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BECOMING FINANCIALLY FREE

Robert Kiyosaki, the famous American businessman and author once said, "financial freedom is freedom from fear." Indeed, most of us dream of doing something but end up not doing it simply because of fear. In financial freedom context, this fear is mostly the fear of not having any money left. The irony of the entire debate on financial freedom is that those who dream of becoming financially free need much more time whereas those who can enjoy that freedom today, don't do so!

So what's it's like being financially free? What's the definition? Well, there is no sure shot definition or formula for same but it all boils down to the below given conditions. Once these conditions are fulfilled, one could say that financial freedom has truly dawned.



NO FINANCIAL OR SOCIAL OBLIGATIONS / LIABILITIES:

Before one even thinks of financial freedom, one has to become 100% debt free. There is no point of compromise on this important element. One has to be free of any outstanding debt including home loans and any kind of personal commitments. One also has to be free of any important obligations or life goals like the purchase of a home, child education, etc. Even if you are not free of such obligations, one has to make sure that these obligations are well arranged for in advance.

RIGHT TEMPERAMENT FOR HANDLING EXISTING WEALTH:

Right temperament for handling wealth is perhaps more important than the temperament to create wealth. There have been umpteen stories of people who were rich but went broke due to their approach to managing wealth. One should have the ability to be patient, grounded, risk-averse, prudent and logical when handling wealth. Flaunting wealth and spending it on things that you do not need is a sure shot road to exhausting your wealth quickly.

ALTERNATIVE / PASSIVE SOURCE OF INCOME:

Any activity of personal interest that also helps you earn a steady income is surely most welcome. Many of us choose to work even when we are surely financially independent and is indeed welcome. An

alternative source of income could be in form of rent on any invested property or even any active consultancy or your own side business venture. An alternative source of income in addition to your primary income can work wonders for your financial well-being.

ADEQUATE RISK PROTECTION FOR ANY UNCERTAINTY:

When you believe you have everything sorted out, there is still one thing which you cannot control – uncertainty. There is a lot of uncertainty in our daily lives and it is not restricted to your job or business. The uncertainty can manifest itself in form of any eventuality to life and health of you or your loved ones. One should be 'adequately' protected for the same, at all times. There is no compromise to this important element since it acts as a safety net to avoid a hard fall to the ground in case of any unwelcome eventuality.

ADEQUATE LONG TERM WEALTH INVESTED IN GROWING ASSETS:

The need to have your investments growing helps you fight inflation and thus protect your wealth. It is important that your rate of wealth consumption is lower than that of wealth creation and also the net wealth growth is higher than inflation. In such an ideal scenario, your wealth will sustain you much longer and ensure you never run out of money. For this to happen, it becomes

critical that you invest in an asset that creates long term wealth and delivers returns that are significantly higher than inflation. If your size of investments is small, the need to save in such assets, namely equity, becomes more prominent.

FAMILY UNDERSTANDING AND SUPPORT:

A strong and supportive family environment is important for any journey of or towards financial freedom. Most of the times in a family setup, the decisions have to be taken in consensus. Often we also end up entertaining demands of others. In such a scenario, your approach and philosophy to life and wealth management may not be fully appreciated by others. When there is such a clash, it is bound to create ripples on your financial journey. You have to get everyone on board by educating them, showing them both the sides of any financial decision and making them understand all that is needed. This is a sort of teamwork which will ensure that not just you but your entire family acts like one on this journey of financial freedom.

KEEP LEARNING AND DEVELOPING YOUR SKILLS, KNOWLEDGE AND EXPERIENCE:

Continued learning in life has become much more relevant today. The knowledge and skills required to be successful at any job and business are rapidly evolving. Business models are being transformed, new

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businesses, jobs and careers are being invented almost at an hourly rate. The typical lifespan of most things has also

shorted. Hence, irrespective of your position in life, it is important that we spend at least some amount of time in learning new skills

and gaining relevant experience and knowledge.

HOW CAN WE BE FREE

Having talked about the crucial conditions necessary for financial freedom, we now simply ask, how can we be financially free? Though a simple question, the answer is quite complex. The easy way to answer this would be to highlight the behavioural attributes that will take us there.



