

FREEDOM FROM ERRATIC DECISIONS: WHAT'S YOUR INVESTMENT RULEBOOK?

No country can function without a constitution, a book of all the laws and rules that sets the tone for governance. The same applies for investments too. It shields you from erratic decisions. Let's look at rules your investment rulebook must include.



FREEDOM FROM: UNINFORMED DECISIONS, FAILURE

RULE: Look before you leap. Don't delve in the deeper end without proper training

WHY IS IT NECESSARY?

- On the 'how-dangerous-is-it' scale, ignorance is 7 and half knowledge is 10
- Doing your research and going through a proper training ensures you're neither ignorant nor half-learned



FREEDOM FROM: HERD MENTALITY

RULE: Take everyone's suggestion but decide for yourself after in-depth research

WHY IS IT NECESSARY?

- Not everyone has the same goal or risk-taking capacity
- Not everyone has a good intention or your welfare in mind
- Welcome suggestions, but base decisions on your research and instincts



FREEDOM FROM: MONOTONOUS/ UNILATERAL INVESTMENTS

RULE: Divide and rule

WHY IS IT NECESSARY?

- Just like India, your investments' strength lies in 'unity amongst diversity'
- Investing in different avenues to spread risk, but have a cohesive plan to optimise returns

FREEDOM FROM: UNDISCIPLINED INVESTING

RULE: Keep an eye on the horizon; invest every month

WHY IS IT NECESSARY?

- Financial discipline ensures that you plan in advance; don't miss your investments and instalments; don't overspend and so on
- For this, you need to have the bigger picture in mind
- With investments too, inculcate discipline and invest every month for the long-term



FREEDOM FROM: IMPATIENT INVESTING

RULE: Avoid panicking and be patient

WHY IS IT NECESSARY?

- Waiting for returns means surviving market lows and crashes
- But patience can be beneficial and fetch you higher returns



FREEDOM FROM: BAD INVESTMENTS

RULE: Keep your finances at bay from your emotions

WHY IS IT NECESSARY?

- When it comes to investing, avoid being stuck to conventions
- Don't be afraid to try new avenues as long as it's backed by research
- Keeping your emotions in check and take rational decisions

SIP CORNER: FREEDOM FROM MARKET TIMING

Use the policy of 'Divide and rule' to avoid timing the market and get better returns through Systematic Investment Plans. This is possible because of rupee cost averaging. Let's understand using the example.



SCENARIO 1:

SIP of ₹4,000 for 12 months

Month	NAV (₹)	MF units bought	Profit if sold at NAV of 550 (₹)
January	478	8.368	602.51
February	496	8.064	435.48
March	501	7.984	391.22
April	528	7.576	166.67
May	596	6.711	-308.72
June	540	7.407	74.07
July	506	7.905	347.83
August	486	8.230	526.75
September	421	9.501	1225.65
October	464	8.620	741.38
November	519	7.707	238.92
December	532	7.519	135.34
Net Profit			4,577.1

SCENARIO 2:

Lumpsum investment of ₹50,000 in December
NAV at investment: ₹532
Net profit if sold at NAV of 550: ₹1,691.73
That's a difference of ₹2,885.37!

FREEDOM FROM PAPERWORK FOR YOUR LOVED ONES

Our constitution also lists down the duties of a citizen towards the nation.

Similarly, you have duties towards your family.

You ensure their freedom by investing and securing their finances.

But all that could fail if you don't give them freedom from paperwork too.

Otherwise, in your absence, they stand the chance to suffer either from confusion or ignorance.



Here's how you can do this

- ✓ Maintain a sheet that summarises all your investments
- ✓ Explain your investments and documentation process to your family
- ✓ Keep all your financial documents in one place
- ✓ Update your bank, investments with the latest personal details
- ✓ Keep photocopies of all your and family member's Aadhaar, KYC documents handy
- ✓ Go digital and save all your documents in a digital locker
- ✓ Don't forget to appoint nominees for all your investments. Without nominations, the documentation process could get hectic

*This content was created exclusively for UTI Swatantra. Visit <http://www.utiswatantra.com> for more information

DID YOU KNOW

YOU COULD GET FREEDOM FROM HOME LOAN INTEREST?



Let's look at a home loan schedule:

Salary	₹50,000
Home loan amount	₹30 lakh
Interest rate	8.35%
Tenure	30 years
EMI	₹22,500
Total interest	₹51 lakh
Total amount repaid	₹81 lakh

Now, let's look at how you can save it

SIP	₹2,250 (10% of your home loan EMI)
Return rate	12.5% (a modest rate)
Tenure	30 years
Profits earned	₹80.7 lakh
Total amount on maturity	₹88.8 lakh

Thus, with an SIP of just 10% of your home loan EMI, you stand to earn back your loan repayment amount.

