SIMPLE CONCEPTS For LONG TERM WEALTH CREATION

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THE WEALTH WISHER

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1. Start **investing early.**

Start early and over time your savings could grow into a sizeable sum.

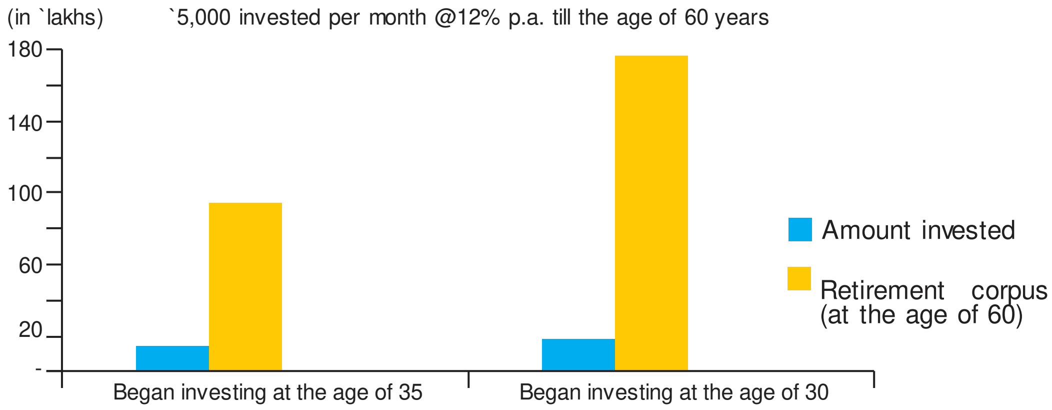
When you start saving early, your money has more time to grow. Moreover, you benefit from the power of compounding - your investment earns income and that income earns more income. So, the sooner you start, the better your chance at building wealth in the long-term.

The difference time can make

Let's assume you are 30 years old and your friend is 35.

Both of you want to retire at the age of 60 - so you have 30 years to go and your friend 25.

If each of you invests `5,000 a month, at a monthly compounded growth rate of 12% your retirement corpus will be close to `1.76 crores and that of your friend would be just about `95 lakhs - you would have saved 86% more than your friend – just because you started 5 years earlier!



“Starting early is a good habit.
Be it honey or money.”

The example given here only illustrates the power of compounding on monthly savings. It does not guarantee minimum returns and the safety of capital. Calculations are based on assumed rates of return and the final return on your investment may be more or less. Inflation and fund management fees have not been factored in the calculations and they could reduce the return on investments. Past performance may or may not be sustained in the future.

2. **Keep some money aside** for emergencies.

Ideally about three to six months of expenses is considered a good amount.

You don't really have to keep the cash lying idle - just make sure you can withdraw the amount when you need to - without penalties.

Why you may need your money at short notice

- An emergency such as hospitalisation
- An unexpected expense such as for repairing your car
- To manage expenses during a job shift or in case of a job loss

"Good times or bad, it always pays to be prepared."

3. Think carefully about **how long you will be investing for.**

"Make sure you categorise your goals in different bowls."

Categorise your goals in terms of time frame.

A simple, yet effective way would be to divide your goals into short, medium and long-term. Look at the stock market only if you are prepared to put your money away for five or ten years, or perhaps even longer. For example, to meet long-term goals such as retirement or children's education or marriage.

If you are likely to need your money any sooner, keep it in an investment in which the chance of a loss in capital is lesser.

SHORT-TERM

MEDIUM-TERM

LONG-TERM

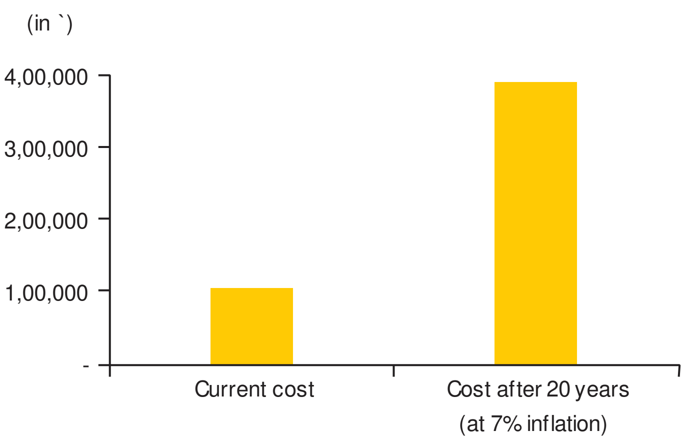
4. Remember that **inflation will eat into your savings.**

Equity-oriented investments are more suited to generate better post-inflation returns.

