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Hum Fauji Initiatives

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WEALTH INSIGNIA

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

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FINANCIAL MICRO BYTES FROM TEAM HUM FAUJI INITIATIVES

MASTERING YOUR MONEY:

What's your Ideal Savings Rate?

In the journey toward financial wellness, understanding and mastering your saving rate is a crucial step. Your saving rate is the percentage of your income that you save instead of spend. Navigating this aspect of personal finance is essential for building a secure future and achieving your financial goals.

WHY IS THE SAVING RATE IMPORTANT?

Your saving rate determines how much money you can allocate toward savings and investments. A higher saving rate means more funds for emergencies, future expenses, and retirement – in short, a more comfortable life.

Understanding Your Goals: First things first – let's define your financial goals. Whether it's building an emergency fund, buying a home, or planning for your children or your retirement, having clear goals helps shape your saving strategy. Clear goals are like the treasure map guiding your saving strategy.

Finding the Ideal Saving Rate: The ideal saving rate will vary based on individual goals and circumstances but for most of the people, at least 30% of gross income should be saved and invested in general.

Lets understand it better through Retirement saving example.
A universal goal that everyone shares is planning for retirement if you are not going to get sufficient pension otherwise. One should aim for at least 25x (ie, 25 times) the current annual expenses for a comfortable retirement

Starting Age (yrs)	Savings Rate					
	15%	20%	25%	30%	40%	50%
25	24x	34x	46x	59x	91x	137x
30	17x	24x	32x	41x	63x	95x
35	11x	16x	21x	28x	43x	64x
40	7x	11x	14x	18x	28x	42x
45	5x	7x	9x	11x	17x	26x
50	3x	4x	5x	6x	10x	15x

(Green cell indicates Adequate corpus, Yellow cell – Manageable corpus, Orange cell – Insufficient corpus. Also, 5% annual growth in salary and 12% per annum equity returns are assumed)

Let us dwell on it just a bit more.
Assuming you earned Rs 50,000 per month at the age of 25, a salary increment of 5% each year and the return on investments is 12% p.a., at the time of retirement, you would require about 25 times your current annual expenses, that is, Rs 5.52 cr.

Saving Rate	Starting Age	Corpus Deficit/Surplus
30%	45	-Rs 3.06 cr
30%	40	-Rs 1.54 cr
30%	35	+ Rs 55 Lakh

So you see, while a 30% saving rate is good if you start early, but not so if you start late. You will have to compensate by saving more.

So, gear up! Embrace your saving rate, set your goals, and let the magic of compounding be your trusty sidekick on this exciting journey to financial triumph!

MF Alam, Sr. Financial Research Analyst
- Team Hum Fauji Initiatives

NAVIGATING MARKET TURBULENCE:

DECODING THE DANCE BETWEEN CORRECTIONS AND CRASHES

Investing is a rollercoaster with unexpected twists and turns all the time. Most of retail investors, driven by the unending fear-and-greed cycle, are almost always on the edge of their seats when taking market exposure, mistaking even small corrections as the start of a market crash.

Distinguishing between a correction and a crash is crucial: a correction is a temporary 10% dip, acting as a pit stop, while a crash is a sudden 30% or more drop, possibly leading to a prolonged bear market and widespread panic.

Let's explore Major Stock Market Crashes:

