

Investor World

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INSIDE

- 1) China's Fading Demographic Dividend..... 3
- 2) Teaching Finance to Kids 4
- 3) Insurance an ever growing sector ... 5
- 4) Orientation Session for | SY and TY BMS Students 6
- 5) येनथी सूबुं होय तो नाशाकीय पीरासिउनो मजभूत पायो रथो..... 8
- 6) What is a Derivative?..... 10
- 7) Fixed Income Securities - Basics... 11



Mr. Bhavesh Vora
President



Shri. N. L. Bhatia
President Emeritus

Editorial - June 2019

The first major task the new government has on its hand is to present the Final Budget 2019-20. The interim budget was presented by Shri Piyush Goyal before the elections. By the time this issue of Investor World is in your hands the Budget would have been out and analysts would be presenting their views on the pros and cons of the budget. Two factors make the wait for the Budget interesting. Firstly, it is the first budget of a new government that has emerged much stronger after the elections. Secondly, the Budget will be presented for the first time by a new Finance Minister Mrs Nirmala Seetharaman. Both these factors make the possibility of a trend setting budget very bright.

The tasks before the Finance Minister is cut out. Revive the economy from sluggishness that it is experiencing right now. The Finance sector is bleeding and along with it the automobile and the construction sectors are feeling the pinch. Without crossing the Fiscal Deficit threshold of 3.5% of GDP, the government will have to fund the ailing sectors to rejuvenate the economy. The likely source of revenue apart from the normal direct and indirect tax collection will be the sale of 5G spectrum and also the sale of stake in several Public Sector Undertakings where the government still continues to be a majority shareholder.

The common man looks for an increase in basic exemption limit so that his tax liability goes down. The salaried class which is the most heavily taxed constituent expects increase in standard deduction. The corporate sector looks for reduction in tax rate to 25%. The poor seeks more subsidies. All these would become possible only if the economy is booming for which non fiscal measures play a very important role. That's the role the new government will have to play very astutely. Liberalisation from redtaps and simplification of existing laws leading to improvement in ease of doing business still needs to be pushed. We look forward to long term remedies so that the Indian Economy begins its march strongly towards a 5 Trillion Dollar economy by 2025 as envisaged by our Prime Minister.

Wishing you all Happy and Cautious Investing post budget.

INVESTOR PROTECTION THROUGH EDUCATION

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CHINA'S FADING DEMOGRAPHIC DIVIDEND- AN OPPORTUNITY FOR INDIA

50 years ago, you could have heard some American parents that demand their children saying: "eat your food, there are children starving in China". The great Chinese famine in early 1960s was caused by a combination of adverse weather conditions, social constraints and economic mismanagement.

Needless to say, a lot has changed since then.

China's economic reforms began more than a decade ahead of India's, in 1948. To tackle it is incredibly high birth rate, China put in place its infamous One-Child-Policy in 1979.

Over the decades spanning 1980s and 1990s, China's economic reforms were accompanied by a quick transition in the population growth and rapid development of human capital.

The Chinese government realised that for the economy to grow, it needed a big enough workforce with necessary skill sets.

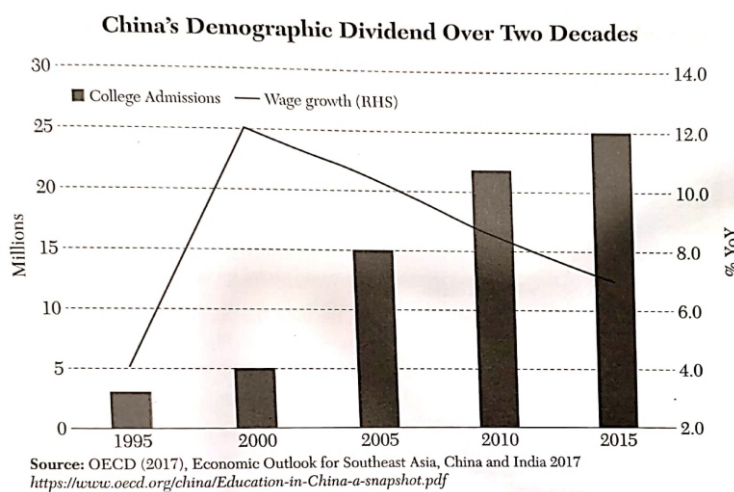
As economic reforms in China brought in industrialisation and foreign investment, there was a huge demand for skilled workers.

