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Fixed or Floating Rate Home Loans

Home Loans have again started to go up after an about year. Many of you either are waiting for your dream house or have made a plunge and acquired a house on loan. **You should avail fixed or floating rate home loans?** Answer has been always mysterious if you are not tracking the interest rate cycle.



Today let's discuss if you have made the right choice or if you are planning to take a home loan.

Let's see what you should choose – **Fixed or Floating rate [home loans](#)?**

Lending rates have fallen notably over the past one to two years before this small spike.

If you have been looking to buy a home with a loan component, it is without any doubt a good time to lock into attractive rates now. Property prices have corrected and the sector is regularized through [RERA](#). The discussion in hand is about **Home Loan – fixed or floating rate home loans**.

The phenomenon of lowering key policy rates since January 2015, by the [RBI](#) has come to a reversal.

In fact, given the recent favorable [inflation](#), the possibility of a further rate hike by the US Fed, the rates may increase a bit in the coming year or two.

Hence, the important question is whether a home loan borrower should go for one of the cheapest rates under the floating rate option. Or they lock into fixed rates as in the coming year or two the rate may cross the fixed rate loan.

The Types – Fixed or Floating Rate home loans

Before we analyze the two options, let us understand how these work. Floating rate loans are essentially linked to a benchmark rate (MCLR), which moves up and down depending on the interest rate movement in the economy.

Hence, in line with the RBI's rate cut from Jan 2015, bank lending rates too have fallen sharply by nearly 350 basis points (100 basis point equal to 1 percent) on new [loans](#).

Under fixed rate loans, the interest charged to you is fixed at the time of availing the loan. This will not change until the contract contains certain conditions. If no such condition of review is present, the rate does not change in the future.

These are 1-1.5% costlier than floating rates when you are starting the loan.

There is also a third option. Here few banks and housing finance companies (HFCs) offer a fixed rate loan for a certain period and then the loan changes to floating. These are mostly found in campaigns or teaser rates. For eg [SBI](#) offered a loan at 8.30% for one year then it will change to floating.

So which of these three options should you choose based on today's scenario?

Floating Rates make more sense

Ideally,

- When interest rates are at a peak, rather than lock into fixed-rates for the long run, borrowers should prefer to go for floating-rate home loan. This will benefit when there is fall in lending rates.
- But when rates have bottomed out, borrowers may favor fixed-rate home loan to protect themselves from rate increases in the near future.
- When the rates have again started climbing up, as the case now, one can prefer a floating-rate option.

Reason for choosing Fixed or Floating Rate home loans

The choice is not simple to make. Floating rate loans are a better option in prevailing conditions, due to several reasons.

Home loan is a very long-term product & commitment. Interest rates tend to go up and down across cycles which are typically 4-5 years depending on economic parameters like inflation, credit growth & corporate growth. If you get locked into purely fixed interest rate loans it could cost you dear, later on.

Eg: In 2012 and 2013, SBI was offering home loans at 11.5% interest rate under the fixed rate option. Same went to 8.6% this year.

So, borrowers who locked into fixed-rate loans than would have lost out on the sharp fall in lending rates in the last two to three years all the way down to 9%.

Fixed rate home loans, in 2013 ranged between 11 and 12%.

INTEREST RATE CHANGES				
From Date	ROI (%)		From Date	ROI (%)
1-Nov-09	8.75		1-May-14	11.75
1-Feb-10	8.75		1-Aug-14	11.75
1-May-10	8.75		1-Nov-14	11.75
1-Aug-10	8.75		1-Dec-14	10.15
1-Nov-10	9.25		1-Mar-15	10.15
1-Feb-11	10.25		1-Jun-15	9.95
1-May-11	10.5		1-Sep-15	9.95
1-Aug-11	11.5		1-Dec-15	9.7
1-Nov-11	11.5		1-Mar-16	9.7
1-Feb-12	11.5		1-Jun-16	9.7
1-May-12	11.5		1-Sep-16	9.7
1-Aug-12	11.5		1-Dec-16	9.7
1-Nov-12	11.5		1-Mar-17	9.55
1-Feb-13	11.5		1-Jun-17	9.55
1-May-13	11.4		1-Sep-17	9.55
1-Aug-13	11.4		1-Dec-17	9.55
1-Nov-13	11.65		1-Mar-18	9.55
1-Feb-14	11.75		1-Apr-18	8.35
Next Reset Date		Expected ROI (%) on Next Reset		
1-Jul-18		8.55		

Loan Started

Rate reset for 1st Time

Lowest Rates Reset

Meanwhile, under the dual rate system, since the interest rate is fixed for specified initial years, it can protect you from rate increases in the near future.

Final Thoughts

Fixed rate loans are costly at the start and above floating rate, as they charge for being predictable. Floating rates move with economy and experience cycles.

Hence, when the increase has started floating rate loans are a better option for home loan borrowers.

In floating rate one has to be vigilant as banks or loan companies offer you option of aligning your rate of interest to the rate it is giving a loan to new customers. This is a facility which can bring down your [EMI](#) & Tenure.

Hope you now have an idea what to choose between Fixed or Floating Rate Home Loans in the present ongoing scenario.



WHAT IS ESTATE PLANNING

Creating assets is on top of your mind – good. But have you thought what will happen to your assets (or liabilities) after you? Well, no one likes to think for “that day”. But friend – laws do not understand your fear of death. You need to define & document your thoughts on how your assets will be redistributed after you. This is called estate planning. Let’s know the details of estate planning & important considerations in India.

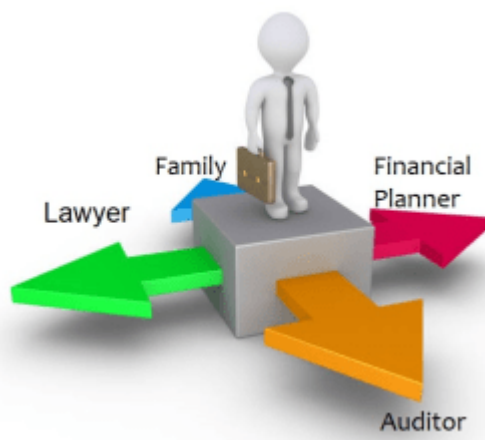
Estate planning in India is confused with **will or “vasiyat”**. Estate planning is more comprehensive. Will making is just one part of it.

It is a fact that **Indians hate [estate planning](#)** because – They fear death, they fear lawyers & they feel it is a costly affair. These are myths. Ignoring estate planning may lead to huge cost of litigations, loss of assets & loss of relationships. Let us see in details the meaning, benefits & important things to take care in estate planning.

What is Estate Planning?

Wikipedia definition of estate planning – “Estate planning is the act of preparing for the transfer of a person’s [wealth and assets](#) after his or her death. Assets, life insurance, pensions, real estate, jewelry, cars, personal belongings, and debts are all part of one’s estate.”

You have dealt with these sometime. Think about it every time you make investments in joint names or add a nominee in bank deposits and mutual fund holdings. This is a bit of estate planning.



[Estate planning](#) is broad in scope – It encompasses all the assets as well as liabilities, on the basis of a broad understanding of the legal framework covering transmission of wealth.

Myth no 1 – Estate planning is for super rich families

There is a myth that estate planning means setting up complex trust structures and therefore, this is a service that is meant only for rich class.