Returns on risk-free cash investments may sound comforting, but when you consider the impact of inflation you may not be so impressed. For long-term growth you need to make your money work harder.

Inflation - the ticking time bomb

At 7% inflation, what costs `1,00,000 today will cost over `3,86,000 after 20 years!



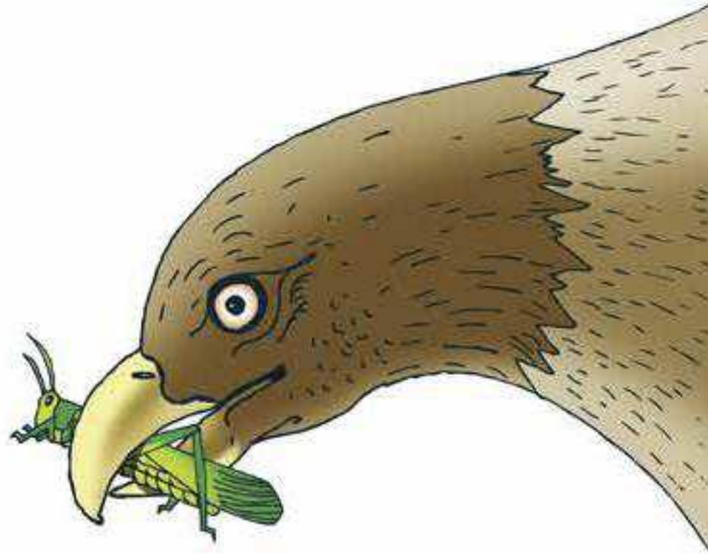
The inflation rate mentioned above is an assumed rate. Figures have been rounded off to the nearest thousand.

“ I collect more honey. You could look at equities to beat inflation with your money. ”

5. Ask yourself **how much risk you can take.**

Be realistic about your appetite for risk.

The potential of high returns may not be of much use if you are going to lose sleep over the risk associated with your investment. Also consider other aspects such as your financial obligations and life stage to gauge your overall risk taking ability.

