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MONTHLY FINANCIAL NEWSLETTER 'BY THE FAUJIS. FOR THE FAUJIS.'

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FINANCIAL MICRO BYTES

From Team Hum Fauji Initiatives



MIND OVER MONEY: How Your Brain Influences Investment Decisions

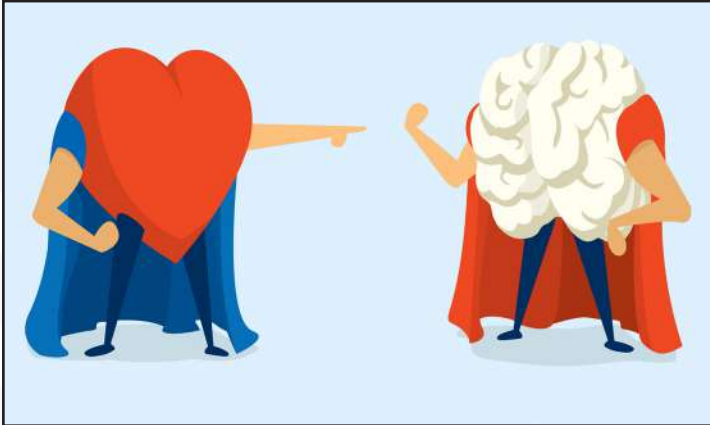
As your trusted financial advisor, we understand that investing can sometimes feel overwhelming, particularly if you have no prior financial experience. Today, we'd like to throw some light on a crucial investing topic that frequently goes unnoticed: *the influence of your brain on your investment decisions.*

Why This Topic?

Your brain is a powerful tool that can affect how you see and manage investments. Understanding these influences can help you make smarter financial decisions. Each and every successful investor in the world has repeatedly called investing essentially a brain game – the tricks that one's brain plays with own psyche and how we ourselves play them – rather than how correctly you choose investing avenues and time them.

So, let's start with a simple example.

1 Emotions vs. Logic



When you're on a rollercoaster, you can't deny the thrill and excitement. Similarly, when the stock market rises, you feel thrilled, leading to an emotional attachment to your investments. However, when the market goes down, fear and panic might take over, leading you to make hasty decisions.

2 Overconfidence Bias



Consider yourself playing a video game that you are convinced you will win. In the world of investments too, one or some previous 'wins' give you the overconfidence that your predictions are always accurate, leading to riskier choices without thorough research.

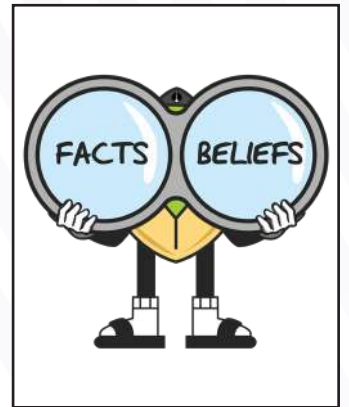
3 Herd Mentality

Think of a school of fish swimming together. As investors, you too might feel safer following the crowd and making decisions based on what everyone else is doing, rather than considering your own financial goals.



4 Confirmation Bias

Consider yourself looking up reviews before making a purchase. If you find positive reviews first, you might ignore the negative ones. Similarly, investors may focus only on information that supports their existing beliefs about a particular investment.



So, how can you overcome these biases?

- **Educate yourself** about investing and financial instruments.
- **Set clear goals** and define your risk tolerance.
- **Diversify your portfolio** to reduce risk.
- **Stay disciplined** and stick to your investment plan.
- **Seek professional guidance** from a financial advisor.

Remember, understanding your brain's biases will always lead to better investment decisions.

MF Alam, Senior Financial Research Analyst - Team Hum Fauji Initiatives



EMOTIONAL ASPECTS OF REAL ESTATE INVESTMENT: Balancing Sentiments with Financial Prudence

We understand that real estate investment can be an emotional journey. For some, it's a dream realized; for others, a path to financial improvement and status elevation. However, it's vital to recognize that real estate investing is finally just a financial endeavor.

Let's explore this further with a mindful approach.

Emotional factors that can influence real estate investments include:

- The desire for a sense of security and stability.
- The hope of improved finances or a better economic situation.
- The desire to own a home as a status symbol.
- Family support and expectations.

But **Challenges** of real estate investment include:

- **Opportunity Cost:** Long-term savings for a property can limit potential higher returns from other investment avenues.
- **Liquidity Issues:** Real estate can be difficult to sell quickly, leading to potential discounts.
- **High Transaction Costs:** The high transaction costs associated with buying and selling a property can further impact overall returns.

Can emotional attachment result in a lower return?