Regardless of where an individual falls on the [financial spectrum](#), it is a wise idea to consider some form of estate planning.

Why?

Just open the newspapers or visit any of the overcrowded courtrooms. **There is not just rich or one starta of society fighting long legal battles over property disputes.**

Why do you need Estate Planning?

Even when there are *no ugly family disputes*, it would be easy for grieving spouse and family members to miss claiming benefits because they were unaware that they were entitled to receive.



An estate plan ensures the family can easily ascertain what assets the individual has left for them. It is also important to know that without an estate plan, the [assets](#) will be divided according to the law.

With complicated family structures, it could mean that some members are not provided for if they don't fall into the rules for the Hindu succession act for example.

If individuals have an intention to donate some part of their estate to charitable causes after their lifetime, then an estate plan will ensure that this is executed.

With the care of a disabled family member or a minor child, having an estate plan creates some peace of mind that there are contingency measures in case of unforeseen events.

Some may have most of their wealth in a family business which needs to be carefully thought through in terms of finding solutions that enable the business to continue to be run by the best people yet owned by beneficiaries who may or may not be the same.

Some may need complex solutions, others may need simple ones. But, almost all families need sound estate planning to avoid disputes at a later stage that often arise among beneficiaries.

Common Solutions in Estate Planning

While a will is the first option that many think of when it comes to estate planning, there are also several others.

Transferring wealth to family members during the lifetime is another method.

Joint ownership where spouses own equally ensures that the surviving spouse automatically inherits.

A revocable trust is where a living trust is created and assets are transferred to trust.

So there are several options for an estate plan. It is up to the individual to consider their family dynamics to see what is suitable.

Common Considerations in estate planning

Many families make significant blunders due to lack of familiarity with succession laws in the country. Many don't understand what the role of a nominee is and is not. There are restrictions on rights for a nominee when compared to legal heir.

While many investors now understand the importance of creating a will, not many are aware of how to avoid simple blunders that can negate the entire effort.

Trusts and wills: These are the two most commonly used forms of estate planning. A professional advisor, can help you know and decide when to use trusts and when not to, and the role of wills and trusts in estate planning.



Business succession planning: When a lot of the family's wealth is in a family business, you need to go much beyond wills you need to think through and implement a sensible business succession plan that ensures business continuity as well as the transfer of beneficial interest in the manner desired.

NRI issues: Estate planning for [NRIs](#) adds a different dimension of complexity altogether. There are exchange control regulations to be familiar with, in addition to the laws of the land. Also, an expert is required which understands [NRI taxation](#).

Estate duty: India does not have estate duty but many countries have. If the estate belongs or is present in that country or any of the parties involved is from an estate duty implying country, one must take care the law of lands.

Each of these terms has details in them but here I just wanted you to be introduced. I shall come back with details on these soon.

For the moment hope you appreciate-What is Estate Planning?

Let me know what is estate planning for you? Have you started thinking about it?



PROS AND CONS OF INVESTING IN INTERNATIONAL FUNDS

Today traveling to a foreign country is no more a “lucky chance”. In earlier days people use to show horoscopes to learned men and wanted to know if they have “**videsh yatra yog**” (destiny to fly abroad). But today we see lakhs of Indians crossing the border for work, education & pleasure. So what about investments? Can they cross borders? Yes through International Funds you may choose to invest in foreign companies, countries & zones. So here is how investing in International funds can be done.

Investing in international funds like any other investment contains risk & return probability. I will offer you details here. But I would suggest checking your [risk appetite](#), [asset allocation](#) & horizon to decide in investing in international funds.

The primary reason for investing in international funds is **Diversification**. Our economy will be different to other countries economy. One tries to benefit from this difference.

The second important reason is **Hedging**. Through hedging you try to build a different portfolio so that in times when your main portfolio is facing bad time, the international portfolio minimize or hedge the losses. This is a professional job if you look at in details.

We have already provided the details on “[How to invest in International Funds](#)”. Here we talk about the reasons and factors impacting investing in international funds.

Let's see the Pros & Cons of Investing in International Funds

The Benefits

Worldwide diversification can be used to reduce risk. This strategy is widely used by international [fund managers](#) like **Sir John Templeton** or **George Soros**. These iconic investors & fund investor have used risk management strategy of combining a wide variety of investment to reduce the overall [risk](#).



The aim is to beat the downtrend in a home market by making gains in the other international markets. You can do it too. You or your [advisor](#) can identify these opportunities using mutual fund route.

Taking advantage of World's Best Companies

Many international companies that you know are global leaders in the services or products they offer. **Netflix, Amazon, Apple, Google, Berkshire, Facebook, Microsoft, Exxon Mobile** etc. do not have their stocks listed on the Indian stock exchanges. If an investor wants to participate in the growth of these stocks, he can do so by investing in [international funds](#) through MF route.

Protecting the core portfolio

An International fund can be used as a hedge. Not only in returns but in situations of currency fluctuations like fall in the rupee against dollar. Many times investor may feel a strong local weak against Dollars or Euros. Investing in the international fund can help in investing thus minimizing loss owing to the currency depreciation.

Investing in Legendary Funds

There are many funds which act as a feeder fund for an international fund. They collect money and invest in the main fund which is international. Majority of these international mutual funds scheme have a commendable reputation. You can be a part of these funds. Eg Franklin Feeder Fund invests in Franklin's main fund called Franklin US Opportunities Fund. Take a look at the portfolio.

Top 10 Holdings			31/03/2018
Franklin U.S. Opportunities Fund USD			Portfolio
Total Number of Equity Holdings			75
Total Number of Bond Holdings			0
Assets in Top 10 Holdings			38.73
Name	Sector	Country	% of Assets
Amazon.com Inc		United States	7.32
Apple Inc		United States	4.96
Mastercard Inc A		United States	4.87
Visa Inc Class A		United States	3.76
Microsoft Corp		United States	3.68
Facebook Inc A		United States	3.57
Alphabet Inc A		United States	3.53
Raytheon Co		United States	2.44
SBA Communications Corp		United States	2.33
UnitedHealth Group Inc		United States	2.26

It's not limited to US or UK. Global Opportunities are available

You name a good country or economic zone, you can find an international fund to invest. An Investors has a wide variety of schemes like Hongkong, Japan, China, Aisa, Brazil or Commodities. The investor can choose region specific schemes or scheme based on the particular zone (like Europe) or based on commodities like gold or agriculture.

The 4 most important risks of Investing in International Funds

Know-how of a foreign economy

You are 1000s km and you have very less knowledge about economic changes. Let's take an example.

You have invested in Indian Fund based on consumption and a Brazilian fund. Even the non-business newspaper told you a couple of days ago that monsoon will be 97%. But what about Brazil? Can you track such information?

So this risk can be reduced by using an advisor keeping a track of international funds. Also when you invest through MFs the fund manager takes care of these information and makes changes accordingly if he is allowed by management.

Currency Risk

Investing in international funds faces major drawback called the currency volatility. Your investment is made in rupees, which is then changed to a different currency, depending on the country in which it is invested. Now if the foreign currency in which you have invested falls in value against the rupee, your profits will be eroded to extent of fall. Hence the gains you may have made through investments will be reduced.

