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Hum Fauji Initiatives
April 2024

WEALTH INSIGNIA

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

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FIVE FINANCIAL LESSONS FROM RAMAYANA

Our celebrated ancient Indian epic ‘Ramayana’ is filled with exciting stories of bravery, love, and doing what’s right. But did you know it’s also packed with smart money lessons? Let’s discover how it can help us handle our finances better!

Choose your advisers wisely: Manthara’s advice to Kaikayei lead to family disputes and exile of Lord Rama. Vibhishan’s advice helped Lord Rama in conquering the battle against Ravana, the evil. Wrong of right financial advisors can do likewise to your financial life. Choose your advisor wisely.

Estate Planning: There was pure love amongst the brothers Ram, Lakshman, Bharat and Shatrugan. However, we all are aware about the role of Kaikayei and Manthra and what happened thereafter. Have your succession planning tools like nominations and Will in place to maintain harmony in the family . It’ll lead to a happy and conflict-free distribution of assets and avoid any Mahabharat-like situation.

Set your budget: There are lot of Golden Deers/ मारीच roaming around in the garb of your do-gooders giving you huge discounts or projecting impossible pipe-dreams. Set your own 'Laxman Rekha' (Financial budget) to avoid any debt trap. Understand the difference between needs and wants. Stay financially disciplined.

Budget Setting Thumb Rule	
Particular	**Proportion of Salary/Income**
Living Expenses	40%
Lifestyle Expenses	30%
Savings	30%

Secure your Health: Hanuman saved Lakshman's life demonstrating the importance of having adequate protection and security around. Life, Health, Vehicle and Home Insurance serve as a shield against similar unforeseen circumstances. Just as Hanuman acted as a mediator between life and danger, health insurance providers bridge the gap between quality healthcare and financial stability. The below table will help you understand the importance of Health Insurance.

Common Types of Critical Illness	Estimated Treatment Cost (Rs)
Heart Disease	3 – 25 Lakhs
Cancer	10 - 15 Lakhs
Liver Cirrhosis	10 – 20 Lakhs
Kidney Transplant	7 – 20 Lakhs

Source: SBI General Insurance Website

Understand the importance of small efforts: The long Ram Setu to Lanka was built with tiny but disciplined efforts of the monkey army. Each small stone had its own importance and place in the making of the bridge.

Monthly SIP Amount (Rs.)	Tenure (years)	Estimated Corpus (Rs.)	Remarks
10,000	10	22.4 Lakhs	The earlier you start, the better the outcome achieved
	20	92 Lakhs	
	30	3 Crore	

Your small monthly SIPs do the same and help you achieve your goals equally well.

Jatin Uppal, Deputy Manager

- Team Hum Fauji Initiatives

NATURE'S FINANCIAL WISDOM
LESSONS FROM THE WILD

The hustle and bustle of the financial world can often feel disconnected from the natural world. But what if the secrets to sound financial practices lie beneath the rustling leaves? Surprisingly, nature offers insightful lessons that can guide us towards financial stability and responsible stewardship of our resources.

- **Diversification is the key:** Just as an ecosystem thrives on a variety of plants and animals, a healthy portfolio thrives on diversification. Look beyond a single asset class and spread your investments across different sectors, regions, and risk profiles, just like the diverse varieties of life in a forest.

- **Patience is a virtue:** Trees don't grow overnight. Similarly, building wealth takes time and patience. Resist the urge for quick gains and focus on long-term strategies that mimic the slow, steady growth of nature.

- **Cyclicity is inevitable:** Seasons change, tides rise and fall, and so do markets. Understanding and accepting financial cycles – booms and busts – helps you weather storms and make informed decisions. Remember, a single sunny day doesn't guarantee eternal summer.

- **Resourcefulness is your superpower:** In nature, every resource is used efficiently. Translate this to your finances by minimizing waste, budgeting effectively, and seeking creative solutions to maximize your income and savings.

- **Community matters:** Animals form herds and flocks for support and protection. Seek financial guidance from trusted advisors, learn from others' experiences, and consider collaborative investment opportunities for mutual benefit.

By tapping into nature's wisdom, we can cultivate a more mindful, patient and sustainable approach to our finances. Just as nature constantly evolves, so should our financial strategies.

So, take a deep breath, step outside, and connect with the financial lessons hidden in plain sight. It might surprise you where the best advice lies.

Aman Goyal, Relationship Manager

- Team Vikrant, Hum Fauji Initiatives

SALARY BOOST

PAY OFF HOME LOAN OR STRENGTHEN INVESTMENTS?

When you get a raise, deciding what to do with the extra money can be a big deal for your finances. Usually, it comes down to two main choices: paying off your home loan faster or putting the extra cash into your investment accounts. Let's take a closer look at what factors you should consider when making this important decision.

Financial Goals: Evaluate your long-term financial goals. Are you aiming for financial freedom, early retirement, or saving for your children's education? Your goals should guide your decision-making process. If becoming debt-free is a top priority, directing the extra funds towards your home loan could provide peace of mind. On the other hand, if you're focused on building wealth over the long term, investing the additional income may align better with your objectives.