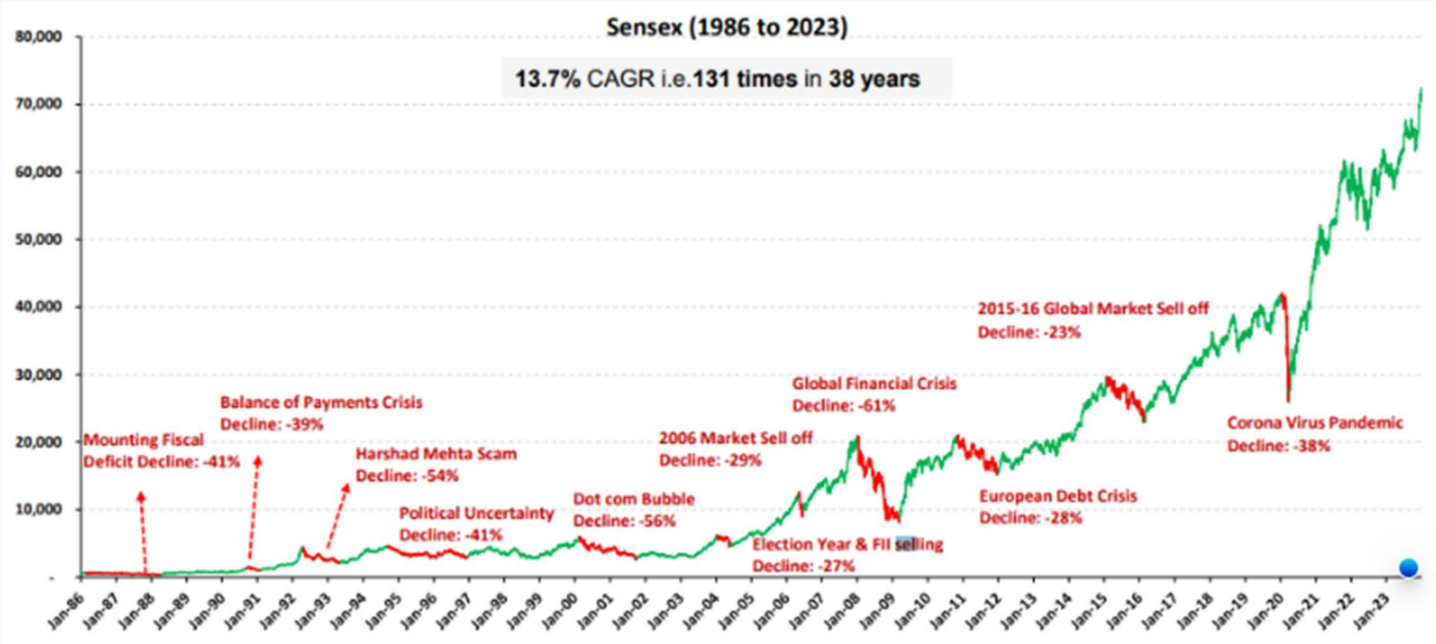
Black Monday (1987) Dow Jones plunged 22.6% in a single day. This was caused by computerized trading and loss of investor confidence.

Dot-com Bubble Burst (2000) Surge in internet-based companies led to a speculative bubble resulting in collapsed companies and trillions in market losses across the world.

Global Financial Crisis (2008) Collapse of the U.S. subprime mortgage market. This led to a severe credit freeze, global economic downturn, and stock market declines worldwide.

COVID-19 Pandemic Crash (2020) Unprecedented market crash due to the pandemic. Extreme volatility, stabilized by government interventions.

Just to add in here, despite global market crashes leaving a lasting impact, Indian equities have consistently risen over long time, mirroring sustained earnings growth.



Predicting a crash's exact timing is tough, but indicators and red flags provide valuable insights into the market's health.

Market Volatility: Increased price swings and erratic movements indicate potential trouble.
Overvalued Stocks: Rapid stock price rise without justified earnings suggests market exuberance.
Inverted Yield Curve and Interest Rates: Historical precursor to economic downturns, leading to decreased investor confidence.

Sentiment indicators like **VIX or Fear & Greed Index** gauge market sentiment.

To wrap it up: Remain prepared for stock market downturns by diversifying investments, practicing rupee-cost averaging (eg SIP in mutual funds), avoiding panic selling, and seeking professional guidance from qualified advisors for personalized strategies.

Treat the above list as your compass, not a crystal ball. While unexpected events may shake the market, understanding fundamentals empowers informed investment decisions. Whether the market dips or dances, the answer depends on a complex economic tango. Stay informed and don't let the market's rollercoaster ride scare you away. 🎢 💸