So in a way, it like praying “rupee should not become stronger” against the currency in which you have invested.

Increasing Political Risks

Just look around and note the events.

On one hand, Trump is facing a probable impeachment but he chooses to fire 100 plus missile in a Russia protected country.

Xi Jinping just acquired a sort of “emperor for life” status in China.

Emanuel Macron in France is facing what Kejriwal is facing in Delhi.

Nawaz Shariff banned to contest elections. Who will take over legacy? Son, Daughter, Brother, Nephew? Will he be a friend to India or same story will repeat?

When you are in business with these countries, politics is what you get without asking. Deciphering politics? Well, world’s major universities are trying to learn it until today.

Taxation of International funds

This is a real dampener. Funds that invest in stocks abroad do not carry the advantage of equity investing. These are **taxed as a debt fund**. If you hold them for over three years, long-term capital gains tax at the rate of 20% (with the inflation indexation benefit) is applicable. For a holding period of less than 3 years, you’ll have to pay a short-term capital gains tax as per the income tax slab system.



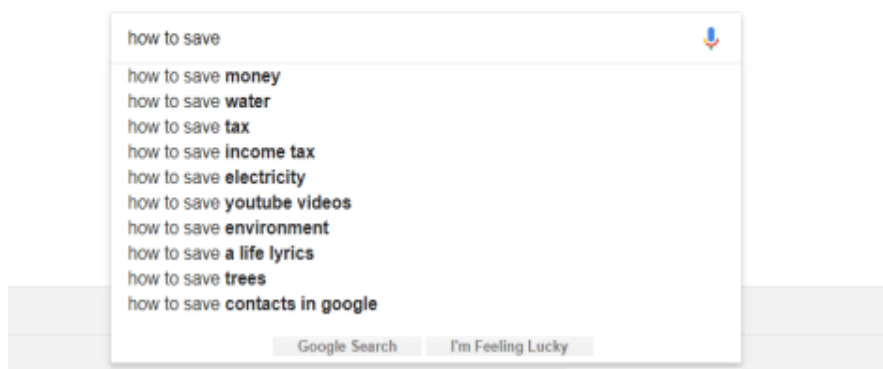
Struggling on- How to Save Money? Try these 6 hard ways

Do you struggle – Not with earning money but saving it? You make a lot of plans and devise lot of tricks but in the end, you have hardly any money to invest. *Question – How To Save Money is really bothering you.* You curse yourself that you don't save money then you need to learn this by hard means. Yes, you have to trick yourself to increase savings. **Let's see how to save money – the hard & self- tormenting way.**

As we grow adults, we shouldn't apply trick on ourselves to do right things. Yet, I think if we neglect some very essential activity or a habit we need to apply some hard tactics.

You know " how to save money " is one of the most frequent phrases on google. This means many of us are struggling to [save money](#).

So here are some points if you are still to find success on – how to save money. Be honest and try these methods.



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6 Hard Ways to Learn -How to Save Money?

- A mandatory 30 day period before you buy anything
- Anything means everything. The only exception could be your daily food and medicines. It has been seen, that when you wait, the fake euphoria dies after most of the time.
- **Overspending is the biggest reasons** a person converts [savings](#) into plastics or gadgets or fabric.
- Try sitting over a need for some time. It may not be a need anymore.



Even if it remains you will be stress-free that money is not spent in a wrong way. Also when you have time you may get ideas to acquire in low-cost manner.

I have one investor who uses this rule in a slightly twisted manner. They wait for 30 days for all purchases above Rs 5000.

Waiting and sitting over it is one of the best ways to save some money. You also must have heard making a list of your purchase helps to prioritize it. But list comes after the waiting period. First, the wish should survive a month.

- Opt for before-pay deductions

Many of us just wait for “**Salary Credited**” message and start buying things online. What if you get some less salary and the deducted part is invested for you.

This is fooling yourself that you receive less salary.

You can opt for voluntary [EPF](#) deduction. So apart from the mandated 12% basic you can ask your company to deduct more. The employer does not pay any contribution on this excess deduction.

This extra deduction is called VPF or Voluntary Provident Fund. You get the same interest rate that you get under [EPF](#).

Some organization run GSIP (group [SIPs](#)) kind of structure, where they deduct certain amount from salary and same is paid to an MF which issues units to the employees. This method can also be used to save money.

- Transferring discounts, savings and raises to another person or account

This is another way to save some extra money but it requires self-honesty. Whenever you get a discount or coupon you save transfer the savings to a separate account of to account belonging to your kid, you know you will not touch.

This is more relevant for people who are hooked to computer screens and do most purchase [online](#). **You get tempted because of sale or a coupon... right.**

You will love to read this too [How to create a personal or home budget ?](#)

So, make it a habit, if you are making a discounted purchase, you will save the discount.

After some time, the discounts will stop disturbing you and you will have a pool to invest.

Same way you can live with just one figure. All extra earnings or raises for few years can be transferred to other accounts without thinking too much about them.

- Forgetting your credit card

Can you forget you have a [credit card](#)? Or can you give it to a person who will take care of it and will never allow you to use it for purchases?



If you cannot do it ask your spouse to delete all your [credit card](#) details from your online sites.

One of my friend has been using the cards so much that he remembers the 16 digit numbers plus the card's expiry dates plus the CVV numbers of 3-4 cards.

You have to erase these details from memory and websites.

Memory? How? When you don't use the card for 3 or 6 months you will forget the digits too unless you are a memory champion.

- Live on a one month budget

This is also called living on a zero-sum [budget](#).

How does it work? At the beginning of each month, you make a list of that month's expenses categorize them to fixed and estimated expenses. Only transfer the amount of money you need . All extra money you earned that month and all the money remaining from the month before will be transferred safely in your savings account.

Out of sight, out of mind.

- Think & Act like a Broke

If you are broke will you order every new gadget or eat outside 3 times a week?

Accept that your current lifestyle is leading to a day when you will be broke. You will have to correct it now. So start acting like a broke right now.

This may look demeaning yourself, but you are doing it you and not any other family member.

All I am telling is you know you actually have money stashed in an account that is harder to get to. You just have to feel artificially poor for some time.

Some of these points may look tough or laughable.

Point is at the end of the day, it doesn't really matter how you convince or punished yourself to save. The only thing that matters is you [saved money](#).

Sometimes, it is important to be harsh and protecting yourself from your own worst enemy – yourself.

So next time when you are looking for an answer on how to save money... prepare yourself for some sacrifices.



7 Checks 6 Questions- Before Hiring Financial Planner Part 1

You are about to hire a **Financial Planner**, and this will be a very crucial financial decision. **Are you prepared?** Probably NOT, because most of us just talk without a checklist or a format to the financial planner. The aim is to see if comfort is there or not. Then based on "comfort" you go with the planner. This is not a full proof, complete and scientific way. So we have prepared you a complete checklist, probable questions, answers & details what you should be looking for hiring financial planner.

You're investing your future with this company and person, so it's important you choose a right person. Changing a Planner is even worse and stressing then hiring a new person. So you should really know what you are looking for and you are not missing something.

First of all, take time to screen several [financial professionals](#) before making a decision on who will invest your money. You can get a list from google search or by references from investors who are availing financial planning services.