VISION: The vision tells us what is possible and helps us believe in that vision. The right vision would help us imagine a personal /financial position in life that we would aspire and dream to be. That vision has to come backed by a strong sense of realism that it is possible with the determination to achieve to not just dream but to achieve it.

COURAGE: Courage is of utmost importance as it helps you take life-changing, critical decisions at the right time. Most of us regret the things we haven't done and not the things we did but failed. Courage is what helps us fight through difficulties and rise above ourselves to realise bigger goals for ourselves.

PATIENCE: Rome wasn't built in a day and neither are our dreams. One has to be patient for a decent period of time to realise the merits of good investments and the results of your plans. Jumping out of the boat before it has docked on the ports, is a mistake that many of us make in our lives. Having patience in life, not just in financial matters, also helps you live a wholesome life and enjoy it.

SECRETS OF THE MILLIONAIRE MIND

Do you ever imagine why few people appear to get rich easily while most of the others live their entire life full of financial struggles? Have you wondered what is that difference which makes few people rich – is it education, hard work, intelligence, luck, family background or is it about their choice of work, job, business and investment?



You will be surprised that the answer to the above is No, according to one of the hugely popular books on personal finance “Secrets of the Millionaire Mind” by T. Harv Eker. Eker says that though few of the things mentioned may contribute to financial success, the underlying reason for success itself is quite different. goes. In this piece, we will attempt to go deeper and unravel what makes the real difference between the rich and the poor.

IT'S VERY MUCH ABOUT HOW YOU THINK:

It can be said that poverty begins and is rather allowed to continue in one's imagination first. One's actual material life then becomes a self-fulfilling prophecy of this image. You ultimately become what you think of yourself. If you are always thinking about problems, are small minded, keep finding faults in everything and worse, think low of yourself, then that is what you may end up living your life with. The need for self-admiration, thinking big, thinking about possibilities and opportunities cannot be underestimated.

But, everything else remaining same, why do we think the way we do? The answer to this question is given below.

YOUR SUBCONSCIOUS MIND PLAYS A CRITICAL ROLE:

Right from childhood we are subjected to subconscious learning from our families, friends, schools, events happening around us and so on. This is the main reason people with different family backgrounds and cultures tend to think differently. Imagine a typical Gujarati / Punjabi / Sindhi business family and compare that to any well-educated South Indian family. You can almost predict how the lives of children will shape up in such families and what will they do in their lives. The risk-taking ability, money management skills, attitude to wealth, etc. are ingrained in our subconscious minds to a greater extent than you think. This plays a very crucial role in shaping who we are and

who we will be in our lives. If your subconscious mind is not set for a high level of success then probably you will never have a lot of money. The good news is that you can change this subconscious mind with your conscious and continuous rethinking on these aspects of life.

HOW THE RICH THINK AND ACT DIFFERENTLY?

Now that we have established that your thinking mind and your subconscious mind plays a very important role in financial success, let us get back to the starting point – the difference rich and poor. It would be really interesting to see how a financially successful guy is thinking differently from a financially deprived person.

1. Rich people believe in creating their own future and destiny. Poor people let life happen to them and accept their destiny.

2. Rich people make it their game to win and make more money. Poor people tend to play the money game safe so as to not loose.

3. Rich people live their lives as if they have a commitment to being rich. Poor people live life as if they want to be rich and are more eager to showcase being rich rather than being actually rich.

4. Rich people think big, think about possibilities and opportunities. Poor people think small, think more of obstacles and difficulties in anything they do or think of doing.

5. Rich people focus more and spend more time exploring and exploiting opportunities. Poor people spend more time talking about obstacles and focus on solving problems in life.

6. Rich people admire, learn from and aspire to be like other rich and successful people. Poor people normally resent, find faults and crib about rich and successful people but never learn.

7. Rich people tend to associate and network with most other rich, positive and successful people. Poor people tend to

associate with their likes or other negative or unsuccessful people and do not network.