Vishakha, Relationship Manager

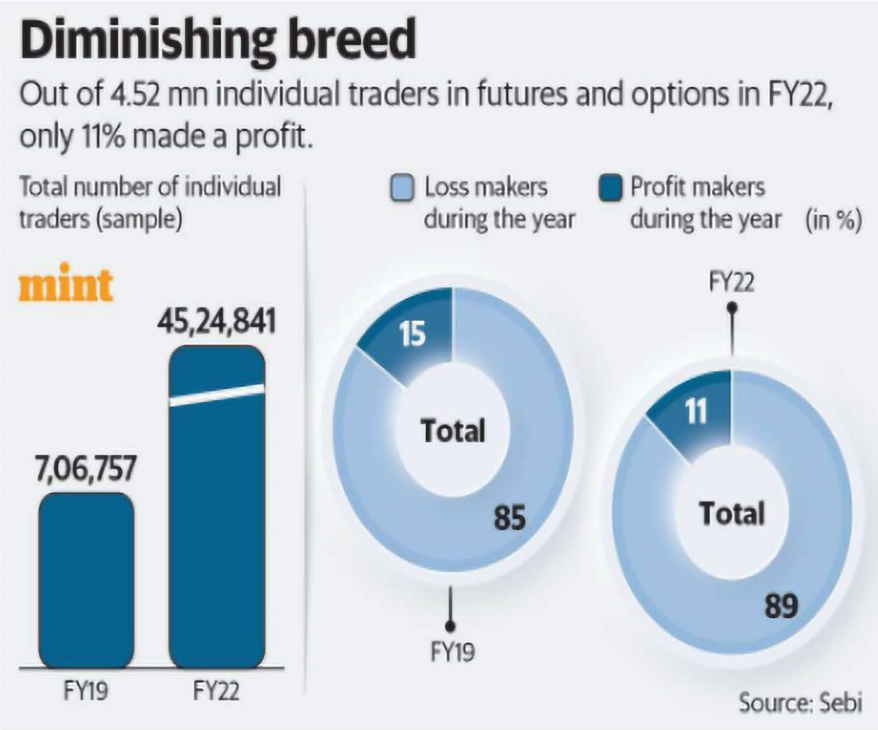
- Team Arjun, Hum Fauji Initiatives

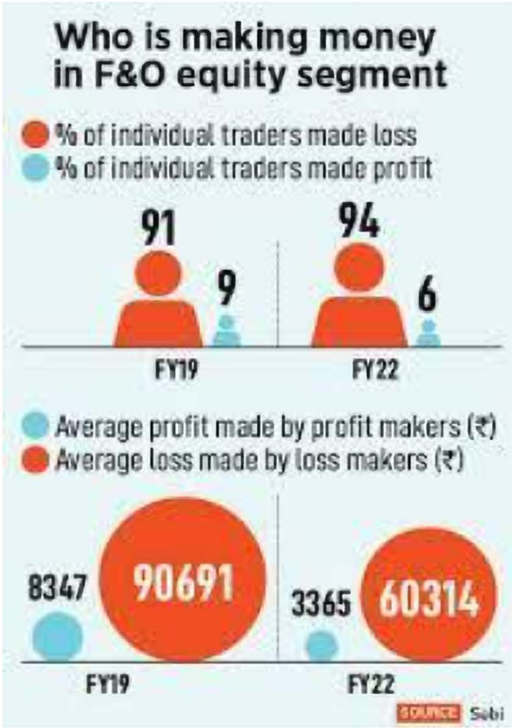
F&O SPECULATION – IS IT A GOOD THING FOR YOU?

In the fast-paced world of finance, more people are jumping into the stock market, hoping for quick gains. However, many find themselves depleting their capital severely due to indulging in Future and Options (F&O) trading. Let's see if they are good for you.

F&O are key segments in the stock market, deriving value from underlying securities. Originally designed for hedging and exploiting arbitrage, a large number of investors use them for speculation now. The challenge arises when newcomers dive into F&O trading without fully understanding the risks, often influenced by recommendations from financial influencers lacking Securities and Exchange Board of India (SEBI) licenses.

To address this, SEBI has imposed regulations, limiting recommendations on underlying securities to registered advisors and research analysts. Several influencers have faced SEBI bans and penalties.





As per SEBI, 89% (i.e., 9 out of 10) individual traders in the equity F&O segment incurred losses, with an average loss of Rs. 1.1 lakh during FY21-22. Meanwhile, 90% of active (so-called knowledgeable) traders incurred average losses of Rs. 1.25 lakh during the same period.

To safeguard your money, consulting financial advisors before investing is crucial. Resist the sway of influencers, considering the substantial risks associated with F&O trading. Remember, “Paris was not built in a single day.”

SEBI’s statistics stress the need for caution in F&O trading. For safer investment options, consider mutual funds, bonds, corporate fixed deposits, real estate, etc.