China witnessed a huge spurt in education reforms and rise in college admissions in late 90s and 2000s. The rise in college education and growth in skilled population did increase wages and per capita income. But it did not hurt the corporate as the skilled workers were unable to produce better quality and technically advanced products. So, the rise in wages were accompanied by better profitability for Chinese companies.

Chinese manufacturers quickly became modern, innovative, high-tech companies with thousands of skilled workers at their disposal. Naturally, they attracted multinational companies looking to outsource production. Therefore, the demographic dividend that China has been enjoying over the past decades is a result of nearly two decades of investment in human capital prior to that.



Tanushree Banerjee
Team Equity Master



What it means for Rebirth of India

With its low birth rate, China is expected to have negative population growth in another decade. Plus, a significant proportion of the Chinese population will be aged, leading to a drop in the demographic dividend.

There are very few countries other than India which have the demographics to take over from China in terms of becoming a global manufacturing hub.

Significant policy measures and investments in education and creation of job opportunities could ensure that India enjoys the China-like demographic dividend in its Rebirth phase.

TEACHING FINANCE TO KIDS

As a parent, you can't singlehandedly boost the next generation's collective financial IQ. But you can take some common sense steps to raise your own child's game.

Kids today have access to money as - allowance (pocket money), earnings (some amount for helping others/doing their own tasks independently), gifts (on special days, from loved ones) etc.

Allowance: Kids get pocket money without requiring to do any work. Parents should make sure the allowance is equitable on an age-weighted basis and parents can give "raises" every year.

Earnings: Parents pay their children wages for completing chores, etc. This teaches the kids the value of earning very early in life. If you are doing this, make sure to assign equal amounts of work to the children and pay them an equal pay rate without discrimination.

Once the kids understand the concept of "income", it is necessary to teach them how to use that money keeping in mind both the short-term needs/ wants and the long-term needs/wants.

The parents can teach them to make four sections for using their money which explains to them the various concepts of using money;

Spend, Save, Donate, and Invest.

SPEND: As parents you can encourage your kids to make sound financial decisions by teaching them how to spend correctly and holding your financial fire when temptation strikes.

When your kids want to buy something that they don't have the money to pay for, don't sweep in and buy it for them. Instead, help them understand the sense of deprivation that can come from spending all their money on little purchases - like candy - and not saving appropriately for the major purchases that they really want, like that fancy remote control race car."

This teaches them to understand the value of money and also the virtue of not spending all their money on immediate needs.

Extra incentives should be given in using the spend section less frequently.

SAVE: Teach your kids to save a portion of their money and praise them for every penny saved. Before they leave the nest, make sure your kids understand the three main types of savings: personal, emergency, and retirement. Give them an overview of each type of savings - what it's for, when to contribute, and (most importantly) when to draw upon.

DONATE: Teach your kids to take some money out and put it in the 'donate section.', to buy food for people/help people who don't have much money in their 'spend section'. This is the perfect way to teach children compassion and understanding that not everyone is as fortunate as they are, while also helping them to grow up financially responsible!

And most interestingly and importantly, **INVEST:** Teach your kids the value of investing by not only talking about it but by demonstrating it, if the kids put Rs. 100 in the invest section, the parents should put Re. 1 at the end of every month. This teaches the kids at an early age about the concepts of how money grows and shows them the basic of investing. This will pique the kid's interest and they will become a financially knowledgeable adult.

A KID'S OWN WORDS - Every week I get one dollar for allowance. Then I get to choose the section where I put my dollar. There are four sections: spend, save, donate, and invest. If I put a dollar in the 'invest section,' my parents give me two extra pennies at the end of every month. I've only used my 'spend section' twice! I have way over \$10 in my 'invest section.' I used to have more but I took some money out and put it in my 'donate section.' We used to it to buy food for people who don't have much money in their 'spend section.'"

The few steps mentioned above will help the parents teach the kids about all the aspects of how money is earned to how it grows at a young age in a responsible manner.