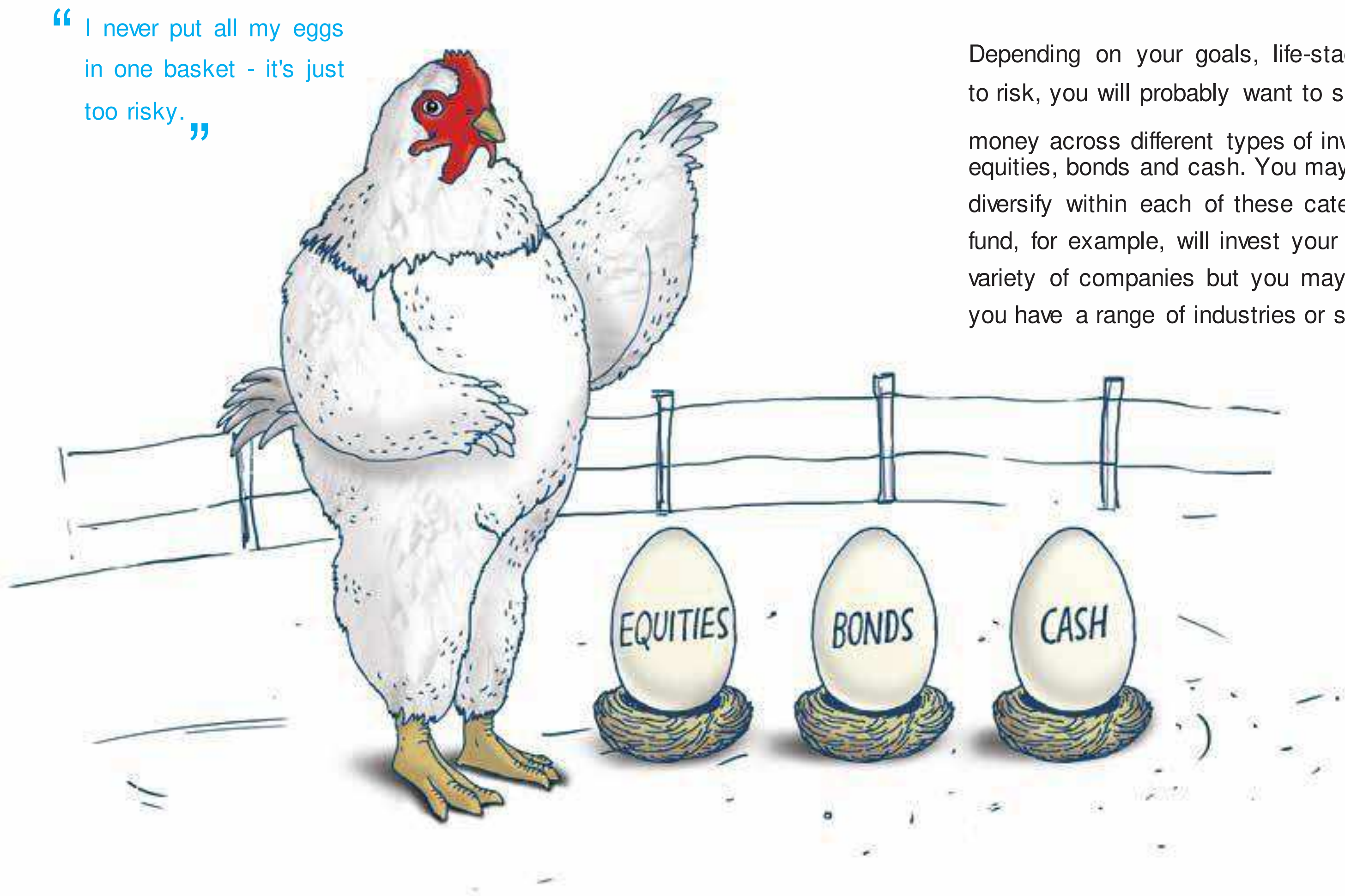


“ When it comes to risks, I'd rather be safe than sorry. ”

6. **Spread your money** across a range of investments.

You will be less likely to lose out if one type of investment does badly.

Depending on your goals, life-stage and attitude to risk, you will probably want to spread your money across different types of investments - equities, bonds and cash. You may also want to diversify within each of these categories. An equity fund, for example, will invest your money in a variety of companies but you may want to ensure you have a range of industries or sectors too.



7. **Choose** your funds carefully.

Select investments based on your personal circumstances and goals.

Ideally equity funds are most suited for long-term goals - five or ten years at least. For goals that are medium to short-term in nature it's best to opt for lower-risk options.

Don't opt for the flavour of the season, unless you are sure it will be right for you in the future.
Don't assume all funds investing in Indian equities are the same - look at what a fund invests in and check if you are comfortable with its investment style and objectives.

"Investments are like food. Wrong choices leave a bad taste in the mouth."

8. Invest **regularly.**

Every little bit adds up.

Investing regularly is easy if you treat your investment as part of your monthly budget. A Systematic Investment Plan (SIP) is a great way to build a sizeable sum. Moreover, investing regularly also allows you to capitalise on a phenomenon called “Rupee cost averaging”.

