Wealth Insignia

MONTHLY FINANCIAL NEWSLETTER ‘BY THE FAUJIS. FOR THE FAUJIS.’

- Financial Micro Bytes
- Top Clients Queries of the Month
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HUM FAUJI
OUR VALUES. YOUR TRUST.

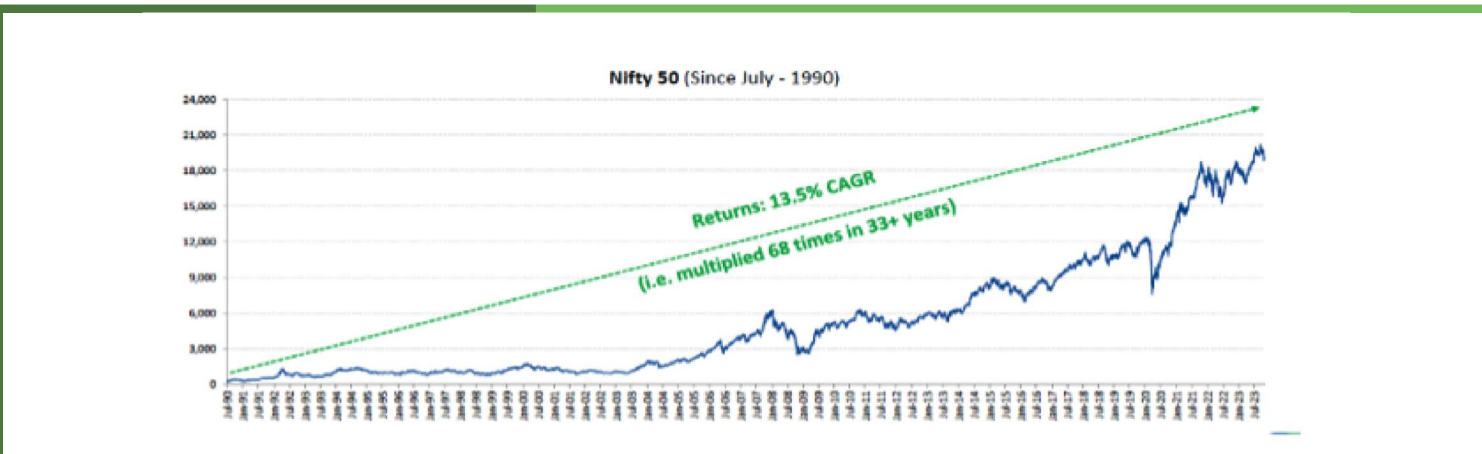
By the Faujis. For the Faujis.

FINANCIAL MICRO BYTES FROM TEAM HUM FAUJI INITIATIVES

INVESTING:
A RISING TIDE THAT LIFTS ALL BOATS

Diversifying your investment portfolio is a timeless strategy, and its importance only amplifies during periods of market exuberance. In a booming market, certain sectors may be disproportionately driving gains, creating vulnerability if those sectors experience a downturn. By spreading your investments across different asset classes, sectors, and geographies, you can mitigate the impact of a potential market correction.

The stock market, while often seen as unpredictable and volatile, has consistently proven its ability to deliver significant returns for investors who adopt a long-term perspective. Nifty 50, the benchmark index of the National Stock Exchange (NSE), has delivered impressive returns over the past few decades. Since 1990, the Nifty has generated an average annual return of 13.5%, outperforming most other asset classes in India. If you had remained invested during this period, your investments would have multiplied a whopping 68 times in 33 years.



Many investors make the mistake of setting unrealistic expectations for their investments and feel they've failed if their investments don't outperform all others. This is especially true when they compare their returns to the top performers in the market. However, it's important to remember that no investment outperforms consistently, and chasing the latest hot investment is likely to lead to buying high and selling low.

Instead of comparing your investment returns to others, it's more important to compare them to your own financial goals. This will give you a better sense of whether your investments are on track to help you reach your long-term objectives."As an investor, for you to win, no one else must lose. If you meet your financial goals, you win, along with everyone else who has met them"

Abhilash Rana, Financial Planner - Team HNI Hum Fauji Initiatives

DITCHING THE PIGGY BANK: ELEVATE YOUR SAVINGS TO MILLIONAIRE STATUS

In a world where building wealth is the name of the game, relying on the old piggy bank trick won't cut it for those dreaming of financial freedom. Saving is a must, but if you're eyeing that millionaire status, it's time to kick things up a notch. Brace yourself for a journey towards financial triumph with these savvy steps:

Dream Big with SMART Goals

Just like every road trip needs a destination, your financial journey demands SMART goals – Specific, Measurable, Achievable, Relevant, and Time-bound. Picture your dream wealth, set a timeline, and let the adventure begin.