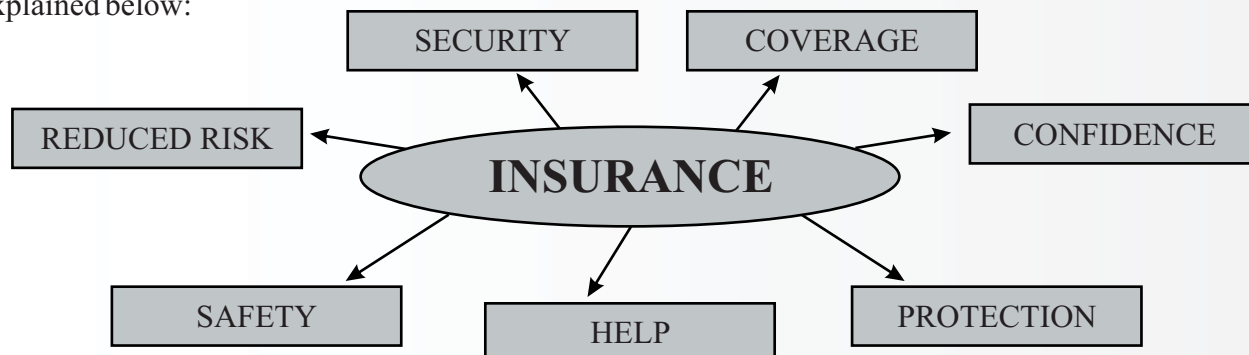


CA Kavita B Upadhyay

INSURANCE AN EVER GROWING SECTOR - ITS NEED AND IMPORTANCE

Insurance means a promise to compensate for any potential future losses. It facilitates financial protection against losses by reimbursing the insurer during times of crisis.

Insurance cover is decided on the basis of the nature of business and the types of products and services offered. It largely also depends on the financial position of the individual who seeks insurance. Premiums are periodic payments and different insurers offer diverse premium options. The ever-growing need for insurance is explained below:



The role of the insurance companies basically is to first, pool the money to pay claims, Second, to pay for expenses involved in selling and providing insurance protection and Third, to invest money. Earnings from investments help keep down the cost of insurance to policyholders.

Insurance rate setting (Premium) is a complex process. Insurance can't be priced like most products, since the money people pay is intended to help cover the costs of unforeseen events, such as auto accidents, marine theft, and loss of property, Act of God or fire. Since premiums are paid in advance, the price must be determined before the actual costs are known. While there are many factors considered in ratemaking, rates basically are dependent on two trends: the frequency of claims (how many) and the severity (cost) of each claim.

Statutory Governance:

The **Insurance Regulatory and Development Authority of India (IRDAI)** is an autonomous, statutory body tasked with regulating and promoting the insurance and re-insurance industries in India. It was constituted by the Insurance Regulatory and Development Authority Act, 1999, an Act of Parliament passed by the Government of India. The agency's headquarters are in Hyderabad, Telangana, where it moved from Delhi in 2001.

The industry's ever-growing as there is immense thrust and emphasis on promoting and regulating professional organisations connected with the insurance and reinsurance industry. There are specified norms on the company's investment of funds, margin of solvency and bookkeeping. Equal emphasis is laid on percentage of life and general insurance business undertaken in the social sector. The entire effort is on protecting policyholders interests, failing which suspending or cancellation of registrations is undertaken by IRDAI.

Insurance repository:

Emphasis is now being laid on buying and maintaining insurance policies in the electronic form rather than on paper. Insurance repositories, like share repositories will hold electronic records of insurance policies issued to individuals as e - policies.

Suggestions and feed-back

We would appreciate your view, suggestions and feed-back to make the '**INVESTOR WORLD**' more useful and illuminating.

Your inputs and contributions too are welcome on : info@iewa.in

- Editorial Board

ORIENTATION SESSION FOR SY AND TY BMS STUDENTS

**R. A. Podar College of commerce and economics
(Autonomous)**

Day and Date: Saturday, 29th June 2019

Venue: F-2, R. A. Podar College

Time: 9 AM

Objective: Orientation sessions are conducted for the students whereby industry experts are invited to interact and share their insights and experiences with the students. The focus is to spread financial literacy through workshops.