This is a 2 part article on hiring financial planner. Part one is a collection of 7 important checks before you hire a financial planner. Part two (coming soon) is top 6 question and expected answers that you should ask financial planner before saying "I do".

The 7 Initial Checks of Hiring Financial Planner

There *should not be any compromise* in these 7 checks. If even a single thing is missing you should not move forward. These 7 most vital checks are:



Qualification

Only 2 qualification holders in India can call themselves as Financial Planners. Only these 2 qualification holders can perform job or practice as a financial planner. These are:

- **Registered Financial Advisor (RIA) with SEBI**: He is a person who has cleared NISM Level1 & Level2 examination and then has applied for SEBI's License to practice as a financial advisor. These are highly regulated, audited and practice as code laid by SEBI.
- **Certified Financial Planner from FPSB India**: These are called CFPs and they follow the steps as laid by Financial Planning Standard Board for developing a financial plan and implementing.

Authentication: You can get a list of [CFPs](#) & [RIAs](#) by clicking the respective links.

The difference: [RIA](#) works only for fees and does not get a commission from any mutual funds or insurance company. CFP has no such restriction. So you will find CFP more than RIAs.

Experience & Reputation

The prospective financial planner must have a working experience of 10 years plus. This is because this is the minimum time required to know about the vast financial industry. The exp If you check the website of many [financial planners](#) – they have “landed” in financial planning and not “chosen” to work. Sorry to say but they have a long list of own career failures, job goof-ups, business bursts and personal breakdowns.

I know, everyone deserves a chance but a person who has a habit of shifting career, stands and then hide it in words is never a passionate person. You need an expert, not a struggler, who may shift focus moment there is a long bear phase. Sorry but I am ruthless on this one.

Strategy on Products



Financial Planning is 95% strategy and 5% products. But many financial planners have “my way or highway” product strategy. They have their own product mix, own allocation for everyone and they work for that “own devised model”. No scope for anything new or old.

They put money in what seem like complicated investments. It’s better to have someone who has a similar philosophy to your own and can explain what they’re doing in a way that makes you comfortable.

Multi-Discipline Approach

Many financial planners work only in their limited domain. The moment you ask them on taxation they will say “it’s not my field”. They will not update themselves nor do they think it is their duty to help clients to implement a plan, find a low-cost product, help on taxation, manage change in legal status like a resident to [NRI](#) or change in the personal situation.

Many times you need to advise on things which are directly or indirectly related to your [portfolio](#) or plan, but your Financial Planner follows a single way approach. This is not a good sign.

Functioning – Independent or Controlled

I know many firms which are run by individuals (brands in financial planning) but running on private equity funding or under corporate umbrellas.

They have leveraged themselves and invested money in building websites, offices and a huge line of staff.

Anyone who has put money will exert pressure on the returns. If he gets returns, he will try to increase it.

If your financial planner is not independent and answerable for profitability, you need to be cautious. The independence in voice, research & business is a must.

Research

You must see if your [Financial Planner](#) invests in research or not. Does he have a research department? Does he invest time in research or he just read 3-4 newspapers and calls it a research?

Research means to have a process to know in-depth information. It not “first to know”. It is “I know it inside- out”.

Does he have tie-ups to outsource which he cannot research like estate planning or [international funds](#) or real estate?

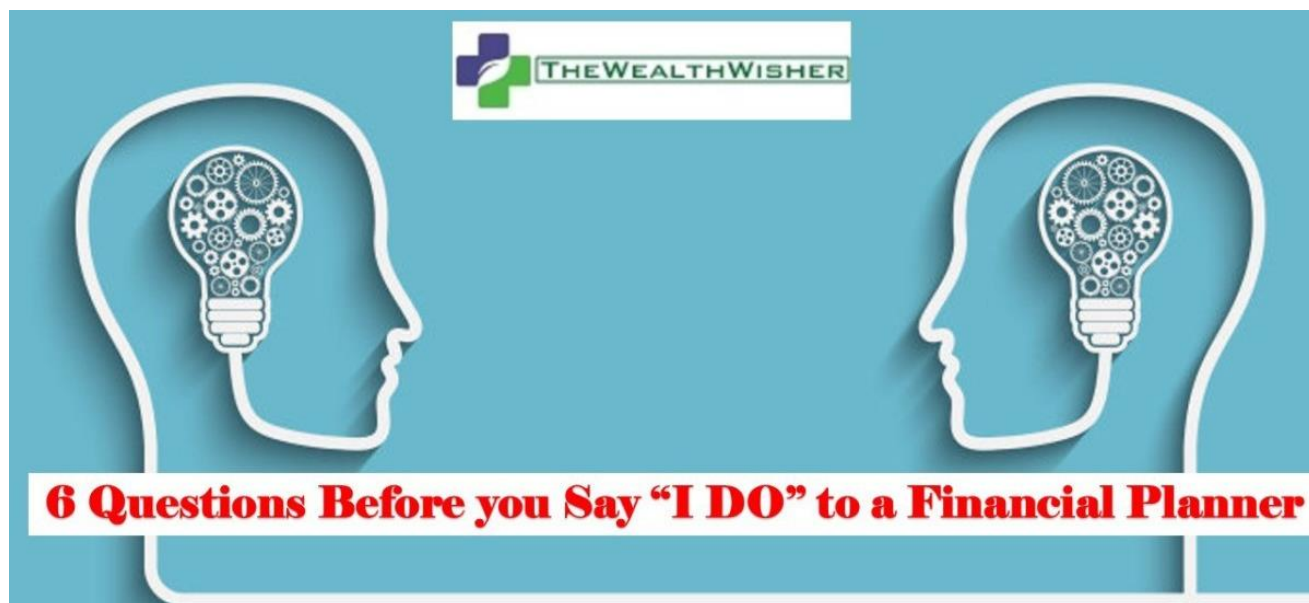
Support Services

When I interact with existing clients of banks, they show me swanky reports or login access to portals that give them information.

This is very basic if you see in today’s world. A financial planner should be tech-savvy. Means should be able to respond, provide information, act on portfolio and provide reports on time.

You need to look at the firm, its support staff, it’s approach to communication and their infrastructure commitment to the business.