Interest Rates: This has to do with cost of money. Start by examining the interest rates of your loans. If it is significantly higher than the potential return on your investments, prioritizing paying off the loan might be the wiser choice and vice versa.

Consider the tax implications: of loans such as home and education loans. While paying off your home loan may not yield immediate tax benefits, it can lead to long-term savings on interest payments. Strive to keep your loan EMIs within tax exemption limits to optimize tax benefits.

Risk Tolerance: Last but not the least, and often neglected factor in our financial journey, is risk tolerance level. Paying off more towards your loan offers a guaranteed return through reduced interest payments. On the other hand, investments carry inherent risks, with portfolio values subject to fluctuations. Assess your comfort level with market volatility and your ability to withstand potential losses when allocating funds.

How increasing EMIs can save time and Money

Scenarios	Scenario 1	Scenario 2
Particulars	Continue Loan of Rs. 15 Lakhs with EMI of 20k	Refinance Loan of Rs. 15 Lakhs with increased EMI to 25k
Interest Rate	9.00%	9.00%
EMI (Rs)	20,000	25,000
Loan ends Tenure (Months)	105	79
Total Principle (Rs) (A)	15,00,000	15,00,000
Total Interest (Rs) (B)	6,65,931	4,71,777
Total Repayment (Rs.) (A+B)	**21,66,000**	**19,72,000**
Interest Saving after New EMIs(Rs.)	**-**	**1,94,154**

Note: The example provided is for illustration only. Consult your financial planner for a personalized comparison between increasing EMIs and starting SIPs.

Ultimately, there's no one-size-fits-all answer. The decision depends on individual circumstances and priorities. By carefully evaluating these factors, you can make an informed choice that aligns with your goals and propels you towards financial success.

Hemant Bisht, Financial Planner
-Team Vikrant, Team Hum Fauji Initiatives

MAKING THE RIGHT CHOICE

MONTHLY VS ANNUAL HEALTH INSURANCE PREMIUMS

In today's fast-paced world, convenience is the key.The insurance companies have started promoting monthly plans to make health plans affordable for all. Choosing between monthly and annual health insurance premiums can be a tricky decision. Monthly plans appear attractive, but are they the suitable choice?

Here's a quick comparison:

Aspect	Monthly Premiums	Annual Premiums
Number of Payments	12 per year	1 per year
Cost	Higher (administrative fees, potential late fess)	Lower (discounts on annual premiums)
Budgeting	Easier to budget for smaller monthly payments	Lump sum payment may require careful budgeting or could be painful
Risk	Risk of missed payments leading to policy lapses or late fees	Much lesser risk as just one payment required in a year

Monthly premiums offer convenience and flexibility, allowing you to spread out payments throughout the year, and making budgeting easier for some. However, there are a few flip sides such as higher administrative fees and the risk of missed payments leading to policy lapses or late fees. Also, any delays could have repercussions, including a hit to your credit score.

Lapse Of Policy: It may happen that premium may not get deducted due to auto-debit failure. Typically, insurance companies offer a grace period of 15 days from the payment due date. Once the grace period is over, your policy will lapse and you will have to buy a fresh policy altogether. In case you get hospitalized during the grace period, the insurance company will not be liable to accept your claim.

Hospitalization: Consider you have paid four monthly premiums and then get hospitalized in the fifth month; the insurer may deduct the premiums for the remaining eight months from the approved claim amount before settling the claim. Even if the claim amount is less than the total premiums paid so far, you will still have to pay remaining premiums before the claim is settled.

The monthly premium option does offer convenience but comes with hassles. It's advisable to opt for them only if you can ensure timely payments or find it difficult to pay the big amount of yearly premium as delays can negatively impact your credit score.