The journey from Paris to ashes in the F&O market highlights the importance of informed decision-making. As an investor, consult your financial advisor to navigate market complexities, ensuring smart and secure investing in this dynamic landscape.

Avinash Kumar, Financial Research Executive
-Team Hum Fauji Initiatives

DITCH THE RESOLUTIONS, SPARK A FINANCIAL REVOLUTION IN 2024!

Forget those traditional resolutions that fizzle out faster than that last samosa! 2024 is the year to ditch the tired resolutions and ignite a true financial revolution! This year, let's break free from the cycle and make lasting changes that transform our financial landscapes. Here's the masala:

Why is the Saving Rate Important?

1. **Budget Like a Bollywood Badshah:** Financial resolution 2024 can't start without budgeting. Create a realistic budget that outlines your income, expenses, and savings. You can follow the 50:30:20 rule of budgeting where 50% of your income goes into needs, 30% into wants, and 20% into savings.

2. **Emergency Fund:** Life throws curveballs like Kapil Dev at the crease. Build a financial fort so strong it defends every life's bouncer or yorker. Aim for six months' worth of expenses as the emergency fund to stay in the game.

3. Debt: It's your Rakshasa, slay it like Rama! High-interest debt is the Ravana to your financial Ram Rajya. Prioritize slaying those credit card monsters and loan demons. Use debt consolidation like Hanuman's Gada, and avalanche or snowball methods to send those debts flying back to Lanka.

4. Invest: Build your Dream Mandir of Wealth! Invest regularly with a long-term investment horizon and witness the compound interest magic with time!

5. Portfolio Checkup: Take a deep dive into your portfolio. Analyse asset allocation, diversification, and individual securities. Is your mix still aligned with your risk tolerance and long-term goals? Consider adjustments if needed.

6. Rethink Risk Assessment: Your risk tolerance might have evolved with time and age. Re-assess your comfort level with volatility and adjust your portfolio accordingly.

7. Financial Advisor: Let your Finances be on a Professional-Driving Rath! Consult a financial advisor, sit back, relax, and watch your wealth flourish, knowing everything's in expert hands.

Remember, this isn't just about resolutions, it's about a big-time financial revolution!
So, ditch the dull and shine like gold in 2024! ✨

Yogesh Gola, Relationship Manager
-Advisory Desk, Hum Fauji Initiatives

BEATING THE MARKET ROLLERCOASTER WITH LONGER INVESTMENT HORIZON

In the financial world, everyone's talking about the market hitting all-time highs and experts predicting its future. But here's the catch – predicting short-term market movements is like trying to predict the weather. We can't tell if it will rain tomorrow, and similarly, nobody can accurately predict where the market will go in the short run.

However, there's good news for those who are not financial experts – in the long term, usually spanning 5-7 years, the market will almost always be higher than it is today.

Let's break down why having a long-term perspective is crucial, especially when the market is soaring.

Let's Break Down the Numbers:
To understand the benefits of a long-term approach, we analyzed data from Nifty50, covering the period from 30th June, 1999, to 1st September, 2023. Our analysis involved looking at the average performance of the market over various investment horizons over the past 24 years.

Investment Horizon	Percentage of total happenings						
	Negative Returns	Positive Returns					Average CAGR
	<0%	> 0%	0-5%	5-10%	10-15%	>15%	
10 Years	0.00%	100%	0%	18%	40%	43%	14.20%
7 years	0.00%	100%	0%	18%	46%	36%	14.93%
5 years	0.08%	99.92%	6%	22%	36%	36%	15.33%
3 years	6.98%	93.02%	9%	19%	24%	41%	15.27%
2 years	18.46%	81.54%	10%	13%	12%	47%	15.19%
1 year	24.56%	75.44%	9%	10%	12%	44%	16.22%

Source:- National Stock Exchange

Take aways:-
The key is time. The longer you stay invested, the better your chances of making money. Short-term ups and downs are normal, but history shows that over the long haul, the market tends to reward patient investors. So, if someone tells you they can predict the market's future, take it with a grain of salt. It's the long-term view that really matters.

There is a saying, "market can remain irrational longer than you can remain solvent".