Budget Like a Pro, Spend Like a Spy

Unleash your inner financial detective by crafting a budget that's as detailed as a spy mission. Track your spending, identify those sneaky expenses, and ensure every dime is working towards your financial ambitions.

Savings on Autopilot

Turn saving into a habit as smooth as a Sunday drive. Automate transfers from your checking to your savings – it's like putting your money on cruise control, making sure it stays on the savings highway.

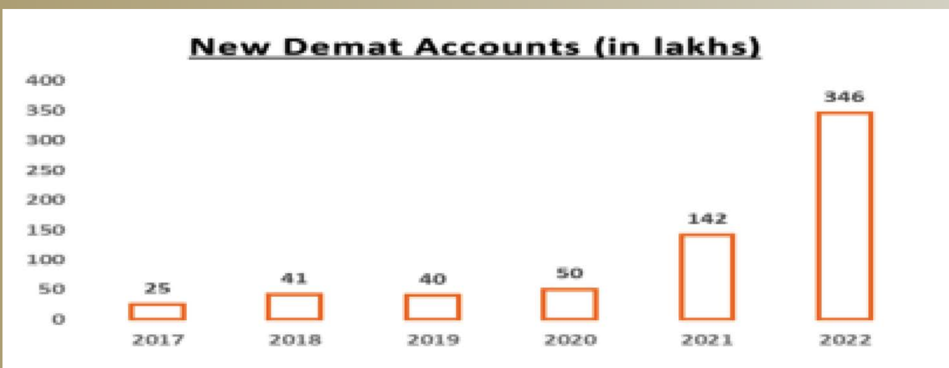
Hunt for Treasure in High-Yield Seas

Traditional savings accounts are like a buried treasure with a tiny 'X' on the map. Seek high-yield investment options like Mutual funds, bonds, and gold that suit your risk appetite and goal, the undiscovered riches that boost your savings faster than a pirate ship catches wind.

Level Up Your Earnings Game

While saving is the sidekick, elevating your earning potential is the superhero move. Sharpen your skills, climb the career ladder, or unlock hidden income streams – it's time to be the Batman of your financial saga.

The data sheds light on how others have started participating in the investment landscape:



Remember, the road to a million isn't a sprint; it's a thrilling marathon. Buckle up, embrace the adventure, and watch as your savings evolve into a kingdom of wealth, securing a happily-ever-after financial future.

Gautam Arora, Financial Planner - Team Sukhoi, Hum Fauji Initiatives

INVESTING WITHOUT A PLAN: THE RECIPE FOR DISASTER

Setting off on a military mission without a carefully crafted plan is like sending soldiers into battle without a weapon, compass, and map – a recipe for military disaster. Just as an army without a plan is at the mercy of the enemy's strategies, an investor without a plan is susceptible to the whims of the markets, emotional biases, and missed chances for financial success.

Why Planning is Paramount?

A sound investment plan serves as a roadmap, guiding your financial decisions towards achieving your long-term goals. Investing without a plan often leads to a series of pitfalls:

- **Reactive Investing:** Without a clear plan, investors become susceptible to emotional reactions to market movements, buying or selling impulsively based on fear or greed.
- **Goal Inconsistency:** Without defined goals, investors may chase short-term gains, deviating from their long-term objectives and potentially jeopardizing their financial future.
- **Under-Diversification:** Without a plan, investors may over-allocate their funds to a single asset class or sector, increasing their exposure to risk.

The Path to Investment Success

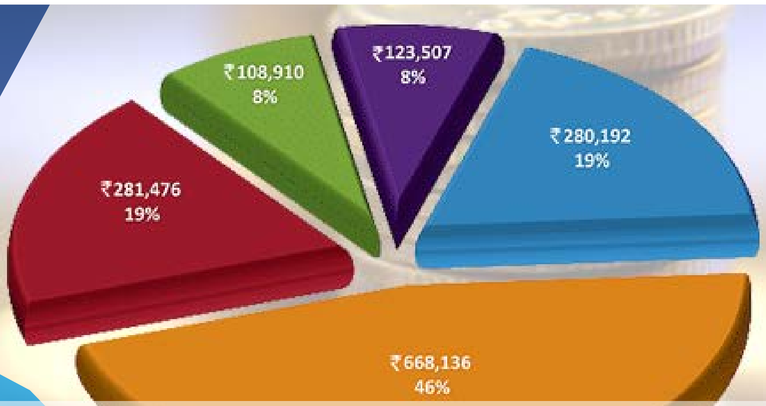
To navigate the investment landscape successfully, a well-crafted plan is essential:

- **Establish Clear Goals:** Define your financial objectives, whether it's saving for retirement, funding a child's education, or accumulating wealth.
- **Assess Your Risk Tolerance:** Determine your comfort level with risk, as this will influence your investment choices.
- **Choose Suitable Investments:** Select investments that align with your risk tolerance and investment horizon.
- **Seek Professional Guidance:** Consult with a financial advisor for personalized advice tailored to your unique circumstances.

An army's battle plan is not a rigid set of orders but rather a dynamic strategy that adapts to the ever-changing battlefield conditions. Just as an army regularly revises its tactics based on new intelligence and unforeseen challenges, an investor should periodically review and update their investment plan to ensure it aligns with their evolving financial goals and adapts to the shifting market landscape.

Ankit Singh, Associate Financial Planner - Team Sukhoi, Hum Fauji Initiatives

PIZZA BUDGETING: A TASTY REPRESENTATION OF FINANCIAL PLANNING



Pizza is that universal symbol of comfort and joy that brings smiles to faces and unites people around a common goal: deliciousness. But did you know that this beloved food can also serve as a powerful tool for understanding and managing your finances? Let's explore.

Picture this:

You're at your local pizza shop, looking at your mouth-watering pizza. Now, imagine that each pizza topping represents a different financial category:

- **Crust:** This represents your income, the steady stream of money that comes in each month. The foundation on which your financial stability rests.
- **Sauce:** It gives pizza a unique flavor and personality, just like your discretionary spending on entertainment and hobbies.
- **Cheese:** a key component of pizza, adds richness. It represents your savings, the money you set aside for the future. Just like how cheese can melt and disappear if not handled carefully, your savings can also shrink away if not managed properly.
- **Toppings:** These are your financial investments, each with a risk and reward profile.

So, how do you build your perfect financial pizza?

Start with a solid crust. A strong crust ensures you have the resources to meet basic needs like housing, food, and utilities. Before you indulge in fancy toppings, ensure your basic needs are covered.

Don't be afraid of the sauce. Life is about more than just bills and savings. Allocate some funds for activities you enjoy, whether it's going on a trip with friends or pursuing your passions. Just like the right amount of sauce enhances the pizza, a correct allocation for discretionary spending adds charm to your life.

Cheese it up! Prioritize saving for your future. Cheese is your financial security blanket, providing comfort and peace of mind.

Choose your toppings wisely. Carefully consider your risk tolerance before investing. Each topping adds its unique element, reflecting the diversity and richness of your financial aspirations. Choose investments that align with your financial goals and risk appetite.

Balance is the key. Don't overload your pizza with toppings, or you'll end up in a financial mess. Maintain a healthy balance between saving, spending, and investing.

Enjoy the process! Financial planning shouldn't be stressful. Make it fun and engaging, just like having a delicious pizza with your loved ones.

Bonus tip: Don't forget the dessert! Just like you might have your favorite ice cream after a pizza, it's okay to occasionally reward yourself for achieving your financial milestones.

Let's make financial planning fun and start building your delicious financial future.

Pratibha Pal, Financial Planner - Team Sukhoi, Hum Fauji Initiatives

STRIKING A BALANCE : WHEN AND HOW MUCH FINANCIAL INFORMATION TO SHARE WITH YOUR KIDS?

Money matters often remain wrapped in secrecy within families, with parents either hesitant to involve theirchildren in financial discussions or consider it unnecessary. However, it is well-documented that open communication about finances is crucial for raising financially responsible and well-informed individuals.

Benefits of Open Financial Discussions

Understanding the Value of Money:
Children exposed to financial conversations develop a stronger sense of the value of money, appreciating the effort required to earn it and the need to spend wisely.

Developing Financial Literacy:
Early exposure to financial concepts lays the foundation for financial literacy, enabling children to make informed financial decisions later in life.

Fostering Trust and Transparency:
Open financial communication builds trust and transparency within the family, creating a supportive environment for children to seek guidance on financial matters.