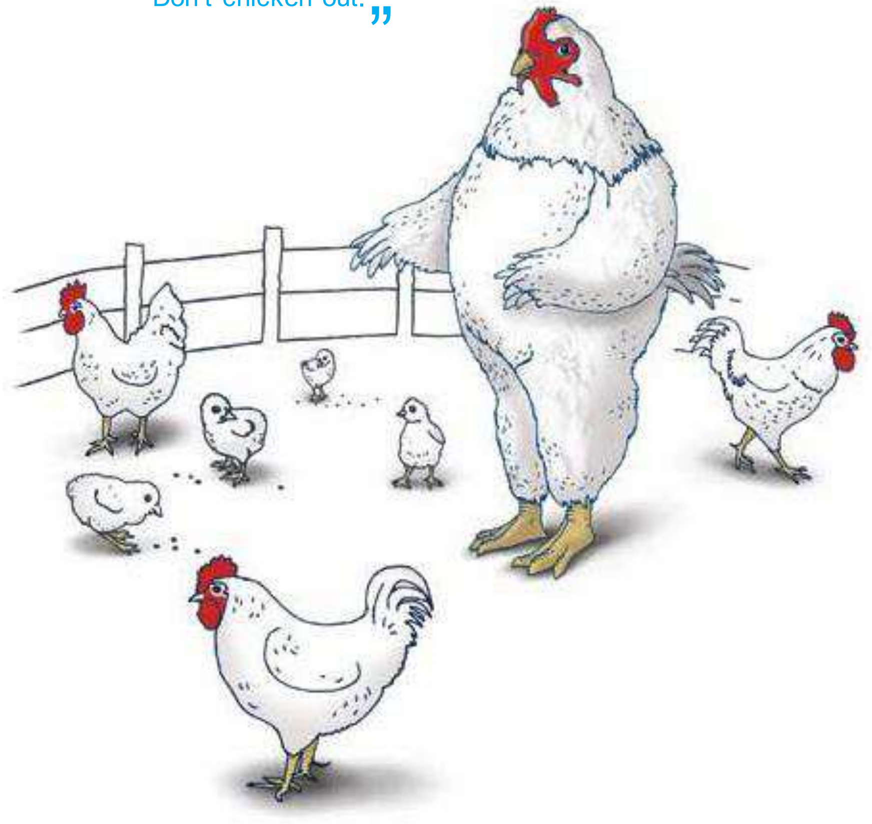
The power of rupee cost averaging

The table compares the returns achieved by a lump-sum investor and someone who saves the same amount every month for six months.
The regular saver finishes with an investment that is worth more than the lump-sum investor’s after six months - even though the starting price, finishing price and average price are exactly the same.
Check the figures yourself!

		LUMP-SUM INVESTOR		REGULAR SAVER	
Month	Unit price(`)	Amount Invested(`)	Units bought	Amount invested(`)	Units* bought
1	20	60,000	3,000	10,000	500
2	18	-	-	10,000	555
3	14	-	-	10,000	714
4	22	-	-	10,000	454
5	26	-	-	10,000	384
6	20	-	-	10,000	500
Total (`)		60,000		60,000	
Avg. Price (`)		20		20	
Total units bought		3,000		3,107	
Value after six months (`)		60,000		62,140	

This example uses assumed figures and is for illustrative purposes only. *Fractional units ignored.

“Laying an egg a day got me this fortune. Invest regularly, Don’t chicken out.”



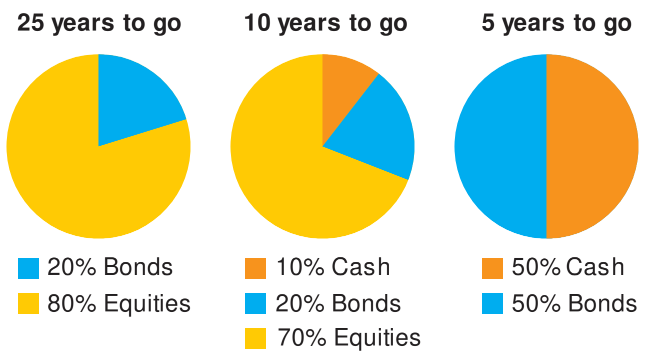
9. **Review** your investments.

Review your investments regularly so they match your long-term goals.