Rakesh Jhunjunwala impulsively sold his Crisil shares worth Rs. 27 crores in 2004 to buy a flat. If he had not sold it, they would have been worth Rs 700 crores in 2015. This highlights the potential rewards of investing in equity, but also the risk of selling too early.

Emotions play a role in real estate decisions. Acknowledge them thoughtfully to make astute financial choices that align with your aspirations.

It is important to be aware of the emotional factors that can influence real estate investment decisions. By carefully considering these factors, you can increase your chances of making a wise financial decision that meets your needs and goals. However, it is also important to remember that real estate investment is finally a financial investment, and you should carefully consider the risks and challenges before making a decision.

Avinash Kumar, *Financial Research Executive - Team Hum Fauji Initiatives*



CAN AN ARTIFICIAL INTELLIGENCE (AI) Tool be your Financial Advisor?

In today's fast-paced digital world, artificial intelligence has disrupted traditional industries, and finance is no exception. The rise of AI-driven advisors has opened up new opportunities for investors of all hues.

These AI-powered platforms have gained popularity for their cost-effectiveness, convenience, and data-driven investment strategies. However, while 'Robo-advisors' offer significant advantages, they also come with certain limitations, which include:

No Personalisation - If you want to buy individual stocks, most roboadvisors won't be able to help you. There are sound investment strategies that go beyond an investing algorithm. Investment should be done keeping a holistic view in mind rather than following a set of rules.

Overreliance on past performance by roboadvisors is another problem, as the financial markets keep changing every day and past performance never guarantees future results.

Establishing trust is crucial in any financial advisory relationship. The face-to-face interaction deepens the connection between a financial advisor and the client.

Change in Regulations - Rules are changing every day, and it is difficult for robots to adapt to these changes on a real-time basis.

One of the most important parts is handling **emotional reactions during market turbulence**. Investors may be tempted to react impulsively during periods of market instability, which could harm their long-term financial goals. A human advisor can act as a calming force and help clients make rational decisions.

Finding the Right Balance

The future of finance lies in embracing both AI and human advisors. Investors can harness the efficiency of roboadvisors for day-to-day management and data analysis while benefiting from the invaluable human touch of experienced advisors during times of uncertainty, emotional support, and personalized financial planning.

The human touch plus technology and AI is quite an unbeatable combination!

Vishakha, Financial Planner - Team Arjun



SIMPLIFYING YOUR FINANCIAL CHECKLIST Before Moving Abroad

Are you gearing up for an exciting adventure abroad? As you plan your new journey, don't forget to put your financial matters in order. Here's a simplified checklist designed with your needs in mind, presented in an easy-to-understand manner:

1 Bank Accounts

Streamline Your Finances: Before your move, make sure to convert your existing savings account into a Non-Resident Ordinary (NRO) account. This account allows you to deposit both domestic and international income and handle payments in India. Additionally, consider opening a Non-Resident External (NRE) account for tax-free interest on your international earnings.



2 Review Your Mutual Funds Portfolio

If you're holding onto mutual funds, update your Know Your Customer (KYC) details. Some funds might have restrictions for Non-Resident Indians (NRIs) from certain countries, so examine your options carefully.



3 Secure Your Insurance

Check with your insurance provider if your term life coverage extends to your new international location. Keep policies that align with your needs and consider discontinuing ones that no longer suit your circumstances.



4 Navigate Equity Investments with PIS

If you're keen on investing in Indian stocks as an NRI, you'll need a Portfolio Investment Scheme (PIS) account. This Reserve Bank of India (RBI) initiative enables NRIs to buy and sell shares.



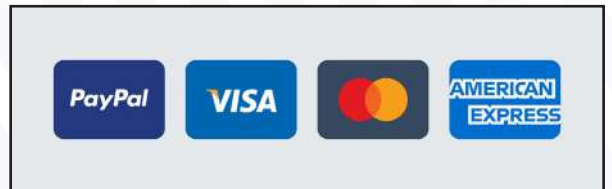
5 Manage Your PF Investment

Depending on your situation, withdrawing funds from your Provident Fund (PF) might be possible. Although fresh contributions to the Public Provident Fund (PPF) might not be an option, your existing balance will continue to accumulate interest.



6 Credit Cards and Loans

Streamline your credit card usage by discontinuing cards with less advantageous forex charges. For online usage in India, link your card to the NRO account.



Remember, this checklist aims to simplify your financial considerations as you embark on your international journey. Keep in mind that everyone's circumstances are unique, so seeking personalized financial advice is a wise step.

Wishing you safe travels and success in your exciting new chapter!



Yogesh Gola, Financial Planner - Team Hum Fauji Initiatives



FOCUS ON THE PERSON BEHIND THE WHEEL, not the vehicle

Financial confusion often stems from choices, not tools. Instead of pointing fingers at financial instruments, let's focus on the individual's decisions for a brighter monetary journey.

