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FRIEND
FINANCIAL SERVICES

# "ARTHBHASKAR"

## EDITORIAL

**Hello,**

Happy **Vijayadashmi!** Happy **Dashera!!!**

It gives me great pleasure to announce that with this Volume V of "Arthabhaskar" we will be completing one year of its publication. Last Dashera in Oct 2019, we published our first newsletter and it was well acknowledged by my friends and clients. It is an sincere attempt to enlighten all about small but very important things of personal finance, covering various topics of **Financial Planning, Life insurance, General Insurance, and Mutual Funds.** I feel grateful to you all for your support.

Knowledge is the power. However, Knowledge of personal finance is not practically shared or discussed much because everybody's finance is personal and hardly a few would like to disclose they are personal facts. The vast information is available on Social Media and in Articles. However too much information leads to confusion. I would, therefore, would like to propose a strategic approach towards one's personal finance that needs to be classified individually and not generalized. A plan proposed for one person may not be suitable at all to another person whose likes, dislikes, savings, and spending habits would definitely differ. Another most important point is behavioral attitudes, which is the most determining factor in personal financial sources.

We all are after earning money to make our life better, give happiness to our family members, and acquire assets for enjoyment and entertainment. However, the efforts taken to conserve this earned money in a strategic manner are negligible as compared to efforts taken to earn the same. Here comes, your behavioral patterns into picture. With every increase in income, how you behave with spending habits or saving habits defined your financial success. As I have already quoted many times that nobody have ever become rich by mere earning money. The money earned must be saved wisely so that making money becomes a real joy for you. That is where your financial success lies. So on this eve of Dashera, which is the festival of the defeat of all evils, evils of bad habits, evils of financial behavior be a win over by inculcating good habits of taking serious strategic approach towards personal finance, so that at the end of the day everyone would have great satisfaction and fulfilments and the most important, happiness for which we all crave for . Let's create a better world around us through this financial awareness towards one's personal finance on this **Vijayadashmi** Day!

Warm Regards,
MILIND JAYWANT BANE.

# LEAVING BEHIND THE LEGACY "WILL" ....... BY R.GOPINATH

People acquire assets primarily for two reasons, to use it themselves or/and to leave it as a legacy to those whom they feel as deserving. When a person dies without having specified as to who should inherit the asset, he is said to have died intestate. The simplest form of transferring an asset bequeathing to another person upon death of the present owner is a "WILL".
In the absence of "WILL", the inheritance is decided by the Indian succession Act 1995, wherein based on the religion of the owner before death of the legal heirs are decided. It can be a long drawn process, at times quite painful and also far the right inheritance to receive the ownership of the asset this way. We have seen cases around us wherein undeserving people by the sheer relationship with the erstwhile owner of the asset enjoying it now, even at the cost of depriving the rightful and deserving heirs. Such instances cause deep pain for the deserving heirs on this earth and probably to establish owner in heaven too. This can easily be solved by writing "WILL" during lifetime by the owner of assets.

### Myths around "WILL"

There are certain myths associated with writing or not writing a "WILL" that a person may die after writing a "WILL" or it might involve a cumberfem procedure and might require advocates to draft, that children are well cultured and hence there will be no disputes after me, and the most common reason that "still there is time, before death, we can certainly write it".

### What is a "WILL" ?

In simple form, will is declaration by the owner of the asset about transfer of asset upon his death. The person who writes the "WILL", that is the present owner, who is bequeathing the assets is called a "Testator".

### How to write a "WILL" ?

It can be written on a piece of paper, by writing down the identity of the person who is writing the will and giving a clear description of the asset or the asset that he is transferring and the details and identities of the person to whom he is passing the ownership. It can be written in any language. The declaration needs to be witnessed by two persons who are not beneficiaries of the "WILL".

### Can it be changed after it's written ?

Yes since the transfer of ownership is effective only upon death, the owner can change his "WILL" many times before death. In that case all previous "WILL" will become null and void.

### Can the owner of the assets deal with the property after writing "WILL" ?

Yes he can, So, in order to create a proper legacy one must write a "WILL" in later interest of his successor and its proper share allocated to them in particular, if the owner of the asset denies to do so.

