# Debunking personal finance myths: Is investing in precious metals the safest option?

Gold doesn't witness much appreciation annually. Therefore, investing the same amount in other portfolios can sometimes fetch better returns

**Noopur Praveen** - August 11, 2021 / 09:24 AM IST

*Yes, investments don't necessarily gurantee wealth multiplication. But the sooner you begin, stronger the chances of achieving your finanical goals.*

What is the biggest barrier to your financial growth? Financial myths. Yes, some folktales about money often become a potential roadblock in your life. While one may not bring them into everyday conversations, you're often ruled by several misconceptions flying in thin air. To the less informed, these myths can turn even more dangerous. Personal finance is the latest social media buzz. From Clubhouse to YouTube and Instagram, finance tips are overflowing. However, certain underlying myths continue to rule the minds of Indians. Let's try to bust some of those.

**All that glitters isn't gold?**

Investment in gold has widely been regarded as one of the best investment decisions by a majority of Indians for decades. It's considered the safest method of preserving your hard-earned money and reputation. But is it really the gospel truth?

"When we talk about investments, majority of people think about an extra house that can generate rental income or the yellow metal which can be used as safety money in times of need. It is human psychology – both real estate and metals are tangible and can be touched and felt. This gives us a sense of security. Further, gold/silver are easily tradeable – we can get our money if we sell a bar/ coin of gold/silver. Hence people find it to be the safest," reasoned Foram Shah, certified financial planner.
It is always advisable to not put all your eggs in one basket as diversification helps in risk mitigation. For example, while gold is going through the downward cycle fixed deposits and mutual funds offer annual interest of 7% and up to 30% respectively.

"While investing, we should link the product to our requirement. If it fits well, then we invest. If it doesn't fit – how much ever safe it is, it will not help us to achieve our goals failing the whole purpose of investing," Shah explained.

**Investment is for the Richie Rich?**

Most of the time we come across people saying – "My income is not enough for investing money". Call it an excuse or a plain myth, most people blame it to their poor financial status for not investing/saving money. While the youngsters feel their income is too little to be spared for savings, oldies feel burdened with responsibilities and rising expenses.

"When we invest money, we're paying ourselves in advance for the future. People follow Income – Spending = Savings; this equation needs to be modified to Income – Savings = Spending. Savings need not mean investing a large amount at a time. It can be as small as Rs. 100 a month. It's the habit that matters. Once we are in the habit of regular investments, we end up saving more and more year on year. Think of savings as paying your future self in advance and you will be encouraged to save more," Shah advised.

The same holds true for life insurance and term insurance as well. One needs to pay an annual premium of Rs 15,000 – Rs 25,000 to secure their health and life. Remember, it's the low-income group that will require financial assistance far more than the upper class. Hence, it's them who need to start saving and investing faster than anyone else.

**Retirement money shouldn't be invested in stocks?**

The retirement corpus is one's ultimate survival kit to lead a comfortable life during old age. Hence, people tend to be extra sensitive about this fund. There is a general belief that stock markets are just too risky to invest your retirement money. What if the money is lost? But financial experts feel otherwise.

"Retirement for many couples could span a couple of decades or more, and thus a part of the retirement portfolio should be allocated to inflation-beating assets like equities, which can be volatile in the short term but invaluable in retirement portfolios to protect against inflation in the long term," Vishal Dhawan, financial planner and founder at PlanAhead Wealth Advisors exclaimed.

You've got to keep inflation in mind as you walk on the road to retirement. Traditional savings will not suffice your needs 20 years from now. Hence, a part of the corpus must be allocated to long-term asset classes. This is a way to beat inflation with the same money kept in your bank accounts.

Here's the bottom line – Yes, investments don't necessarily guarantee wealth multiplication. But the sooner you begin, the stronger the chances of achieving your financial goals. Delaying it is a pure disaster.

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