Ujjwal Dubey, Financial Planner
- Team Prithvi, Hum Fauji Initiatives

DEMYSTIFYING ECONOMIC INDICATORS:
HOW DATA SHAPES FINANCIAL STRATEGIES

Ever wondered about the mysteries behind economic indicators? Let's explore how these indicators shape our financial world and, more importantly, how they impact your investment strategies

Unlocking Employment Insights:

Decoding employment rates unveils industry stability insights, guiding savvy investments. High rates signal a thriving economy—ideal for tech, consumer goods, and real estate investments. In downturns, find stability in sectors like utilities and healthcare. Ride the waves wisely!

Economic Growth as Your Investment Ally:

Gross Domestic Product (GDP) growth rates are like a buddy for your investments. Understanding these rates helps you pick areas that are growing. It's like matching your investments with how the economy is doing.

Navigating the Cost Landscape:

The Consumer Price Index (CPI) may sound complex, but it's your tool for navigating the cost terrain. It tells us how inflation affects the prices of goods and services. Why does this matter? It ensures your investments are shielded against the erosive effects of rising prices.

Smart Borrowing, Wise Investing:

Interest rates are the quiet heroes of money decisions. Managing how much it costs to borrow money isn't just about loans; it's about making your investment plan work well.
Lower rates can mean more profit for you, shaping your money journey in a smart way.

In essence, economic indicators are the keys to unlocking a savvy investment journey.

Cheers to your investment success! 🚀

Neeraj Kumar, Associate Financial Planner
- Team Arjun, Hum Fauji Initiatives

TOP CLIENTS QUERIES OF THE MONTH

What Did Our Clients Ask Us Last Month?

Question – I have five funds in my portfolio. Is that enough, or should I consider adding more for a better financial balance?

Our Answer – While keeping all your eggs in one basket (one fund!) is never a good idea, how many baskets (funds!) should you have, is the question.
So, are five funds a good-enough diversification? Maybe, maybe not. It depends on what's in your baskets (the types of funds) and how bumpy a ride are you planning for yourself (your risk tolerance).

Think of it like this:

- **Risky eggs:** High-flying funds, like the ones with only IT stocks, are like those fragile, exotic mangoes in your basket. Delicious, but one bad storm and they're mush. Only put a few in if you're comfortable with the occasional splash, but frankly, you should be without them.
- **Steady apples:** Stable funds like flexicap and large cap bonds are your trusted lieutenants. They won't win any fancy contests, but they'll hold up through most weather. Fill your basket with these for a smooth ride.
- **A mix of fruits:** A well-balanced portfolio has a mix of risky and steady funds, like a fruit salad with a few exciting kiwis alongside dependable bananas. This way, even if some fruits get bruised, you still have a tasty, nutritious mix.

How many baskets? We say 5-8 funds is a balanced basket, but it's not a one-size-fits-all recipe. Consider your goals – saving for retirement or your next vacation? – and your risk tolerance – are you okay with a rollercoaster or prefer a gentle cruise?

Feeling overwhelmed? Don't worry, you don't have to juggle all these baskets alone. A trusted financial advisor like us can be your chef, helping you choose the right fruits and mix them up into a delicious, balanced portfolio that's just right for you. So, let's make your financial picnic a feast to remember! 🍇🍎🥝

HNI & Advisory Desks

- Team Dhruv, Hum Fauji Initiatives

What Did Our Clients Ask Us Last Month?

Question: How do I transfer my shares to another individual and how is it taxed?

Our Answer: Firstly, you can transfer your stocks investments to your spouse or anyone else in two ways. Either you can transfer shares through a Will/inheritance, or you can gift it to them.

Transferring investments, like shares, to a spouse involves a straightforward online process. However, the tax implications are nuanced and hinge on three factors.

Mode of Transfer:

- Will/Inheritance: No tax liability, regardless of the recipient.
- Gift to Non-Relative: Taxable if value exceeds Rs 50,000 annually.
- Gift to Relative: No tax liability, with a detailed definition of 'relative' as per the relevant Succession law applicable to your religion.

Holding Period:

- Different tax rates apply to long-term and short-term investments.
- If transferring to a relative, tax is incurred upon their eventual sale.
- The combined holding period determines whether gains are classified as long or short-term.

Example: Stocks bought on Jan 1, 2023 and gifted on Sep 1, 2023. If sold before Jan 1, 2024 (less than 12 months), 15% short-term capital gains tax. After Jan 1, 2024, taxed at 10% if gains exceed Rs 1 lakh.