There is nothing constant in life. Situations keep changing. A portfolio that is right for you at one point in your life may not be quite so suitable a few years later. Your investments need to adapt to changes in your circumstances, such as getting married, having children or starting a business. It's also a good idea to check that each of the funds in your portfolio is living up to your expectations.

Getting the right mix

For the greatest long-term growth potential you could invest all your money in equities. But this could be a high-risk strategy as the markets could dip just before you need the money. You may need to think about making changes to your portfolio over time. You could aim for strong growth in the early years, and then, lock in gains you may have made and move into lower-risk investments. As you get closer to needing your money, bonds and cash investments could be your emphasis.



The portfolio allocations shown are for illustrative purposes only. Your investment decision will depend on your own risk appetite and time horizon. You may want to consult an Investment Adviser for guidance.

"Like I adapt my colour to my surroundings, review your investments to keep them evergreen."

10. **Stay invested** for the long-term.

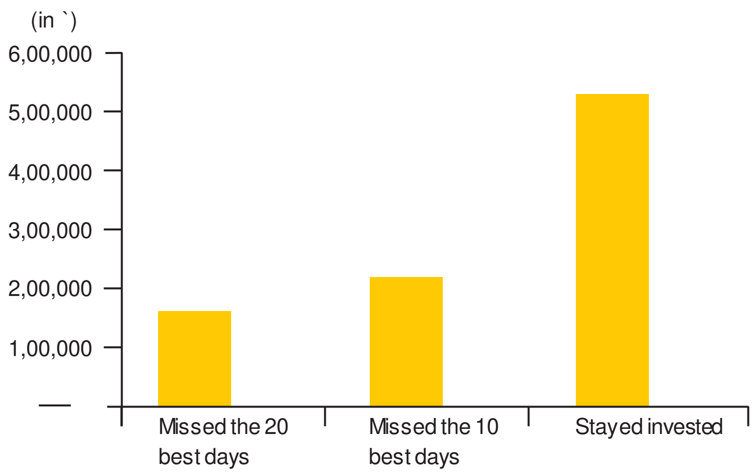
Remember that time not timing is the key to successful investing.

"Patience gave me wings. It can also make your investments fly."

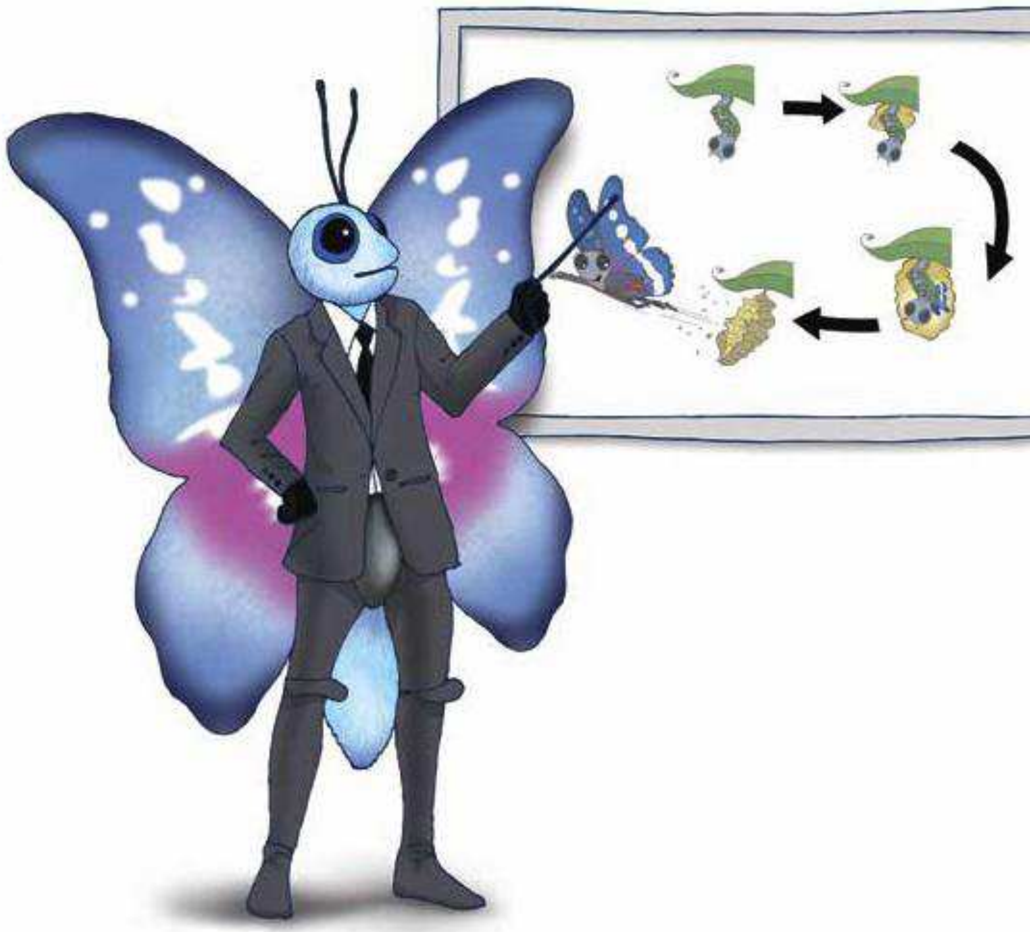
It is very tempting to invest when the markets are high and everyone else is investing and to redeem when the markets are falling. During volatile periods, markets can swing in both directions; it is better to remain calm and take a long-term view, so you have time to ride out any ups and downs.