Process followed:

After the invocation, Vice- principal Ms. Kavita Jajoo addressed the students and welcomed the speakers.

The students and the parents came together to learn and acquire information on the dos and don'ts of wealth creation and management. The august gathering keenly waited to interact with Mr. Fakhri Sabuwala. The students with a natural flair for Finance are always eager to learn from wise speakers as their curiosity instinct is at its best when they are before a like-minded, learned individual like Mr. Sabuwala.



She also felicitated the speaker for the day Mr Fakhri Sabuwala and Mr. Bhavesh Vora, President IEWA.



In association with **IEWA**, Mr Fakhri Sabuwala, who is a renowned speaker and the Vice president of shareholders Association graced the occasion by addressing students and parents. He had a humble start as the lecturer on completing graduation and went on to being a stockbroker. He has addressed over 600 workshops and seminars.

Learning: Mr Fakhri Sabuwala gave a brief introduction on **stock market and regular investments**. He reinforced the **difference between wealth and money**. With the help of his personal experiences he explained basic etiquettes in investment.

He follows the principle of Warren Buffett and shared with the students some points regarding investments in the share market.

He urged the students to **regularly invest in the market** depending on one's capacity to do so. His word of caution was to **invest in shares by considering the value and not the price** of the share. He wanted the students to always **search for bargains and buy at a lower price**. He explained the **importance of micro and macro- economic** that would help to invest and **diversify the funds in different sectors**. An investor should always **be flexible** as per the changing scenario. His word of caution was **not to go in for intra-day trading and avoid future and options**.

He urged the young investors to **never panic** but to **have faith in the investments** done by them.



Mr. Bhavesh Vora, President, IEWA, also addressed the August gathering. He gave a brief insight into the objective and role of IEWA, which is to spread financial literacy with the help of such sessions and seminars.



The students and the parents were also shown a short film that brought out the essence of the stock market.

The IEWA monthly bulletin was also given to the students and the parents as a part of the awareness drive and to enhance its reach by reaching across to the intended target market.

The session concluded with a vote of thanks.

Conclusion: Session was well received by students and the parents as it was **bi-lingual**. It managed to touch hearts. Small learnings made a big difference and impact the spirit of investment in times to come.

ચેનથી સૂવું હોય તો નાણાકીય પીરામિડનો મજબૂત પાયો રચો.

ગયા વખતના લેખથી આપણે નાણાકીય પીરામિડની વાત શરૂ કરી છે. હવે આપણે એ પીરામિડના દરેક થરનો પરિચય કરીએ. અગાઉ કહ્યું એમ કોઈ પણ ઇમારત રચવા માટે પાયો મજબૂત હોવો જોઈએ. આપણી નાણાકીય ઇમારતને તથા જીવનને પણ આ જ બાબત લાગુ પડે છે. તમને કોઈ આર્કિટેક્ટ કહે કે એ તમારા રહેઠાણના મકાનનું ચણતર ત્રીજા કે ચોથા માળથી શરૂ કરશે અને પછી પાયો બનાવશે, તો તમને સૌથી પહેલાં શું વિચાર આવશે ? આ એક સરળ સવાલથી આપણને પાયો રચવાનું મહત્ત્વ સમજાઈ જાય છે.



મિસ. પ્યાતિ મશરૂ
વેલ્થ મેનેજમેન્ટ

નાણાકીય પીરામિડનો પાયો પણ તેથી જ મજબૂત હોવો જરૂરી છે. આ પીરામિડમાં પાંચ થર છે. નીચેથી પહેલો થર બની ગયા બાદ જ તેના પછીના થર તરફ આગળ વધવાનું હોય છે.

આપણે નાણાકીય પીરામિડના ચિત્રમાં જોયું છે કે સૌથી નીચલો એટલે કે પ્રથમ થર 'રક્ષણ'નો છે. આ પાયો રચાઈ ગયો હોય તો જીવનની અનિશ્ચિતતાઓનો સામનો સારી રીતે કરી શકાય છે અને પોતાનાં લક્ષ્યો પ્રત્યે એકાગ્રતા સાધી શકાય છે. તેના વગર જીવન સંપૂર્ણપણે અનિશ્ચિતતાઓથી ભરેલું બની જાય છે.