Age-Appropriate Financial Conversations

While sharing every detail may not be necessary, engaging children in age-appropriate financial conversations can be immensely beneficial.

Young Children (Under 10)

- Make money learning interesting, play money games with your child to help them learn about money management.
- Keep discussions simple and focus on everyday concepts like saving and spending.

Teenage Years

- Encourage children to ask questions, seek guidance, and make informed decisions as they enter the world of finances.
- Teach your child how to budget by helping them create a budget for their pocket money.

Adulthood

- Children entering college should be made well aware of financial well-being, methods on how money can be saved and invested, loans, and liabilities.
- Discuss the difference between wants and needs with your child to help them make better spending decisions.

Remember, financial literacy is an ongoing process. By having open and consistent financial conversations with their children throughout their childhood, parents can help them make sound financial decisions and achieve long-term financial success.

Yogesh Gola, Relationship Manager - Advisory Desk

YOU MAY NOT BE EARNING AS MUCH YOUR FUND IS...

If I say, a fund in which you have invested, delivered higher returns, but you have earned less. It might sound awkward or humorous to you but it is fact.

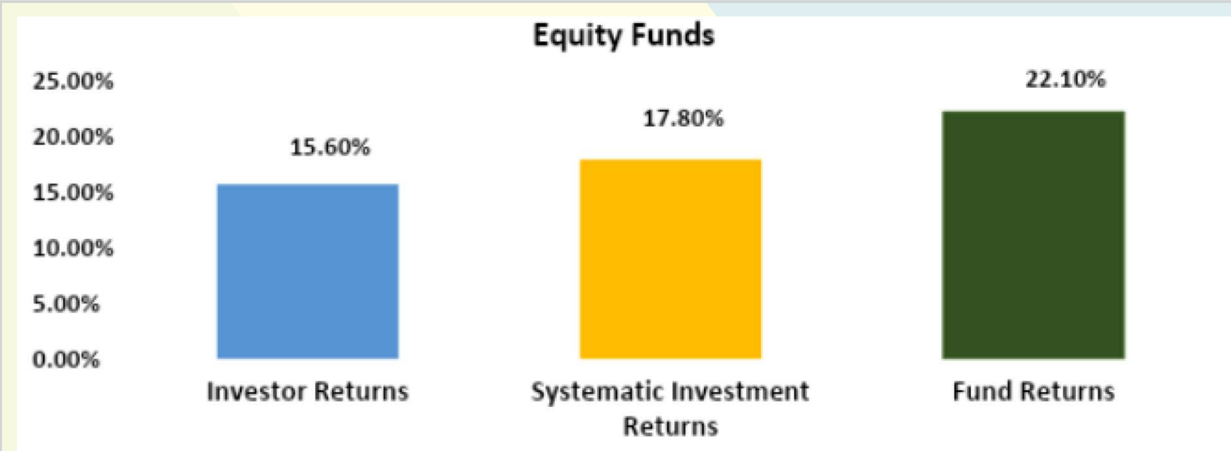
You have earned less returns than what your fund has delivered and it is because of a behavioral **gap**.

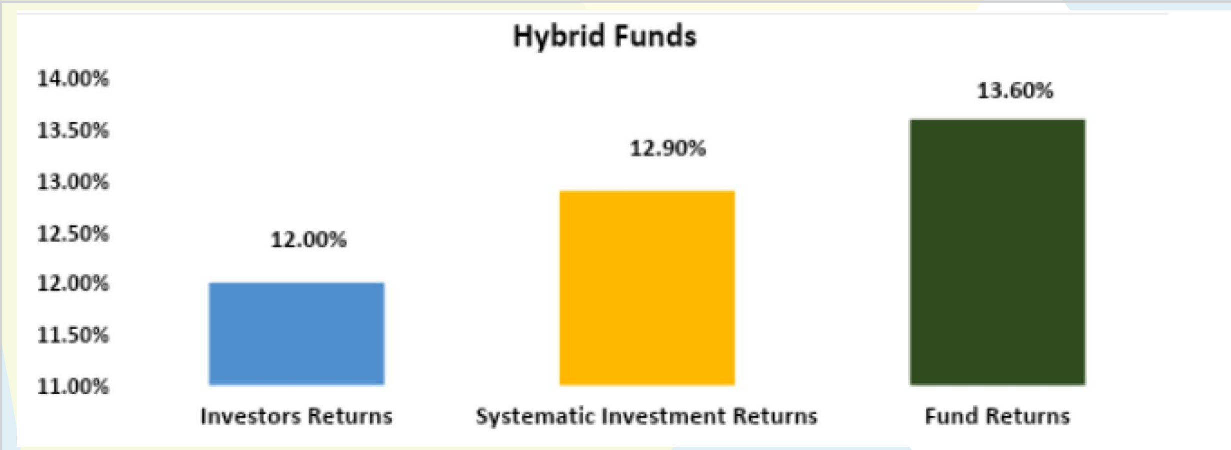
The gap could be caused by various reasons, or a confluence of them: Trying to time the market, buying (or selling) on the basis of recent performance, chasing after a fad, or just deciding to leave the market when it's temporarily down. All these decisions can be destructive to your portfolio.