*(The author is one of the most respected personality in insurance industry, we called him **"Dronacharya"**, of life insurance and personal finance.)*

# FOUR OBJECTIVES OF FINANCIAL FORECASTING

### 1) Provide adequate cash flows for the needs to fulfill at minimum level.

There are major junction in the life like child's higher education or wedding, and finally the retirement. The base objective is to fulfill that need at minimum level.

### 2) Protect the source of fund.

A Family runs on the monthly or daily income earned by the breadwinner of the family. To protect the source through adequate life insurance cover is the most important and seen as the foundation of a financial plan.

### 3) Design systems and Procedures to convert legacy.

Legacy means to the right person, at the right time, far right value and in the right favor. Mere asset creation is not important.

### 4) Optimize the use of funds to earn a good return on it.

There is always a difference between optimizing and maximizing. People have lost their money in search of maximum returns. So it's important to understand the rise and return ratio and then apply the best strategy is a key to success.

"Financial discipline generates more wealth than Financial Intelligence." - By R Gopinath.

## INDIAN ECONOMY WILL RECOVER FROM CORONAVIRUS CRISIS WITH RIGHT POLICIES : IMF OFFICIAL

The Indian economy, severely hit by the coronavirus pandemic, would be well placed to start recovering from the "horrible crisis" with the government making efforts on both the fiscal and monetary side in addition to putting in place structural elements, a top IMF official has said. The International Monetary Fund in its annual World Economic Outlook significantly downgrades India's growth for the fiscal year 2020 to minus 10.3 per cent. At the same time, the IMF said that India is likely to bounce back with an impressive 8.8 per cent growth rate in 2021.

## LINK YOUR INVESTMENT DONE TO YOUR FINANCIAL GOALS

One of the best strategies for your financial success is to embark your investments done so far to your upcoming future financial goals. You might have purchased long term insurance plans, some SIP's, some fixed deposits etc. Make things simple for you. Write down all the future events where you would need a large chunk of funds. Write down the estimated amount you may require to address that event. Now see when fixed term investment is/are materialising by that time. This will help you to identify the future gap and make you more aware about the steps to be taken to bridge that gap.

## HEALTH INSURANCE & LIFE INSURANCE - A NON-DISCRETIONARY EXPENSE

This pandemic situation have forced many people to take a serious view of these two very important aspects of day to day life. People have always accounted the arithmetical calculations on the expenses incurred on these. They do not understand that it is a provision to protect oneself from the contingency of death and / or hospitalisation. They decide that this may happen or may not happen and decide whether to go for it or not. Many a time they underscore this to save on cost and get themselves under insured. Please do not put your discretionary power while evaluating the provisions for the contingencies of death, hospitalisation & critical illness too.

## PMVVY A BOON TO SENIOR CITIZENS IN FALLING INTEREST MARKET

For serious citizens who are in search of best investment schemes that provides monthly interest schemes, PMVVY (Prime Minister Vaya Vandana Yojana) is a great initiative by the Government of India to protect the standard of living of senior citizens by providing guaranteed returns for longer term of 10 years. Maximum amount of investment per individual is Rs.15 lakhs and per family Rs.30 lakhs. Family means husband and wife. Withdrawal before completion of 10 years period will attract a penalty of 2%. The scheme is being implemented through LIC of India.

## MARS : REGULATED ASSET ALLOCATION MODEL

In order to have balanced growth on your MF investments allocation of your investments into Debt and Equity is the key solution. Mutual Funds Automated Re-balancing System wherein allocation to equity and debt is decided by a research team which evaluates on the valuations. If equity markets valuation have become costlier or beyond expectations of market and volatility is very high then more weightage will be given to debt and money will remain parked in debt funds till the valuation of equity market reaches its fair value level and vice versa. The rebalancing will take place twice in a financial year, i.e. April and October every year. The scheme change will take place once in a year. This service is exclusively being offered by NJ India Invest Private Limited.