આ પાયાની રચનાનાં કેટલાંક અગત્યનાં પાસાં તરફ નજર કરીએ:

- ૧) જીવન વીમો - જીવન વીમો એ માત્ર એક પોલિસી નથી. તમે જે રકમનો વીમો ઉતરાવો છો એ રકમ તમારા મૃત્યુ પછી પરિવારની નાણાકીય જરૂરિયાતો પૂરી કરવામાં મદદરૂપ થાય છે. ટર્મ પ્લાન તરીકે ઓળખાતી જીવન વીમાની પોલિસી કઢાવીને આ રક્ષણ પ્રાપ્ત કરી શકાય છે. બીજી કોઈ પણ પ્રકારની પોલિસી કરતાં ટર્મ પ્લાન ચડિયાતો અને સર્વોત્તમ પ્લાન હોય છે.
- ૨) આરોગ્ય વીમો - ઘણા કિસ્સામાં જોવા મળ્યું છે કે પરિવારમાં એક સભ્યને પણ જો ગંભીર માંદગી આવી જાય તો બધી જ બચત ધોવાઈ જાય છે. આથી આરોગ્ય વીમો કઢાવી લેવો અત્યંત જરૂરી છે. એમાં શક્ય તેટલી મોટી રકમનો વીમો લેવો જોઈએ, જેથી ન કરે નારાયણ ને ગંભીર બીમારી આવી જાય તો સારવાર સહેલાઈથી કરવી શકાય. આ પ્રકારના વીમામાં ફેમિલી ફ્લોટર પ્રકારનો વીમો લેવો જોઈએ. તેમાં બેઝિક પ્લાન ઉપરાંત સુપર ટોપ અપ લેવું જોઈએ, જેથી ઓછા પ્રીમિયમમાં વધુ રક્ષણ મળે.
- ૩) વસિયતનામું - મોટા ભાગના લોકો આ અગત્યની બાબત તરફ દુર્લક્ષ કરતા હોય છે. તમારી પાસે ગમે તેટલી સંપત્તિ હોય, જો વસિયતનામું એટલે કે વિલ બનાવેલું હોય તો તમારા અવસાન પછી પારિવારિક ઝઘડા - ટંટા થવાનું જોખમ રહેતું નથી.
- ૪) કરજની ચૂકવણી : અત્યારના સમયમાં ગુલામો સાંકળથી બંધાયેલા હોતા નથી, તેઓ કરજથી બંધાયેલા હોય છે ! કરજ માથે હોય ત્યાં સુધી માણસ જીવનનો આનંદ માણી શકતો નથી. આથી જ્યારે પણ કરજ લીધેલું હોય ત્યારે તેને શક્ય તેટલું વહેલું માથેથી ઉતારી દેવાનો પ્રયાસ કરવો જોઈએ.
- ૫) તાકીદના સમયે ઉપયોગી થનારું ભંડોળ - દર મહિને તમારા પરિવારનો જે ખર્ચ હોય તેની ત્રણથી છ ગણી રકમ ફિક્સ ડિપોઝિટ, લિક્વિડ ફંડ વગેરે જેવી પ્રવાહિતા ધરાવતી એસેટમાં રોકાયેલી હોવા જોઈએ. તમારી પાસે આ રકમ ઉપલબ્ધ હોય તો તમારે લાંબા ગાળા માટે કરાયેલા રોકાણોને ઉપાડી લેવાની જરૂર પડતા નથી.

કોઈ પણ માણસને પોતાના મૃત્યુ વિશે, નાદાર થવા વિશે કે અકસ્માતનો ભોગ બનવા વિશે વિચાર કરવાનું ગમતું નથી, પરંતુ હકીકત એ છે કે જીવનમાં આ બધું ક્યારે પણ બની શકે છે.