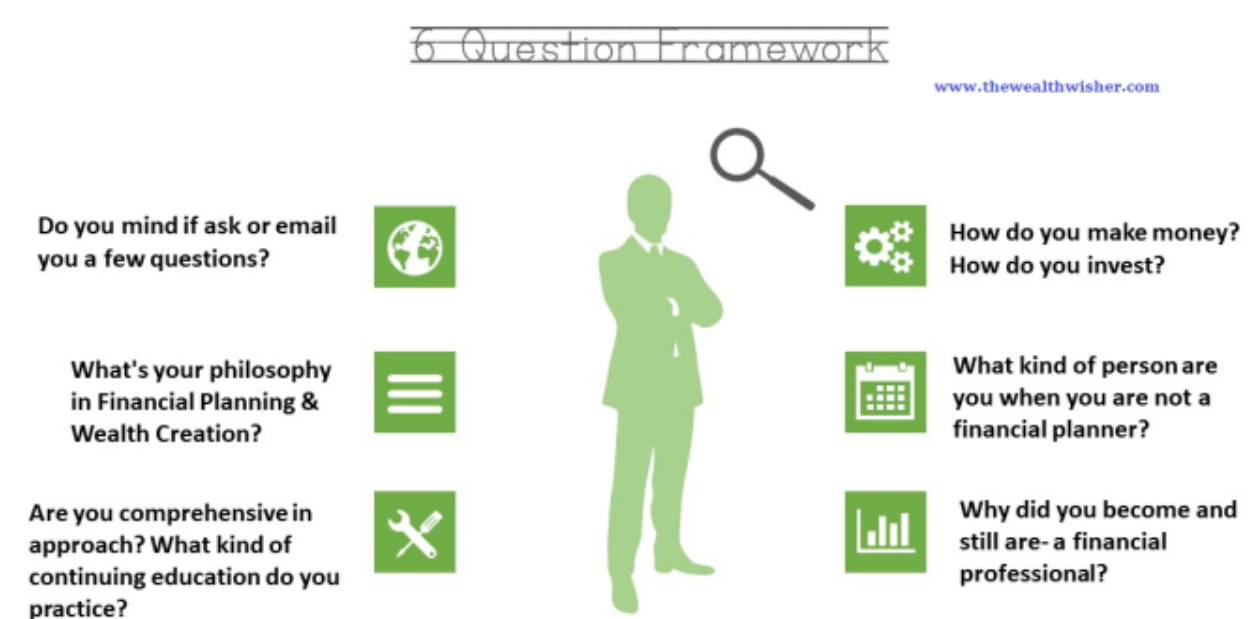
Professionalism is not a luxury to offer. The buck starts from here.



7 Checks 6 Questions- Before Hiring Financial Planner Part 2

Asking question is never a bad thing. In fact, only fertile minds are inquisitive. I wrote about [7 basic checks](#) for hiring financial planner 3 days ago. Now, we move ahead with the familiarity part. Lets ask some open-ended questions before hiring financial planner.

After you have checked these outer most tough features, *its time to get under the hood*. The checks will turn to open-ended questions from here.



Below are the six most important questions you should consider asking them. If anyone can't (or won't) answer questions to your satisfaction, he or she may not be the best match.

6 Questions to ask before Hiring Financial Planner for Life

1. Do you mind if ask or email you a few questions?

Now, this seems ridiculous to ask. But if the [planner](#) is not open to talking to you or not comfortable to set up a call/respond to email on questions like how they operate their business, their training, and background or investment style, they may be in charity mindset.

Yes, many financial planners think ***they are doing a favor by “making people wealthy”***. They feel clients should just go to the website, check credentials, get impressed and invest.

It might be better to find someone who is willing to answer your questions.

2. What's your philosophy in Financial Planning & Wealth Creation?

Most of the planners are chasing returns. Very few know about risk. And, very few talk about it. Reason- they believe in keeping clients happy.

The answer you should look here is the belief system on which your planner is working. Is he dependent on future for your returns?

Or he thinks following a [right process](#) is more important. Is he sure returns will be an absolute by-product if you follow a strategy?

Is he committed to following and make you follow that strategy? Or he will shift goal post when there is a storm.

3. Are you comprehensive in approach? What kind of continuing education do you practice?

Many of us come from a specialized field. A person who has worked a good chunk of his life in Insurance will see insurance sector different than a person who has worked for a MF company. But when you acquire license it is expected that you lose inhibitions.

Many financial planners think [insurance](#) is worthless and direct equity a [scam](#). Because of their own experiences.

Look for a person with no biases of his past. It's difficult but important.

Also, check how your planner makes himself informed or he thinks whatever learned is enough. Does he spend the time to educate himself on a continuous basis? It's important to be constantly learning, especially in this field that can change. Like economy, fixed income and laws of the land.

4. How do you make money? How do you invest?

If you're confused at the answer you get to this question, that person may not be right for you. If the answer is:

"Money is the most important thing to me...", or

"Money is the least important thing to me..."

You are looking at a person who has rehearsed the answer or never heard this question before. Point is money is somewhere in the middle of these extreme answers.

The planner should have figures and revenue model at his tips. He should be aware how much he is making currently, his mission for his firm in future and his business progress. If he is dodging or glorifying, he is not giving you a true picture.

See his website and listen to his interaction how comfortable and transparent is he when he is talking about his revenues & fees structures.

5. What kind of person are you when you are not a financial planner?

It is very important to see if your [financial planner](#) is a normal person in society. Does your planner look like a social person? Does he have friends or family? He yes does he like to spend time with them?

Many times the planner and client are in different cities of the world. It is important to note the atmosphere in which your planner works, Check for social profiles and check if they have elements of "showoffs and fakeness". Yes, I have seen planners hiring professional photographers to click some social photos for their FB & Instagram profiles.

Many financial planners complain that I miss my family time. Or I am always working, It feels like I can hardly breathe, and I am not enjoying my work.

It is vital to take time for self and family so that it helps to best serve the clients. Taking breaks and vacations helps reset and renew.

6. Why did you become and still are- a financial professional?

The answer here will tell how passionate they are about their work and connects you to them in a personal way.

I became a financial professional to help investors understand [money and investments](#) in a way that wasn't available when I was growing up in age and career. I want you to have a plan, a workable agenda, and ease of investing about your personal financial future. That truly matters to me.

The client and planner should get to know each other. Whether you work together or not, it's important that you are comfortable and understand each other first. ***Hiring financial planner is a tough job- but when does easy things help us grow more in life?***



Carzy Me ? or It Is Media Bias? You Decide

This article is work of fiction but it is an important lesson on how does a mind of investor work when he interacts with media. I have taken print media and a very well know newspaper ET Wealth Edition of 2nd April, 2018 to demonstrate the media bias and its after-effects. This is the reason we advocate to differentiate between information, knowledge & wisdom.

Let me tell you although I have chosen Economic Times, but in no way, I am undermining or blaming it for being irresponsible or accusing its writers & contributors. In fact, I respect them a lot. **This is purely for investors to make them know how to tackle media bias.**

Media Bias works subconsciously without even giving you a hint of irrationality.

So, the narration changes from here to Mr. Krishnakant, who is still 5 years from retirement and is a government banker. Over to him...

I am Krishnakant, and I am going to narrate you what I suffered on the morning of April 02, 2018. The new [financial year](#), but we bankers will have a tough day due to annual closing.

Anyway, thank god I have mornings in my hand and I was with my mug of tea and my favorite newspaper ET Wealth Weekly in my hand. I wait an entire week for it.

My advisor, Madhupam, who is half my age often cites examples and images of these newspapers, so I thought I will be one step ahead of me.

HOW TO GAIN FROM THE MARKET CORRECTION

Madhupam respects & quotes this guy very often By Narendra Nathan

The Sensex has fallen nearly 10% in two months and experts say markets will be volatile in the coming months. Here's why this should be seen as an opportunity.

The market's cream has been milked. With benchmark indices such as the Sensex and the Nifty falling more than 10% from their respective peaks, the market is now in a correction phase. But for a bear market to be declared, the broader indices must fall by another 10%—25% cut from the peak signals when market experts don't believe that markets will enter the bear phase. "The Indian stock market is just in a correction phase and it's not a bear market. The ingredients that suggest a bear market are not there," says Sharad Sharma, Vice Chairman and Joint MD, First Global. The warning signs—typical speculation, companies without strong fundamentals leading the market, etc.—are missing. A macro-economic crisis can also trigger a bear market, but as the global economy is picking up now, we can discount that possibility in the near future.

