had to create a portfolio that would generate additional income.

"Kharas is also going to move to Australia soon so the planning had to be done keeping that as a short term goal; then also considering her properties and investments back in India we had to analyse all situations — if she sold them, held on to them or if markets went bad along with a backup plan," Sunder said.

A lot of Kharas' capital had eroded on account of mismanagement by the investment bank, which was a hit she was not prepared for, said Sunder. The investment bank had invested in single stocks which were mismanaged, leading to a steep fall. "Too much trust laid with the investment bank that solely managed her corpus can also be counted as a mistake," said Sunder.

"As Kharas is moving to Australia, we had to create a corpus that would support her going ahead in life, reducing dependence on her children," she said. Kharas' investments include ultra short-term funds for her move to Australia and a couple of equity funds for long-term investments that would help her beat inflation, Sunder added.

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ZARINE KHARAS

Age	Profile	Planner
54	Divorced	Priya Sunder

"As I am now a retired person and do not have any source of income I am completely dependent on my investments to meet my monthly and other expenses."

KASHIF MASOOD / HT PHOTO

SUNIL GHOSH /HT PHOTO

Crashes mustn't faze you

LESSON 4#

Make use of equities to achieve your long-term goals such as retirement and child's education

RANJAN GUGLANI AND HARNEET KAUR

Age	Profile	Planner
35 & 33	Married and have a daughter	Pawan Agrawal

"I tried a combination of direct equity and mutual funds but I always ended up in early redemptions. I realised later that I was missing out on the power of compounding."

MUMBAI: If you want to run a full marathon, your physical trainer will tell you you have to exercise regularly and follow a disciplined regime. Similarly when it comes to money management, you need to be disciplined. Though you may have started investing, if you don't do it in a systematic way you may not be able to achieve your financial goal.

For instance, investors tend to panic when markets crash and withdraw their equity investment. "Before and after I began my professional journey, I tried a combination of direct equity and mutual funds but I always ended up in early redemptions. I realised later that I was missing out on the power of compounding," said Noida-based Ranjan Guglani, 35, a corporate banker, who is married to Harneet Kaur, 33, a supply chain executive. Like most retail investors, Guglani too lost hope when the markets crashed.

To streamline their investments, Guglani took the help of a planner. "It was not just the return perspective but also goal-setting that we learnt from the planner," he added. The couple have invested more than 90% in equity mutual funds.

"When the family had approached me, they didn't have much coverage in financial assets and had most of their funds lying in bank accounts so the change required in their portfolio was to align them according to their goals and to stay invested in market-linked products," said Pawan Agrawal, founder of New Delhi-based InvestGuru.in. For short-term goals, the couple invested in ultra short-term funds. "For long-term goals, such as their daughter's education and marriage, we looked at growth-oriented products like balanced funds and equity funds," said Agrawal.

quickguide

HOW TO PICK A FINANCIAL PLANNER

If you are planning to hire a professional to manage your money, here is what you should do:

1 **Competence:** It is essential for the planner to have knowledge about markets, its behavior and the various risks involved to be able to understand your risk profile.

2 **Experience:** Pick a planner with a relevant and strong track record as only with a good range of experience can a planner define your goals sharply.

3 **Review frequency:** The planner's job does not end with the financial plan but he/she needs to review your portfolio regularly for better preparedness.

4 **Relationship building:** Choose a planner who not only builds a transactional relationship about investment products but also a deep connect so that you can freely disclose what is important about your finances.

5 **Client spread:** The financial standing of the planner's client spread should be almost similar to yours. If other clients are either way smaller or bigger, then the planner' experience may be deranged.

TERM OF THE DAY

FINANCIAL PLANNING

WHAT IS IT?

It involves a process of goal-based planning where your income is matched against the purported expenditures, savings and investment. This has to be done in accordance with goals such as marriage, education, children's education, retirement, travel and a few others.

WHY IS IT IMPORTANT?

It is necessary to ensure that you have adequate funds for ongoing expenditures and lifestyle and are financially prepared for unforeseen incidents. It helps an investor to tackle adverse market trends with better preparedness.

POOR PLAY

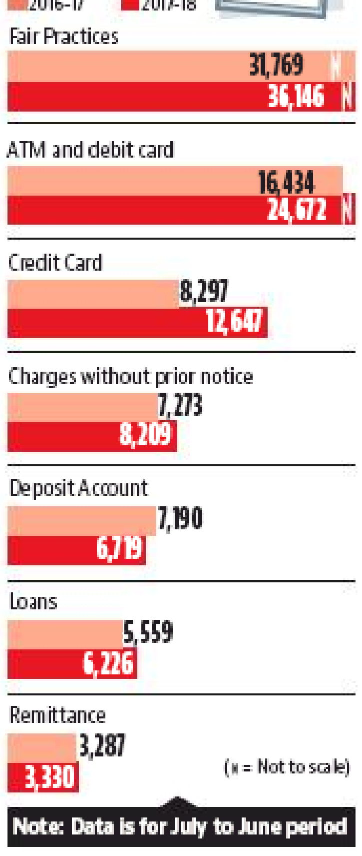
Gold, small-cap and mid-cap disappointed investors

ASSET CLASS	RETURNS (year-to-date in %)
Gold	-2
Crisil 10-year bond	6.59
Nifty 50	3.13
Nifty MidCap 100	-15.81
Nifty Small cap 100	-29.62

Source: Bloomberg, Crisil

ARE YOU UNHAPPY WITH YOUR BANK?

The number of complaints increased by 25% in 2017-18 from 1.3 lakh to 1.6 lakh



Note: Data is for July to June period

Source: RBI Report on Trend and Progress of Banking in India 2017-18