મોટાભાગે લોકોના મનમાં આવી કેટલીક ભ્રમણાઓ હોય છે :

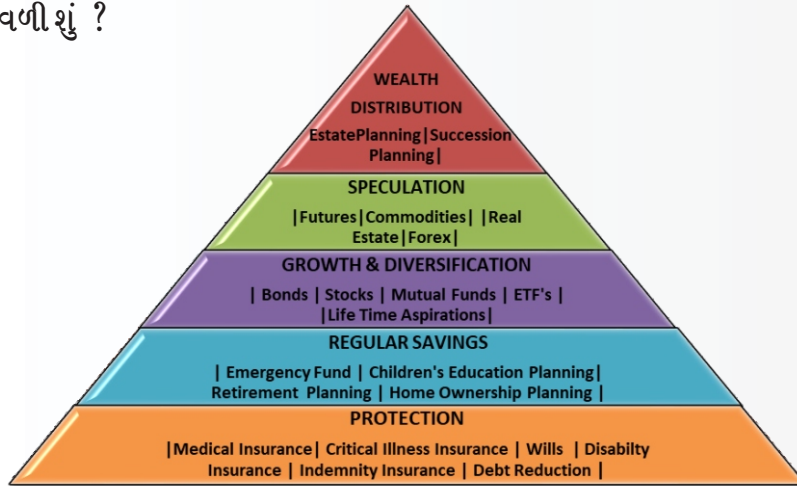
- ◆ મારી આવક ક્યારેય બંધ નહીં થાય
- ◆ મારું જીવન સંપૂર્ણપણે સુરક્ષિત છે
- ◆ મને ક્યારેય કોઈ માંદગી નહીં આવે કે કોઈ અકસ્માત નહીં નડે
- ◆ કરજ ઉતારી દેવાની મારામાં પૂરતી શક્તિ છે
- ◆ હું હંમેશાં મારા પરિવારનું ધ્યાન રાખી શકીશ

જ્યાં સુધી જીવનમાં બધું સમુસૂતરું ચાલા રહ્યું હોય ત્યાં સુધી આપણને રક્ષણનો પાયો રચવાનું મહત્વ સમજાતું નથી, પરંતુ જ્યારે વિપદાઓ આવી પડે છે ત્યારે એનું મહત્વ સમજાય છે. જો કે, આગ લાગ્યા પછી કૂવો ખોદવાનો કોઈ અર્થ રહેતો નથી. આપણે સમસ્યાઓ આવે એની પહેલાંથી જ અગમચેતી વાપરીને ઉક્ત પાસાંને ધ્યાનમાં રાખીને પૂરતી જોગવાઈઓ કરી લેવી આવશ્યક છે.

આપણે એટલા બધા આશાવાદી અને વ્યસ્ત છીએ કે રક્ષાકવચ સાથે રાખવાનું ભૂલી જઈએ છીએ તેને કારણે આપણી ગેરહાજરીમાં કે બીમારીની સ્થિતિમાં પરિવારજનોનું રક્ષણ કરવા માટેની વ્યવસ્થા કરવાનું રહી જાય છે.

સ્વજન ગુમાવ્યાનું દુઃખ તો કોઈ રીતે દૂર થઈ શકતું નથી, પરંતુ નાણાકીય રક્ષણ તો જરૂર મળી રહે છે. પૂરતા પૈસા હશે તો તેઓ તમારી ગેરહાજરીમાં તેઓ પોતાની જાતને વધુ સારી રીતે સંભાળી શકશે.

નાણાકીય પીરામિડનો પાયો મજબૂત રચાયો હશે તો તમે અનિશ્ચિતતાઓથી ડર્યા વગર ચેનથી સૂઈ શકશો. માણસને આનાથી વિશેષ જોઈએ વળી શું ?