Expect volatility in 2018-19

"The market will remain on tenterhooks due to political headwinds and high valuations. The expected moves from the US President, Donald Trump, can also hurt the market," says Ramesh Agrawal, Joint MD and Co-Founder, Motilal Oswal Securities.

WOW The Karnataka elections are expected to be a final match for the Left before elections in 2020. If the in-

So I jumped with joy. Although my advisor Madhupam is maintaining a buy and I am continuing my SIPs, but I was worried inside. I thought if everything goes OK, I will be a better (rich) investor, but if not- advisor is here to take the blame. So serious things after...opened it and I see the cover story:

The correction means opportunities... I was so happy to read that story with good graphs differentiating a fall, a bear phase & correction. I thought I should increase my exposure. My FD is maturing, I will negotiate hard with Madhupam, and invest in equity.

I felt like a winner already with that thought.

I turned pages and then I saw this...

Madhupam Respects &
quotes this guy too!



DHIRENDRA KUMAR
CEO, VALUE RESEARCH

**MONEY
MYSTERIES**

A correction may not be the correct time to buy

The usual advice dished out about investing in equity when the stock markets
have dipped doesn't really stand up to close examination.

O Teri !

Here's an old Wall Street joke that you may or may not have heard. So the newcomer asks a grizzled veteran, "How do I make money on the stock market?" The old master replies, "Why, that's the simplest thing. Buy low, sell high." So the young man asks, "Yes, but how do I do that?" The reply comes, "That's very difficult. It takes a lifetime to learn."

Not a great joke, but rings true. It seems almost self-evident that the most common interpretation of 'buy low, sell high' is to



Now, what is this... this new guy ... means a veteran in the industry.. says a correction is of no use!

FD is back to [FD](#). In fact, Madhupam will not have a hint of this FD now.

So correction or no correction, the market will remain [volatile](#). I thought to myself. My advisor Madhupam advocates a mix of [large caps, midcaps & small caps](#). I was thinking, why doesn't he give me what is going to do good in future.

So let me do this for him and predict the best performing sectors in future.

So, the same newspaper gave me brilliant hint.

Large-cap, multi-cap funds are best bets

These schemes are able to withstand the market volatility better. **Looks Yummy!**

Madhupam never quotes this guy, but he told me he is his ex-boss. Bosses are always right!



SUNDEEP SIKKA
MD AND CEO, RELIANCE
MUTUAL FUND.

...of green shoots in the due correction, most retail investors have not fallen prey to behavioural traps in a growing economy. Further, attuning themselves to the fact that production growth is at its highest levels in the past five years, which is indeed near to witnessing.

There are spurts of green shoots in the Indian economy which recently outpaced China to become the fastest growing economy. Further, the industrial production growth is at its highest levels in past five years. We have also witnessed a continued government focus on structural reforms in the economy.

The inflation numbers have been surprisingly soft, and bond yields have seen a steep decline from recent highs due to prudent measures by the government in its borrowing programme. The Reserve Bank of India has also come up with new regulations to deal with the stressed assets in the economy. We believe that these regulations will be structurally positive for the banking and the financial services sector in the long run, even as these may call for accelerated provisioning and stress on the capital front for the banks in the short term. As soon as the credit growth picks up, it will have a multiplier effect on the economy due to the uptick in the investment cycle. The financial and



This looks good... All large companies, with a proven track record. So I will shift all my investments to this fund category.

I was about to call Madhupam, but I thought, let me complete the paper.

I turned two pages and found this!

"Bet on small-caps with good earnings growth"

Is the correction phase over?

The current correction—it's a correction, not a bear market—is expected to be over by April. This is likely to happen at the global level. As the markets rallied significantly in the last quarter, a correction was warranted. All the negatives we are talking about now (LTCG tax on equities, trade war fears, etc.) are just excuses for this necessary correction.

Why do you insist that we are not in the first phase of a bear market?

Before the start of a bear market, there are several signals—hyper speculation, companies without any fundamentals leading the market, etc.—none of these are present now. A big macro-economic crisis can also lead to a bear market, but the global

rhetoric is only to satisfy the vote banks there.

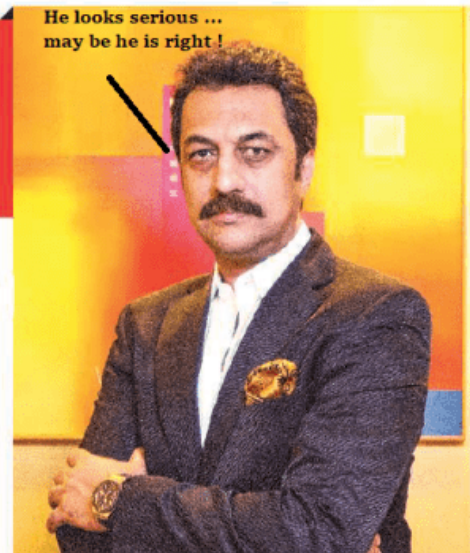
How do you see the domestic market?

The Indian benchmark indices have generated just about 10% return during the past four years—well below the long-term trend of around 15%. This is because the Indian economy has been growing well below its potential and there has been no earnings growth. Since the economic situation and earnings growth continue to remain bleak, the domestic market will remain an average performer next year too.

Should one worry about the election induced volatility in the later part of the year?

There will be some volatility close to the next parliamentary election. But this is normal.

He looks serious ...
may be he is right!



Now, what is this? First, they say it is large caps now they say small caps?

Are they same? or is it media bias?

I have spent 30 mins & Rs 8 and have got no hint- Where to Invest? When to Invest?

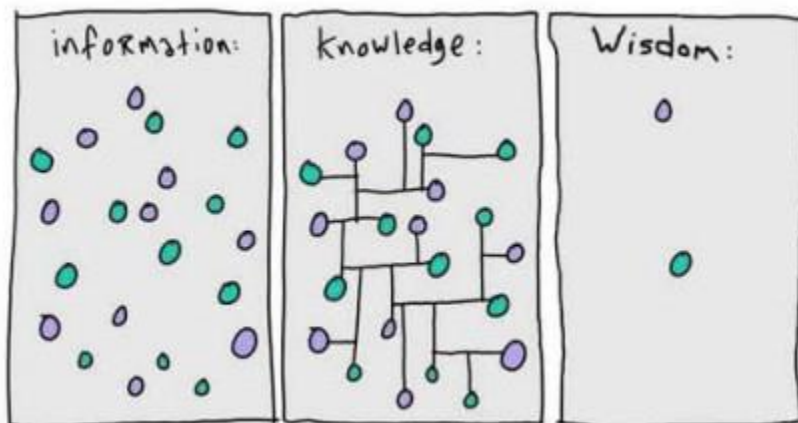
30 Mins of a married man are very precious.

And, in 8 Rs you can get Daal Kachori, which at least can satisfy my morning inclination of having a feast looking breakfast!

My brain kept yelling ! Madhupam kept listening and he narrated word by word here. Bye from Krishnakant.

Between you and me...