- **Buckle Up for Financial Joyriding:** Ever felt the urge to splurge without considering the lasting effects? That's financial joyriding – it leads to debt, money worries, and unmet financial goals. Remember, tools like credit cards aren't the culprits; it's our choices that matter.
 - **The Captain at the Wheel (You!):** Picture your mindset, behaviors, and attitudes as the driver. To overcome financial joyriding, we need a financial makeover. Enhancing financial knowledge, spending habits, and disciplined money management can make all the difference. Here's a road map:
 - **Budgeting - Lay the Foundation:** Crafting a practical budget forms the bedrock of financial stability. It shines a light on your income, expenses, and savings targets, enabling smarter spending decisions.
 - **Saving and Investing - Navigating the Long Haul:** Making a habit of saving and investing early can change the game for long-term financial safety. Regularly setting aside a portion of your income helps build an emergency fund, achieve future aspirations, and ride the wave of compounding interest.
 - **Debt Management - Taming the Debt Dragon:** Handling debt responsibly is crucial. Focus on paying off high-interest debts first and dodge unnecessary borrowing.
 - **Seek Expert Navigation - Charting a Smooth Course:** If financial management feels like uncharted territory, a financial advisor can be your compass. They guide you towards attainable goals and create a comprehensive financial strategy.
- Rather than pinning the blame on external forces, remember that our own actions and perspectives wield great power over our finances. Recall, the tools you use are just vehicles. It's your duty to be the skilled driver, steering your financial journey with wisdom and foresight.
- As Woodrow Wilson aptly said, "The way to stop financial joyriding is to arrest the chauffeur, not the automobile." So, let's take control and set sail toward a prosperous financial future.

Pratibha Pal, *Financial Planner -Team Sukhoi*

UNLOCKING YOUR RETIREMENT CASH FLOW: The Magic of Systematic Withdrawal Plans (SWP)

When it comes to investing in mutual funds, you're probably familiar with SIPs (Systematic Investment Plans). But have you discovered the equally efficient Systematic Withdrawal Plan (SWP)?

For retirees seeking a steady income stream, or additional regular income beyond your pension, SWP is a clever tool to keep in your financial toolkit.

Picture this: You've diligently invested and built a tidy sum over your working years. Now it's time for retirement, and you're wondering how to turn your investments into a regular income source. Enter SWP, your financial ally. This plan allows you to withdraw a fixed amount at regular intervals from your portfolio, tailoring it to match your needs.

The beauty of SWP lies in its flexibility and huge, huge tax-efficiency. You decide the withdrawal amount, how often you want it, and for how long. This provides a comfortable rhythm of income while letting your investments continue to grow, creating a win-win scenario. And you do this while saving more than 70% of the tax you would save in any other avenue.

But here's the twist: If your withdrawal rate surpasses your investment's growth rate, your capital might dwindle over time. Take competent financial advice on this issue if you're not very clear yourself.

The Secret Sauce thus is the: Withdrawal Strategy

Here's a golden rule: Always withdraw less than your assumed return. It's the recipe to maintain your corpus without draining it. And if you wish



to enjoy your retirement by traveling, spending like a king, or having children's marriages or education to complete, your withdrawal rate should keep all these in view.

For those who are not going to get any pension, optimal withdrawal rates hover around 4-5% annually for shorter-duration funds, while for hybrid and equity schemes spanning 10-20 years, 6% is a safe bet. If you're up for some risk and have a longer time horizon, equity-oriented schemes are your go-to.

Now, let's unravel Shankar's story who is not going to get a pension from any source - see if it rhymes with somebody you know:

Meet Shankar, a prudent investor who's nurtured

his portfolio to Rs 50 lakhs. Retirement beckons in September 2023, and he's looking to SWP his way to monthly expenses. With expert advice, he plans an annual withdrawal of 6% based on a portfolio return of 10% and a 30-year horizon.

Result? David effortlessly withdraws Rs. 25,000 each month, summing up to Rs. 90 lakhs over three decades.

And while he's done this, his accumulated corpus still grows to, mind you, Rs 14.15 Crores after three decades!!

So, there you have it - a straightforward route to steady retirement income. Think of SWP as your financial GPS, guiding you towards a secure and fulfilling retirement journey.



Ujjwal Dubey, Associate Financial Planner - Team Prithvi Succession Planning

WHAT HAVE OUR CLIENTS

asked us in the last 7 days?



The equity market has been volatile in recent months, and this has led some investors to wonder whether they should invest in one shot or through STP mode since the markets are 'continuously' rising.

There are pros and cons to both approaches. Investing in one shot means that you are buying units of the mutual fund at the current market price. This could be financially unremunerative if the market goes down, but it can also be rewarding if the market continuously goes up.