A few days can make all the difference

An investment of `1,00,000 made on January 1, 1998 would have grown to almost `5,30,000 as on September 30, 2013 had the investor stayed invested during the period, compared to a little over `1,62,000 had the investor missed the 20 best days.



Source: CRISIL, AMFI, Bloomberg. The aforesaid example is only for illustrative purposes. The investment is assumed to have been made in the BSE Sensex and does not factor in any cost associated with investing in an index. Past performance may or may not be sustained in the future. Figures have been rounded off to the nearest thousand.

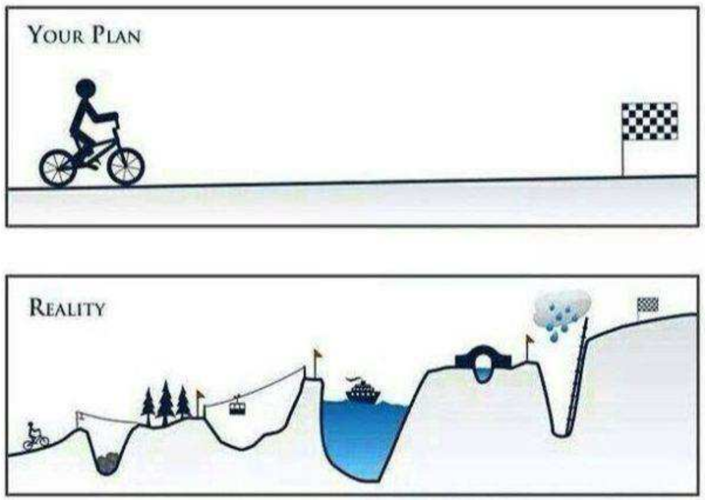


Congratulations!!!

Part one of making your life planned and stress-free is over. Credit goes to you for playing it smart!!!

Way Ahead,

You have your plan in hand, and you must be wondering what to do next? This is what you will face in life:



Life completely surprises you. Chapters add up and sometimes, few journey end too. Investment Scenario changes every day.

So here is the most important things your have to do, in order to make Your Life SUCCESSFUL…

Financial Planing & Wealth Creation

The recommendations will just be thoughts & dreams if you do not implement them. **Doing the same old things will give you old and the same result.**

We WealthWisher Financial Advisors seek to design your plan, as we wish to be a part of your successful journey.

You should check following links to know how we manage your wealth:

Financial Planning Service http://www.thewealthwisher.com/financial-planning/

Wealth Management Service http://www.thewealthwisher.com/wealth-management/

If you are a single female investor, a Professional/Executive or an NRI, we also customize your requirement through our portfolio management services. Check the details on our website.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