8. Rich people are willing to promote themselves and their value and tend to create a personal brand for themselves. Poor people do not like personal selling or promotion and do not indulge in making a personal brand or value.

9. Rich people often think of problems as smaller than themselves and something which can be resolved easily. Poor people often think of their problems as bigger than their capability and something which would need tremendous efforts.

10. Rich people are very good at observing and learning what they need to from virtually anything or any person. Poor people are poor at observing and learning and often tend to only believe that they know.

11. Rich people tend to work smart for results or profits based on their intelligence and enterprise. Poor people tend to work hard and choose to get paid based on time and work done.

12. Rich people think of getting the maximum advantage of any situation or deal

and not loosing. Poor people think more of a win-win situation and choose either among options available to them.

13. Rich people know, keep track of and focus on building their net worth. Poor people focus more on their working income rather than their actual net worth.

14. Rich people are good at managing and growing their investments /wealth. Poor people often mismanage their wealth and tend to make sub-optimal investments.

15. Rich people put their money to good use and make it work hard for them. Poor people focus on working hard for earning their money but do no put their money to work.

16. Rich people are more courageous and tend to act in spite of fear by taking calculated risks. Poor people are overwhelmed by fear and tend to not take any risks.

17. Rich people are committed to learning and they constantly learn and grow themselves. Poor people are laid back thinking that they already have enough knowledge and do not learn actively.

As Eker says, "The size of the problem is never the issue – what matters is the size of you!". Understanding the above differences in thinking and changing our own thought process should be our goal. These changes, when put to practice in real life, will act as the steps or blueprint to dramatically improve our financial success factor.



FUND MANAGER INTERVIEWS



Mr. Manish Gunwani,
(CIO – Equity Investments)
Reliance AMC

Manish graduated from IIT Chennai with a B.Tech and has a Post Graduate Diploma in Management from IIM Bangalore. Manish has 21 years of work experience primarily in equities spanning roles in equity research and fund management. He has also co-founded a technology company in the document management space.

During his stint at ICICI Prudential AMC, he managed two flagship funds of the mutual fund whose assets grew from \$1bn to \$5bn in 5 years. One of the funds grew from \$50m to \$3bn becoming the second largest fund in the industry. As deputy CIO he was instrumental in various aspects of asset management including setting up research processes, product strategy, developing talent of the team etc.

Manish has immense experience in equity research and has also spent two years working in a portfolio management company whose focus was midcaps. Having traveled extensively across the world, Manish has attended many global investment conferences and seminars.

Q. What is your overall impression from the Union Budget? How would you rate it?

Answer: We believe the budget had a good balance between stability (sticking to fiscal deficit target broadly) and stimulus (expected in an election year but done with sharp focus and restricted outlays). Overall we think the space for fiscal stimulus to revive the economy is limited and going forward monetary policy may be more important in this context. We would hence give the budget a high rating.

Q. Income support has been a big idea and a structural shift away from subsidies and waivers. What is your take on same?

Answer: We think that income support is a better measure than subsidies and waivers as the latter tends to distort the market economics of the goods and services involved. For instance the urea subsidy seems to be affecting soil quality through over use of urea. However it needs to be ensured that the income support infrastructure in terms of accessibility of bank accounts, list of beneficiaries etc. is robust.

Q. Please share the top couple of budget proposals which you did not like or were missed altogether?

Answer: Couple of concerns on the budget are:

- Using funds from divestment heavily is structurally not advisable as these revenues are to a certain extent non-recurring, especially given that the government stakes in quite a few PSUs are close to the minimum shareholding required to retain controlling stake. Ideally the divestment revenues should be dropping from hereon
- Estimates on certain items like GST revenues, PSU dividends etc. are quite aggressive

Q. Many investors are likely sitting on the edge, awaiting election results before committing big money. What would be your piece of advice to them?

Answer: Historically the evidence is that elections have not swayed the medium to long term trajectory of either the economy or markets too much. While it is an important event, there are many factors which influence the market like interest rates, global growth, commodity prices etc. so one should not put too much emphasis on any one factor. Long term it is advisable to just stick to a disciplined asset allocation which follows valuation of the asset and its risk profile.

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