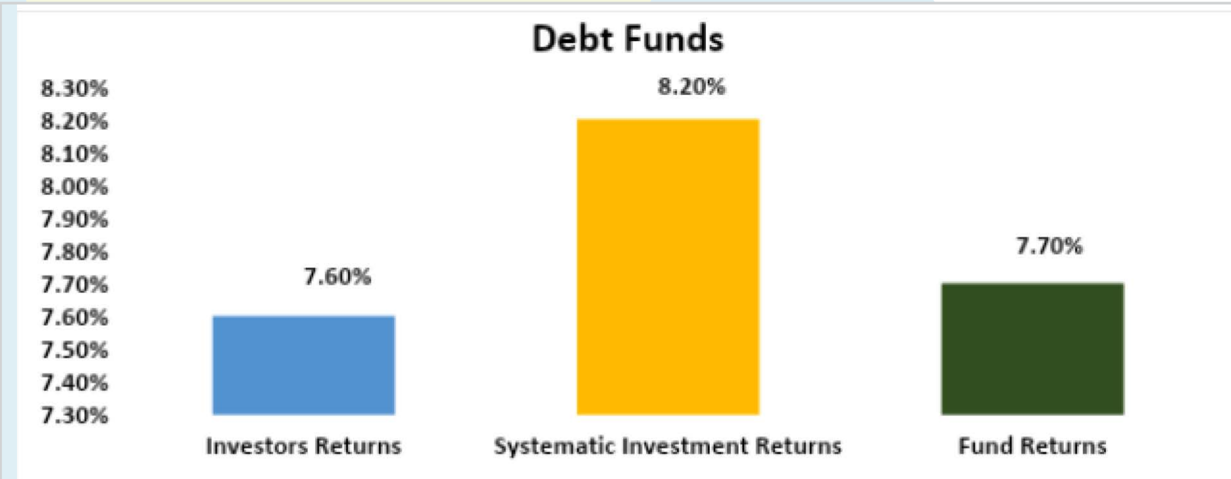
Funds returns have beaten the investor's returns irrespective of investment horizon. Especially when investors chase short-term market movements, it can lead to their returns underperforming the equity funds. The disparity can be as high as 6.5%.

The other reason is, the investment horizon of the people has reduced. As per AMFI data (June,2023), only 51.4% of investors stay invested in the markets for more than 2 years. Others exit within 2 years and it created a difference in investor returns and investment returns.

The chart below summarizes the findings over the long term (2003 to 2015 for Equity and Hybrid funds, 2009 to 2015 for debt funds.







Moral of the Story:

Timing the market is futile and frequent redemptions hurt an investor's returns.

Ujjwal Dubey, Associate Financial Planner - Team Prithvi

WHAT DID OUR CLIENTS ASK US LAST MONTH?

Question:

My retirement is due in a few months, please guide whether I should opt for a commutation or not.

Our Reply:

The crucial financial decision of whether to commute your pension or not can significantly impact your post-retirement life, so it's essential to weigh the pros and cons carefully.

Commutation of pension is an option offered to retired personnel to receive a substantial lump sum payment in exchange for a portion of their monthly pension being reduced for the next 15 years. This lump sum can be used for various purposes or to fulfill long-held dreams like traveling.

The decision to commute your pension is a personal one, influenced by your circumstances, financial goals, and risk tolerance.

1. Financial Needs: Assess your immediate and long-term financial needs, including expenses, debt obligations, and future aspirations. If you have big expenses coming up shortly and nothing big later, commutation could be a viable option.
2. Investment Expertise: Evaluate your risk appetite. If you're not comfortable managing a large sum and not going ahead with a financial advisor, commuting may not be the best option.
3. Retirement Expectations: Consider your desired retirement lifestyle and whether the reduced pension income will be sufficient to meet your monthly income needs.
4. Family Situation: If you have dependents, ensure that the reduced pension can adequately support their needs and education.