Did you laugh? Great... Now the lessons here:



- Media does not know you. It is like, in childhood, you had a chapter on space. But how many of us became astronauts? General information may or may not suit you.
- Information is scattered dots of data. The only wisdom can join them, make a pattern and devise a meaning. If you can develop that wisdom well, otherwise outsource this function.
- When our Mom says, I am the best – do we question? No... because we respect her. Likewise choose an advisor carefully and respect his views.



Best & Worst of 2017-18: Pictures & Lessons

It's April and start of a new financial year. Many things will change as change is welcome. Changes when happen they becomes history and there are some valuable lessons for investors when you see historical figures. Here are recap and lessons learned from the Best & Worst of Financial Year 2017-18.

One year figures are not exactly history if you look at [investing](#). ***One year is just a bucket of water fetched out of the flowing river.*** So we are going to just see what we can learn by analyzing one-year data. We are not saying or indicating any trends. We are just trying to learn or relearn some basic facts. So best & worst will amuse you but you need to look at missing lines.

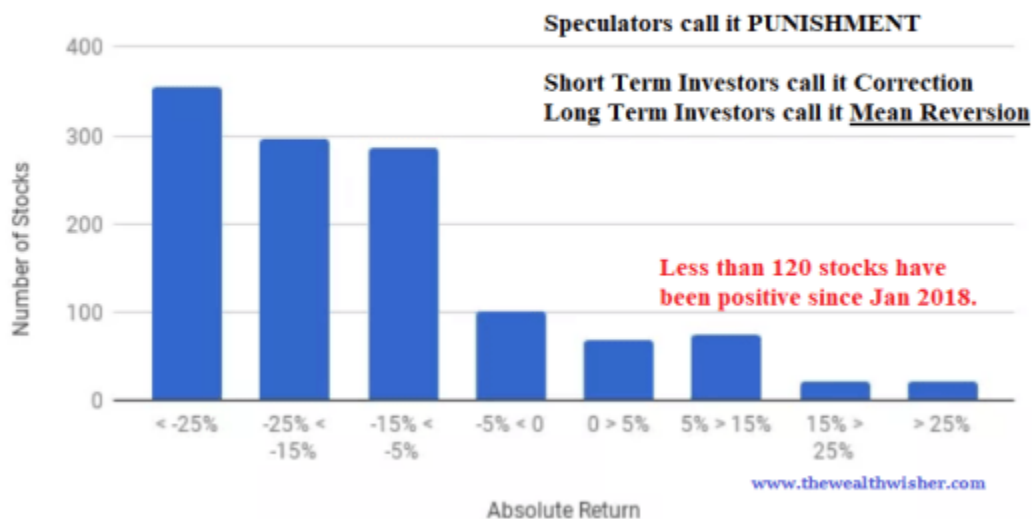
Last financial year will be remembered as the ***year of awakening***. Yes, you, me, our friends, and family neighbors everyone has invested in [equity](#). Data shows the highest number of money in history that has come to markets. This year we saw:

- The highest number of equity inflows in mutual funds.
- A record number of new DEMAT accounts opened.
- Rs 6200 plus per month in SIPs.
- Highest amount ever collected in IPOs (Initial Public Offers).

So it all looks very beautiful, Isn't it? So why a worry on your forehead?

Is this what bothers?

2018 YTD India Stock Returns (29 Mar 2018)



Well, this year all these great numbers hide a fact – [Volatility](#). The market never stood in a range. It kept revolving.

It was a volatile 12-month period for the Indian equity markets as after signing off the calendar year 2017 on a high.

Best & Worst of Indian Market in 2017-18

By Sept 2017, all said valuations have reached the peak. But came October 2017 everyone was happy as markets did not oblige to come down. Came December and it ignored Gujrat Elections, North Korean Aggressive stand & of course the valuations.

Indices	31-Mar-17	28-Mar-18	Change (%)
Nifty 50	9,174	10,112	10.2
SENSEX	29,621	32,953	11.3
Nifty Bank	21,444	24,283	13.2
Nifty PSU Bank	3,527	2,872	-18.6
Nifty IT	10,703	12,501	16.8
Nifty Metal	3,097	3,507	13.2
NIFTY Free Midcap 100	17,197	18,748	9.0
Nifty MNC	10,975	13,757	25.4
Nifty Media	3,174	3,293	3.7
Nifty Infrastructure	3,097	3,327	7.4
Nifty Realty	215	294	37.0
Nifty Pharma	10,411	8,368	-19.6
NIFTY Private Bank	11,803	13,707	16.1
Nifty PSE	4,010	3,846	-4.1
Nifty Energy	11,649	13,206	13.4

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Came January, finally markets corrected in last quarter.

Banking Scam, [International markets](#) correction, Fed increasing rate etc... etc created a havoc for the fearful.

Crude oil prices, which rose approximately by 30% in the fiscal year, were also one of the major concerns. Implementation of Long Term Capital Gains tax, overshooting fiscal deficit, the constant unveiling of fraud in the banking system coupled with rising NPAs... You count I can go on...

Lesson

Markets are not bounded by calendar or fiscal year. They have cycles and they have nothing against your portfolio or for your portfolio. They have no dates. We give them references like a quarter, year, FY or dates. The basic rule is equity means riding for more than one cycle. Investment should continue, if you can. Do not *time*. Read fundamentals if you want to keep busy. Playing by buy & selling to look “active” is a futile exercise.

Best & Worst of Stocks: Stocks that gained

Top stocks that gained in FY18

Company Name	Price in ₹ (As on April 3, 2017)	Price in ₹ (As on March 28, 2018)	Gain (%)
HEG Ltd.	225	3,182	1314.0
Graphite India	114	726	535.0
Indiabulls Ventures	61	243	297.1
Venky's (India)	1,068	3,872	262.5
Rain Industries	111	374	237.8
Phillips Carbon Black	352	1,087	209.2
Himadri Speciality Chemical	48	147	208.3
Avanti Feeds	781	2,232	185.8
Bombay Dyeing	84	239	184.1
Adani Transmission	68	191	180.2
Dilip Buildcon	367	1,001	173.0
Radico Khaitan	133	331	148.5
Minda Industries	438	1,076	146.0
Sterlite Technologies	132	312	136.3
Sunteck Realty	191	424	121.4
V-Mart Retail	860	1,895	120.3
Meghmani Organics	40	85	111.0
Jubilant FoodWorks	1,104	2,327	110.8
Avenue Supermarts	633	1,327	109.5
Indiabulls Real Estate	87	181	107.6
Titan Company	460	941	104.4
KEI Industries	190	385	102.4

Source: Ace Equity, BSE

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Stocks that lost

Top stocks that lost in FY18

Company Name	Price in ₹ (as on April 3, 2017)	Price in ₹ (as on March 28, 2018)	Loss (%)
Sintex Industries	108	18	(83.3)
JBF Industries	283	84	(70.2)
Kwality	158	60	(61.9)
Siti Networks	38	15	(60.5)
Reliance Naval and Engineering	68	28	(59.6)
Bank Of Maharashtra	34	14	(59.5)
Indo Count Industries	200	85	(57.5)
HDIL	82	39	(53.0)
Dena Bank	38	19	(50.8)
Balrampur Chini Mills	149	75	(49.2)
Lupin	1,435	736	(48.7)
Advanced Enzyme Technologies	413	213	(48.4)
IL&FS Transportation Networks	111	61	(45.4)
Max India	152	83	(45.0)
Hindustan Construction Company	41	22	(44.9)
Reliance Communications	39	22	(44.1)
Corporation Bank	55	31	(44.1)
Multi Commodity Exchange Of India	1,196	669	(44.1)
Suzlon Energy	19	11	(43.9)
PTC India Financial Services	42	24	(42.2)
Power Finance Corporation	148	86	(41.9)
Adani Power	41	24	(41.7)
UCO Bank	36	22	(40.7)

Source: Ace Equity, BSE

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Lesson

Its fundamentals that matters. Look at Sintex. We all know, there is a huge thrust on building homes for all. Cities have lined up themselves to be called “cleanest cities”. Look at Indore, Jaipur or Nagpur. Statement governments have bought and forced lakhs of shopkeepers to buy green & blue dustbins. All from Sintex. But stock lost this year. Does this mean it is a bad stock? Or just emotional atyachar by speculators?