સંપત્તિની
વહેંચણી

(એસ્ટેટ પ્લાનિંગ /
ઉત્તરાધિકારી વિશેનો વિચાર)

સફ્ટો

(ફ્યુચર્સ / કોમોડિટીઝ / રિયલ એસ્ટેટ /
વિદેશી હંડ્રિયામણા)

વૃદ્ધિ અને વૈવિધ્યકરણ

(બોન્ડ / સ્ટોક્સ / મ્યુચ્યુઅલ ફન્ડ્સ / ઇટીએફ)

નિયમિત બચત

(સંતાનોના શિક્ષણ માટેની જોગવાઈ / નિવૃત્તિકાળ માટેની જોગવાઈ / ઘરની ખરીદી માટેની જોગવાઈ)

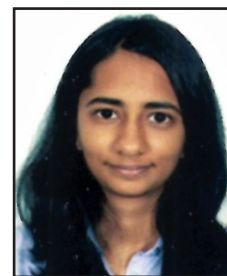
રક્ષણ

(ટર્મ ઇન્સ્યોરન્સ / આરોગ્ય વીમો / ગંભીર માંદગી માટેનો વીમો / વસિયતનામું / પંગુતા વીમો /
તાકીદની પરિસ્થિતિ માટેનું ભંડોળ / કરજની ચૂકવણી)

WHAT IS A DERIVATIVE?

A derivative is an instrument whose value is derived from the value of one or more underlying, which can be commodities, precious metals, currency, bonds, stocks, stocks indices, etc. Four most common examples of derivative instruments are Forwards, Futures, Options and Swaps

As the term in itself suggests, a derivative 'derives' its value from some other source. The value or price of a derivatives contract is driven by the current value or price of the underlying.



CA Prarthana Vaidya

Features of Derivatives:

Some common features that every derivative contract has are as under:

Derivatives do not have an independent value and derive their value from an underlying.

They require low initial investment, usually in the form of margins.

This contract is to be settled in at a specified date in the future

Types of Derivatives on Indian exchanges:

Example: A manufacturer who will require copper as raw material 3 months in the future, purchases a futures contract to buy the copper at the specified date at a pre-decided rate. In this case the contract derives its value from the underlying, i.e. from the spot market price of the copper. The only initial investment required would be the margin payable on the contract. The contract will be settled at the future date, i.e. 3 months later.

Equity Derivatives:

Equity derivatives are derivatives whose value is derived from equity securities. Futures and options are the common products available for these derivatives.

Index Derivatives:

Index derivatives are a type of equity derivatives in which the underlying instruments are equity indices. Instead of the underlying being a single security it is an index such as the SENSEX or NIFTY. Index futures and options are available.

Commodity Derivatives:

Commodity derivatives derive their value from the underlying commodity. Using such derivatives provide a safety net from the volatility and uncertainty in commodity prices. Futures and options are the common products available.

Currency Derivatives:

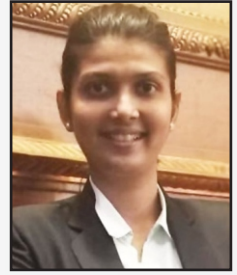
Currency derivatives are available in the form of futures and options. They are contracts to exchange one currency for another at a specified date at a pre-decided exchange rate.

Interest Rate Derivatives:

Interest rate derivatives are available in the form of interest rate futures. These contracts are based on specified GOI securities on the BSE and NSE.

Note: The above information is meant for educational and informational purposes only and should not be construed as investment advice or a promotion of the products mentioned.

