3 MANTRAS FOR INVESTMENT NIRVANA

Investment expert Devina Mehra shares insights on kickstarting and strategising your investment journey.

Do you experience a degree of apprehension when acquaintances engage in discussions regarding equity investments at social gatherings? Or, feel excluded when observing peers apparently generating substantial returns or claiming financial independence through securities trading? But, let me tell you a secret: just because the person acts more confident while discussing investments, it does not mean that they know more about financial matters. You can easily refer to podcasts, digital publications, or books to learn the basics of investments. But here are three easy suggestions.

Note that only 17 listed companies in India have shown continuous profit growth every year over the past decade, out of the around 4,000 stocks! Consider this surprising number when you get the next "sure shot tip" from an "investor" friend at a party!

Mehra is the founder and Chairperson of First Global, an Indian and global fund/ PMS management firm. She is the author of *Money Myths and Mantras: The Ultimate Investment Guide.*

Savings alone are not enough. You need to make your money work hard for you. If you save around ₹1 lakh a year and put it in the bank at 5.5% per annum (p.a.) interest, it will become about ₹77 lakh at the end of 30 years, which doesn't even cover inflation! If you don't want to take too much risk, invest the amount in a conservative multi-asset portfolio compounding at 9.5% p.a., and you can have around ₹1.7 crore at the end of 30 years. If you have a somewhat higher risk/equity portfolio compounding at 12.5% p.a., it will be about ₹3 crore at the end of 30 years. The returns from this are four times the bank deposit returns.

Risk management is key but it does not mean that you go only for investments that are 100% risk-free for 100% of your corpus, because such a strategy severely limits your returns. Indian equity markets have compounded at 15 to 16% per annum over 40 years - of course with large variations, so 12.5% is not an unreasonable assumption. Some risk is inevitable if you want returns but take adequate precautions so that none of the losses are crippling or more than you can afford. Do not be on extreme ends of the risk spectrum. Sometimes people lurch from bank fixed deposits straight to crypto or option trading. As SEBI data has shown, less than 10% of option traders make any profit at all.

Most returns come from asset allocation in the investment pie chart and not from the choice of individual stocks; and research studies have proven so. It is more important to know how your entire portfolio is allocated across assets — fixed income (including fixed deposits, income mutual funds, etc.), equity (both direct and through mutual funds), commodities, real estate, gold, etc; and across geographies, including those beyond India.