Consult with a financial advisor to gain personalized advice tailored to your specific situation. The above is a very brief treatment of this subject. If you have a dilemma or wish to get personalized advice, do write or speak to us for free advice.

Remember, there is no one-size-fits-all answer to the question of commuting pension. Carefully weigh the pros-cons, seek expert advice, and make a decision that aligns with your financial situation, risk tolerance, and retirement aspirations.

Team Prithvi – Hum Fauji Initiatives

Question:

How can my son manage his mutual fund investments in India while working abroad as an NRI for the next five to seven years?

Our Reply:

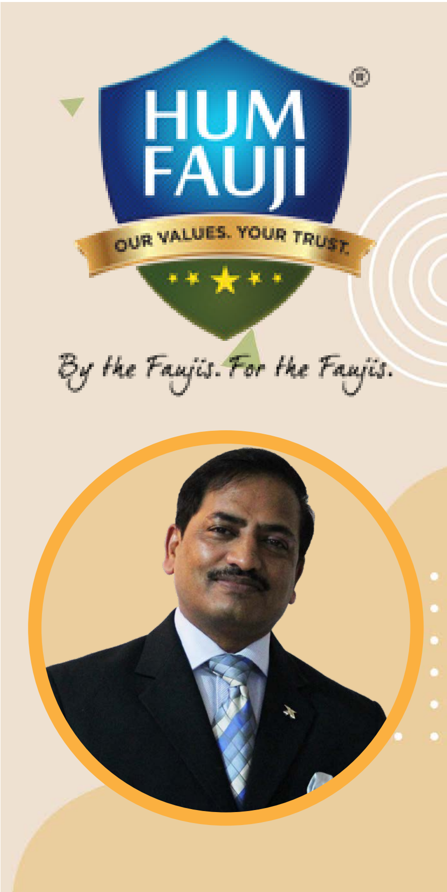
It is a common misconception that Non-resident Indians (NRIs) are not allowed to invest in India. The reality is that they can easily invest just by following guidelines set by the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) under the Foreign Exchange Management Act (FEMA). Here are some important things to be aware of about your Indian investments and your finances in general when you become an NRI:-

1. Update your Residency Status in KYC Records.
2. Convert your Bank Account to NRE or NRO, as per your fund inflows and outflows.
3. Don't forget additional Compliances such as the FATCA declaration form for US or Canadian residents.
4. Tax implications on NRIs' fund investments in India be well known to the investor.
5. India has a Double Taxation Avoidance Agreement (DTAA) with over 90 countries. You need to be clear of the tax implications of your Indian investment in both India and your country of residence.

Please note, that actively managing NRI investments requires planning, strategic choosing of accounts and investments, and regular monitoring. Consider seeking professional guidance for portfolio management and to ensure your son's financial goals are met even while abroad.

Team Vikrant – Hum Fauji Initiatives

HUM FAUJI INITIATIVES
MEDIA FEATURES



In today's economy, prices are going up fast due to inflation, especially for things we use every day. Have you noticed how quickly the cost of regular items has been rising? This constant increase is making it hard for us to save money. We're having to spend more quickly from our pockets, whether it's for essential things, non-essentials, or just having some fun.

Recognizing these challenges, our CEO, Colonel Sanjeev Govila (Retd.), has shared practical advice in a recent article on moneycontrol. In the article, he gives simple tips for everyday life that can help you save money despite the rising prices. Check out all these useful tips by reading the complete article here:

https://www.moneycontrol.com/news/business/personal-finance/indias-household-savings-hit-50-year-low-easy-tips-to-boost-your-savings-11866361.html

SNEAK PEAK
INTO HUM FAUJI INITIATIVES

Fueling Growth through Knowledge Insights from a Recent HFI Learning Session

In the heart of our HFI family, the spirit of continuous learning thrives through dedicated Internal Activity sessions. These knowledge-sharing gatherings serve as the cornerstone of our commitment to staying updated, informed, and ready to extend unparalleled support to our customers. Through these sessions, we engage in a dynamic exchange of insights, expertise, and updates relevant to our industry and the specific needs of our customers. The emphasis on knowledge reflects our collective dedication to excellence and the pursuit of innovation.

Here's a glimpse into the latest insights shared during our recent knowledge session.

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