International Market

Nifty under-performed not only against the developed markets like the Dow Jones and Nasdaq but also was beaten by its Asian peers like Nikkei in Japan and Hang Seng in Hong Kong.

You can hate US, but you cannot ignore it if you are an investor. Blame its trade, economic, dollar web but markets are sensitive to it. US markets had one of the best years but it lost steam in the end.

What PNB & PSU stocks did to India, Facebook did to the US.

Indices		31-Mar-17	27-Mar-18	Change (%)
DOW JONES	US	20,663	23,858	15.5
S&P 500	India	2,363	2,613	10.6
NASDAQ	US	5,912	7,009	18.6
FTSE 100	UK	7,323	7,000	-4.4
CAC 40		5,123	5,116	-0.1
FTSE MIB		20,493	22,210	8.4
DAX INDEX		12,313	11,971	-2.8
BRAZIL IBOVESPA		64,984	83,808	29.0
NIKKEI 225		18,909	21,317	12.7
HANG SENG		24,112	30,791	27.7

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Lesson

Volatility has only one fodder- Information. Markets react to news. International factors are just a name or type of food markets live on. Like any other factor, International News particularly coming from developed world will impact flows of developing nations. They have the key (more than 40 billion) which if moves, we will have jitters.

IPOs

Highest all time never means – It's a good thing or all sins have turned pious.

Top IPOs of FY18 that listed at a premium

Company	IPO Issue price (₹)	IPO List price (₹)	Gain/ Loss (%)	Last Close (₹)	Last Close/ Listing price gain/ Loss (%)
Capacite Infraprojects	250	399	59.6	302	(24.3)
Dixon Technologies	1,766	2,725	54.3	3,281	20.4
AU Small Finance Bank	358	525	46.6	618	17.7
MAS Financial Services	459	660	43.8	595	(9.9)
Amber Enterprises India	859	1,180	37.4	1,076	(8.8)
Godrej Agrovet	460	621	35.0	637	2.6
Prataap Snacks	938	1,250	33.3	1,291	3.3
Bandhan Bank	375	485	29.3	468	(3.4)
HUDCO	60	73	22.4	66	(9.7)
Reliance Nippon Life Asset Management	252	294	16.7	245	(16.6)
Apex Frozen Foods	175	200	14.2	611	205.6
HDFC Standard Life Ins	290	311	7.2	454	45.8
S. Chand and Co.	670	707	5.5	411	(41.9)
SBI Life Insurance Co.	700	733	4.8	673	(8.2)
Newgen Software Technologies	245	253	3.3	232	(8.4)
Galaxy Surfactants	1,480	1,520	2.7	1,500	(1.3)
Future Supply Chain Solutions	664	674	1.5	665	(1.3)
Eris Lifesciences	603	612	1.5	795	29.9
Mahindra Logistics	429	432	0.7	485	12.2
Cochin Shipyard	432	435	0.7	503	15.7

Source: Ace Equity, BSE

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Top IPOs of FY18 that listed at a discount

Company	IPO Issue price (₹)	IPO List price (₹)	Gain/ (Loss)%	Last Close (₹)	Last Close/ Listing price gain/ (Loss) %
HG Infra Engineering	270	270	0	299	10.8
Matrimony.Com	985	985	0	766	(22.2)
GTPL Hathway	170	170	0	141	(16.8)
Tejas Networks	257	257	0	365	42.2
Bharat Road Network	205	205	0	188	(8.2)
ICICI Lombard General Insurance	661	650	(1.7)	794	22.1
Khadim India	750	727	(3.1)	733	0.8
Aster DM Healthcare	190	182	(4.2)	167	(8.2)
Shalby	248	237	(4.4)	204	(13.8)
Hindustan Aeronautics	1,215	1,159	(4.6)	1128	(2.6)
The New India Assurance Co.	800	749	(6.4)	702	(6.2)
Indian Energy Exchange	1,650	1,500	(9.1)	1600	6.7
Bharat Dynamics	428	360	(15.9)	393	9.3

Source: Ace Equity, BSE

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Lesson

IPOs have totally become irrelevant if you are a long-term investor. They are priced high, majority buy to get even high rates & they exit the bus on the listing. So this is not listing it is dumping and trading. Seriously this instrument needs the attention of regulators to cleanse the rotten part.

Fixed Income

The 10-year bond, just 3 days ago came to a respectable figure otherwise, very few had clue what was happening. A huge correction year and very confusing for people who do want to invest in equity and not happy with bank rates.

Bond and Money Market

We present a matrix detailing some movement in some key market rates (domestic and global) and key economic indicators:

Parameters	28-Mar-18	28-Feb-18	31-Mar-17
RBI Repo Rate %	6.00	6.00	6.25
3M CP %	7.44	7.90	6.61
12M CP %	7.88	8.14	7.24
5Y AAA %	7.85	8.12	7.38
5Y AAA-5Y Gsec Spread bps#	40	54	8
10Y Gsec %	7.40	7.72	6.68
CPI (%)	4.44	5.07	3.89
IIP (FYTD) %	4.1	3.7	5.0
US 10Y %	2.76	2.86	2.39
Japan 10Y %	0.04	0.05	0.07
EUR 10Y %	0.49	0.65	0.33

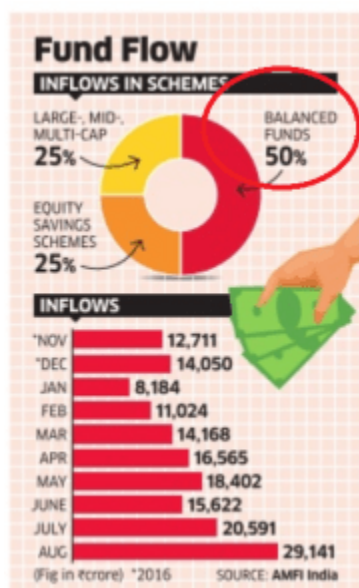
Source: BBG; Data as on March 28, 2018

Gilt annualized

Source: Bloomberg

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Lesson



Last year a chunk of [FD](#) money went into balance funds. This money is facing equity volatility. It looks like expectations will burst here if the market volatility continues. One must know the asset class he is investing in. Money in debt cannot be replaced by equity. One must know his [asset allocation](#). You cannot deviate. One deviation means now you are in hands of future and this is speculation.

Please let us know regarding your views and avail or services.



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