STP mode, on the other hand, means that you are investing a fixed amount of money on a regular basis for the long term by effectively making a SIP out of your bulk amount while the amount yet to be invested earns debt fund returns which would be close to a bank FD return. This can help to reduce your risk, as you are buying units of the mutual fund at different prices. However, it can also mean that you miss out on some of the potential gains if the market goes up quickly.

In a volatile market, there is no clear-cut answer as to which approach is better. However, there are a few factors that you may want to consider:

- Your investment horizon: If you are investing for the long term, then you may be more comfortable investing in one shot. This is because you are more likely to see the benefits of the market's upward volatility over time. However, do remember that markets never go up one way – there are continuous ups and downs where your STP would be able to smoothen out the average purchase price, the way a flywheel smoothen the jerky outputs of the engine in a vehicle.

- Your risk tolerance: If you are not comfortable with risk, then you may want to consider investing through STP mode. This will help to reduce your risk, but it will also mean that you may not see as much potential upside if markets go up substantially during your STP period.

We at Hum Fauji prefer to use the STP mode for bulk investing due to:

- Equity markets never go straight up ever. The downturns in the curve always give opportunities for doing small 'bullet transfers' from the debt fund to the target equity fund to take advantage of market opportunities.

- Our data analysis shows that STP almost always does better cost-averaging than timing the markets.

- One can always do a complete transfer by completely shifting the funds if markets seem to be rising up fast.

- Thus, STP gives far better flexibility in investments than committing the complete money at one go.

Ultimately, the best way to invest depends on your individual circumstances and risk tolerance. It could be good to speak to a financial advisor before making any investment decisions.

Associate Manager - Team Prithvi

HUM FAUJI INITIATIVES

Media Features



'Nari Sashaktikaran' Motorcycle Rally

The saga of determination, bravery, and resilience continues to commemorate the sacrifice of Kargil War Heroes even after 24 years of Operation Vijay. We are proud to be associated with this initiative that is #empoweringfaujis and the community at large.



Nari Sashaktikaran Armed Forces Women Motorcycle Rally, co-sponsored by Hum Fauji Initiatives

'Nari Sashaktikaran' Motorcycle Rally team was flagged off from New Delhi by the Chief of the Army Staff (COAS) on 18 Jul 23.

The Rally reached Ambala amidst loud cheers by enthusiastic crowds en route.

In Ambala, the team interacted with NCC cadets, and students of Sainik School Kunjpura and Motilal Nehru School of Sports at Rai who were highly motivated by the interaction with the Rally Team. The riders also interacted with Veterans who were present at the venue.



HUM FAUJI INITIATIVES

Final session in the ongoing...
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YOUR FINAL SHOT AT
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27 AUGUST 2023 09:30AM - 12:30 PM

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WE ARE
FUTURE READY

FUTURE READY ORGANIZATIONS 2023-2024

We are delighted to extend a heartfelt invitation to our final comprehensive webinar, 'Empowering Your Legacy,' where the wisdom from our insightful four-part series, "Will you leave behind a mess after you're gone?", will be distilled into an enriching 3-hour session. This is meant for those who missed out on one or more of our sessions, who could not attend at all, or who did not come to know of those powerful sessions being conducted in the 4-webinar series we did recently in June-July 2023.

During this one comprehensive session, we'll revisit the core subjects covered in our previous four webinars:

1. Introduction to Estate & Succession Planning
2. 'Wills' Demystified
3. Advanced Essential Tools of Estate Planning:
4. Private Family Trust



SNEAK PEAK

into Hum Fauji Initiatives

Igniting Absolute Thrills at #Smaaash! Our Office Expansion Party was an EXPLOSIVE hit, uniting our unstoppable team for an adrenaline-fueled adventure. From conquering finger coasters to amplifying team synergy, we reaffirmed that we're more than a team – we're an unstoppable phenomenon!



A 'FAUJI'

Investor Story

Our client Brig Ujjal Dasgupta, shared a quick review, featured as - in his own words:



1. I wanted to invest some of my money in a Fauji organization. I met Col Govila and saw the setup in Dwarka and felt confident that my money would be handled with due care.
2. I read about your organization in various e-mails. Besides, I stay In Dwarka itself.
3. The experience has been good so far. Due diligence is exercised. Periodic reviews are carried out. Besides this, My advisor Ms Mansi Singhal remains in touch with me on the phone from time to time.
4. I can't use the word 'abundant'. The funds that have been suggested to me appear to be doing well enough. In one case, I was advised that a fund was not doing well and I should change to another fund, which was done.
5. Webinars conducted by Col Govila from time to time are helpful and a learning experience. The only problem was that I was not available on certain days and missed out on those webinars.

Read more...

<https://humfauji.in/wealth-management-for-armed-forces-officers-case-studies/>



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