Clubbing of Income:
Income from transferred assets is taxable for the transferor in specific cases, including:

- Transfer to a spouse without adequate consideration (except specific situations).
- Transfer to son's wife without adequate consideration.
- Transfer to someone else for the immediate or deferred benefit of a spouse or son's wife.

In summary, gifting shares requires careful consideration of taxation nuances. The mode of transfer, holding period, and potential clubbing of income are vital factors to navigate when transferring investments to loved ones.

For detailed guidance tailored to your specific situation, it is advisable to consult with a professional financial advisor.

- Team Vikrant, Hum Fauji Initiatives

SNEAK PEAK INTO HUM FAUJI INITIATIVES

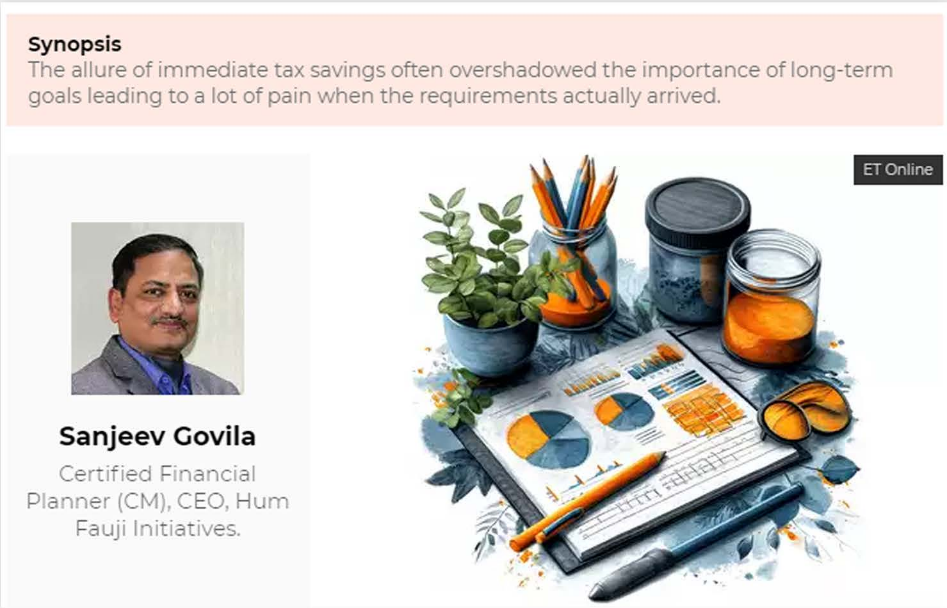
As February unfolded with the spirit of love, our monthly office party embraced the theme of red celebrating the spirit of Valentine's Day! The teams immersed themselves in vibrant activities, exchanged heartfelt gifts, posed for memorable snapshots, and created lasting memories filled with joy and camaraderie. Get a glimpse of the spirited celebration, capturing the enthusiasm of our team!

HFI Media Section

Explore our CEO Col Sanjeev Govila's (retd), perspective on armed forces personnel using NPS as an investment option in his article featured on Outlook Business. Gain insights into why he considers it akin to "using a khukri to fight a modern battle," emphasizing that NPS may not be the most recommended choice for armed forces personnel. Discover alternative strategies and financial advice tailored for the unique circumstances of armed forces professionals.

Read the full article for expert insights,

https://business.outlookindia.com/personal-finance/dont-use-khukri-to-fight-modern-battle-long-term-investment-options-for-personnel-in-the-armed-forces



Explore the dynamic shifts in the Indian financial landscape with our CEO Col Sanjeev Govila's (retd) article, "12 reasons why a right investment plan must not focus only on income tax deduction," featured in the Economic Times. Gain insights into the impact of the new tax regime, which has imposed restrictions on tax deductions for investors. Traditionally, investors have leaned towards avenues offering tax benefits as a primary determinant in decision-making. However, Govila advocates for a re-evaluation of investment strategies in response to the evolving tax scenario.

Read more at,
https://economictimes.indiatimes.com/wealth/tax/12-reasons-why-a-right-investment-plan-must-not-focus-only-on-income-tax-deduction/articleshow/107342718.cms

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+91-99998-38923

contactus@humfauji.in

www.humfauji.in

Visit at : 1st & 2nd Floor, Bimla Plaza, Sector-11, Dwarka, New Delhi - 110075