### LARGE CAP FUND

| NAME OF FUND | 1 YR | 3 YR | 5 YR | 10 YR |
|---|---|---|---|---|
| AXIS BLUE CHIP FUND | 1.29 % | 8.99 % | 10.35 % | 9.80 % |
| CANARA ROBECO BLUE CHIP EQUITY FUND | 6.65 % | 8.36 % | 9.82 % | 9.95 % |
| KOTAK BLUE CHIP FUND | 2.54 % | 5.03 % | 7.26 % | 8.25 % |
| SBI FOCUSED EQUITY FUND | 1.49 % | 6.34 % | 9.76 % | 12.65 % |
| AXIS FOCUSED 25 FUND | 0.38 % | 6.18 % | 10.99 % | NA |

### MULTI CAP FUNDS

| NAME OF FUND | 1 YR | 3 YR | 5 YR | 10 YR |
|---|---|---|---|---|
| MIRAE ASSETS EMERGING BLUE CHIP FUND | 8.55 % | 7.13 % | 13.6 % | 17.88 % |
| UTI EQUITY FUND | 10.09 % | 8.67 % | 9.25 % | 10.62 % |
| KOTAK STANDARD MULTI CAP FUND | 2.23 % | 3.55 % | 8.72 % | 10.60 % |
| CANARA ROBECO EQUITY DIVERSITY FUND | 7.29 % | 7.71 % | 9.29 % | 9.36 % |
| INVESCO INDIA GROWTH OPPORTUNITIES FUND | 1.10 % | 5.37 % | 8.77 % | 9.95 % |

### MID CAP/SMALL CAP FUNDS

| NAME OF FUND | 1 YR | 3 YR | 5 YR | 10 YR |
|---|---|---|---|---|
| AXIS MIDCAP FUND | 12.27 % | 11.44 % | 10.52 % | NA |
| DSP MIDCAP FUND | 13.77 % | 5.54 % | 11.55 % | 12.36 % |
| INVESCO INDIA MIDCAP FUND | 13.90 % | 6.62 % | 9.69 % | 13.11 % |
| KOTAK SMALL CAP FUND | 13.91 % | 3.02 % | 8.76 % | 10.56 % |
| AXIS SMALL FUND | 9.47 % | 9.03 % | 11.23 % | NA |
| SBI SMALL CAP FUND | 12.25 % | 5.81 % | 13.46 % | 10.82 % |

### ELSS FUNDS

| NAME OF FUND | 1 YR | 3 YR | 5 YR | 10 YR |
|---|---|---|---|---|
| AXIS LONG TERM EQUITY FUND | 0.77 % | 6.32 % | 8.72 % | 13.75 % |
| CANARA ROBECO EQUITY TAX SAVER FUND | 10.57 % | 9.34 % | 10.04 % | 10.04 % |
| ADITYA BIRLA SUN LIFE TAX RELIEF 96 FUND | 4.36 % | 3.25 % | 8.37 % | 9.65 % |

"It is not the income management, but it is in outgo management that a person becomes wealthy."
**Thiruvalluvar, A Divine Poet.**

**This one is a bit of a long read. Please go through it at leisure. And then again as revision, If you are really serious about your financial success**

## *SO, HOW BIG OR SMALL IS THE GAP BETWEEN YOUR EGO AND YOUR INCOME?*

### Read on to see why that's relevant.

This **Article** by a fellow **Wealth Manager** explains it nicely -

There are two types of Wealth.

**The first is Vertical Wealth:**

People who are vertically wealthy think, "I am rich. So I had better do what rich people do." The vertically wealthy people rush to outshine others with better this and better that and what not…

**Then, there is Horizontal Wealth:**

Horizontal wealth means not letting your increased income dictate your tastes. So what happens when a horizontally wealthy person's annual income increases drastically in any given year?

Nothing much really. They don't care about what others think of them. They don't care about living like other rich people. They continue to live as they wish to live.

So while the horizontally wealthy own their riches, the vertically wealthy are owned by them. And as Morgan says in the Iron Rule article:

The only way to build wealth is to have a gap between your ego and your income. Getting rich has little to do with your income and everything to do with your savings rate. And your savings rate is just the difference between your ego and your income. Keep the former in check and you should be fine over time.

Personally, I liked this idea of two types of wealth. That's because I have seen people react differently to increase in **income/net worth.**

I would any day prefer being Horizontally Wealthy.But in reality, I know I will be somewhere in between being Vertically and Horizontally Wealthy. But that's fine… we all are different and it's acceptable to not fit in perfectly in any definition.

Being an investment advisor, I deal with numbers. And also, I like maths. It's solid and it makes sense. But I don't think one should keep chasing numbers their whole lives. It's best to figure out how much you need for a few of your important goals and invest accordingly and then… just be as you are. Live life.

Don't chase new cars every time like the highway dogs.

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