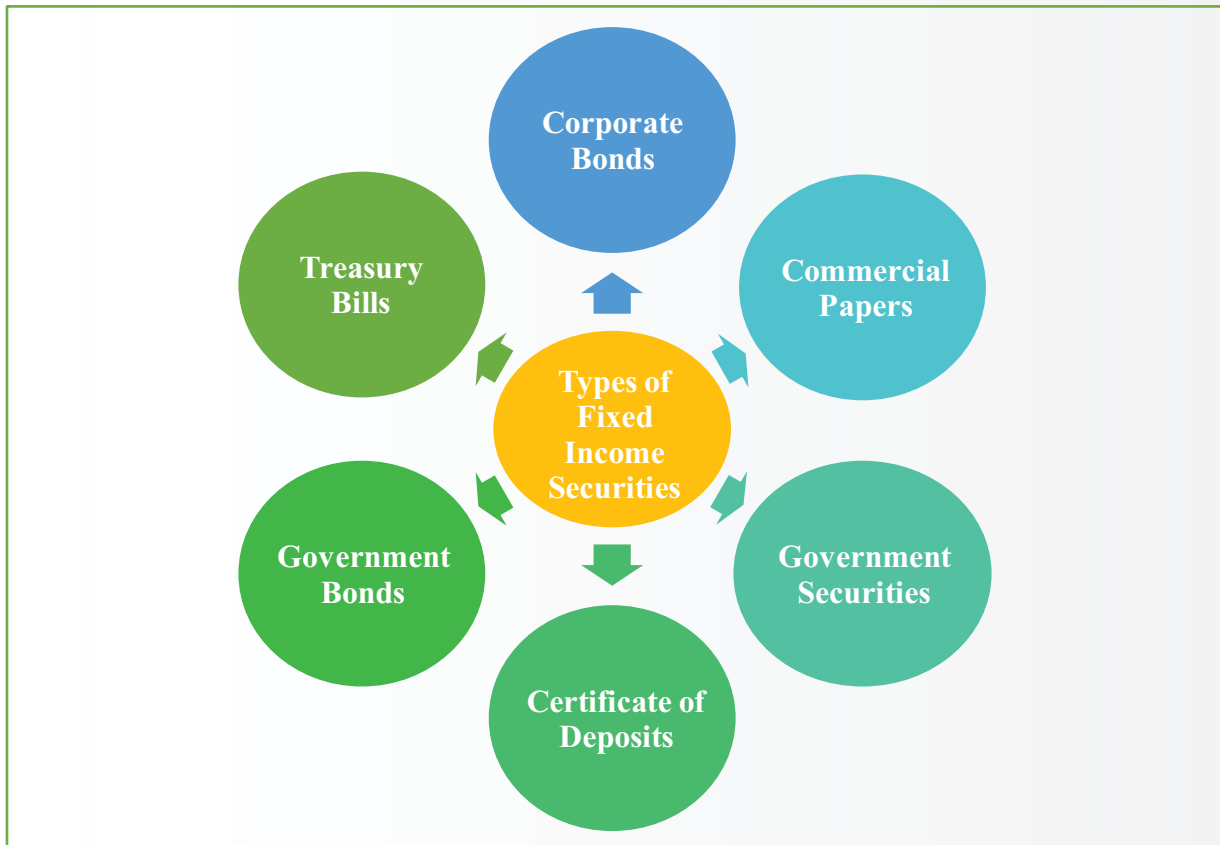
FIXED INCOME SECURITIES - BASICS



CA Khushbu Shah

What are Fixed Income Securities?

Debt instruments that pay Fixed amount of Interest to investors at periodic intervals and eventual repayment of Principal at maturity.



Equity

- **High Risk** as compared to **Fixed Income**
- **No Fixed Source of Income**
- **Higher Price Volatility** as compared to Fixed Income Securities
- Commonly referred to as **stock markets & Private Equity Industry**



Fixed Income

- **Less Risky** due to regular payments & recurring cash inflows
- **Fixed and Regular Source of Income** by way of Interest
- **Lower Price Volatility** as compared to other Asset Class
- Commonly referred to as the **debt market**

12 RULES TO INVEST WISELY

(AND REAP BENEFITS IN ANY MARKET CONDITION)

- Rule 1: Invest regularly
- Rule 2: Start investing early in life (and get the power of compounding to work for your investment)
- Rule 3: Never try and time your investments basis tips, market trends or economic outlook
- Rule 4: Inflation and Taxes will eat into your returns. Therefore know your actual returns in hand
- Rule 5: Diversify your investments across asset classes, to spread your risk
- Rule 6: Balance and re-balance your investments as you age
- Rule 7: Expect reasonable returns from your investments and sell, once you have got the returns you seek
- Rule 8: Get over your mistakes and losses. Learn from them
- Rule 9: Never invest or sell in haste (and regret later)
- Rule 10: Avoid investing in complicated products you don't fully understand or products that offer unrealistic returns
- Rule 11: Spend time on your investments (it's your hard earned money) or get a good financial advisor to do it for you
- Rule 12: Keep it simple, invest in Mutual Funds

Disclaimer : - The illustration are merely indicative in nature which should not be construed as investment advice and neither ensure you profits nor protect you from making a loss in declining market. Views expressed by Contributors.

INVESTOR PROTECTION THROUGH EDUCATION

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