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

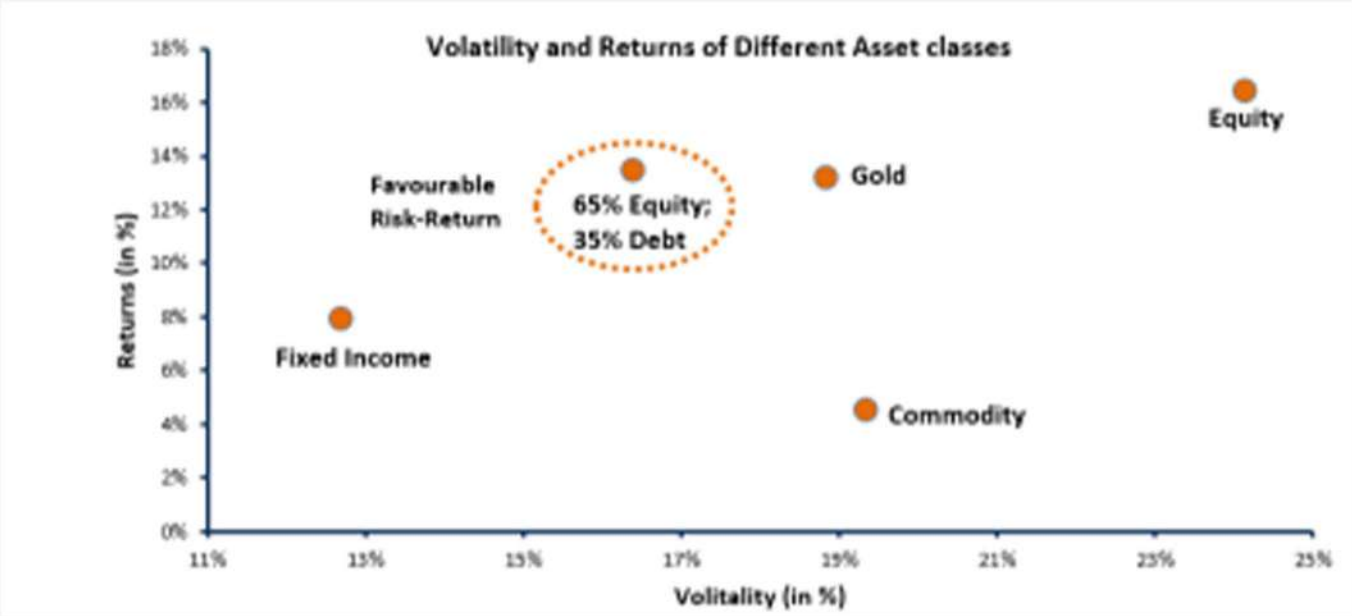
HARMONY IN INVESTMENT STRATEGIES

Planning your money can be tricky. We all want our money to grow as it help us to achieve our dreams, but the fear of losing it can hold us back. Financial planning is like figuring out the best way to balance your hopes and fears when it comes to money. This is where the concept of harmony in investment strategies comes in, guiding us towards a balanced approach that optimizes returns while mitigating risk.

Let's embark on a journey where the rhythm of risk and reward creates a harmonious investment symphony:

1. **Understanding Your Risk Profile:** Every investor is unique, with varying risk tolerances and financial goals. Assessing your risk appetite through questionnaires, consultations, or even risk tolerance calculators is crucial. This understanding forms the foundation upon which your investment strategy is built.

2. **Diversification Dynamics:** By spreading your investments across different asset classes like stocks, bonds, real estate, and commodities, you mitigate the impact of any single asset's performance. This creates a resilient portfolio that weathers market fluctuations with greater stability. Remember, diversification is not just about asset classes; it's also about sectors, geographies, and investment styles.



3 Regular Portfolio Reviews: The market is dynamic, and your personal circumstances evolve. Regular portfolio reviews ensure your investments remain aligned with your evolving risk profile and financial goals. These reviews involve analysing your asset allocation, rebalancing if necessary, and addressing any emerging risks or opportunities.

4 Emergency Funds: Craft a corpus of emergency funds. Envision different financial storms, and actively decide how to allocate your funds for a harmonious response. Your emergency fund becomes the instrumental backup, ensuring your financial composition remains resilient in the face of unexpected challenges.

Conclusion:

Remember, there's no one-size-fits-all approach. The key is to find the equilibrium between risk and reward that resonates with your unique financial situation and goals. Consider seeking professional guidance to navigate the complexities and personalize your investment strategy for a harmonious financial future.

Neeraj, Financial Planner

- Team Arjun, Hum Fauji Initiatives

DECIDING BETWEEN BUY & HOLD OR BOOKING PROFIT

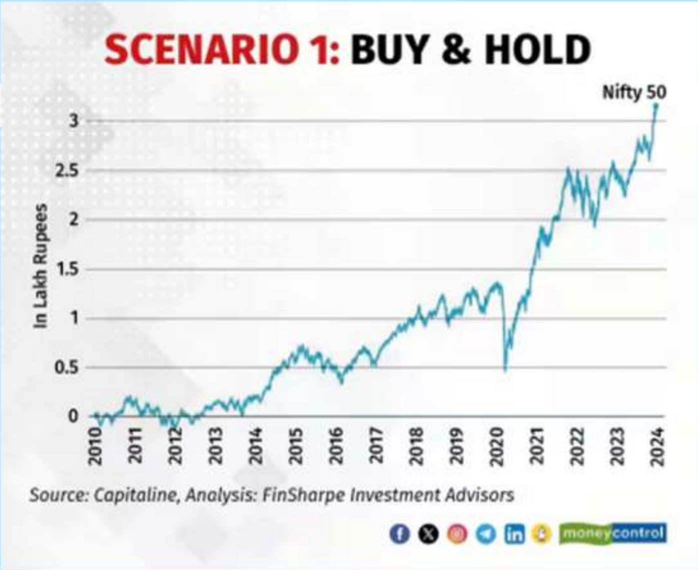
In the bustling market carnival, where Nifty and Sensex pirouette at their all-time highs, investors find themselves at a crossroads: to harvest profits or ride the bullish wave?

To overcome this dilemma, let's take a journey through a fascinating study conducted on the Nifty 50 from January 5, 2010, to January 1, 2024. Analysis was done on two scenarios:

Buy & Hold Vs Profit Booking.

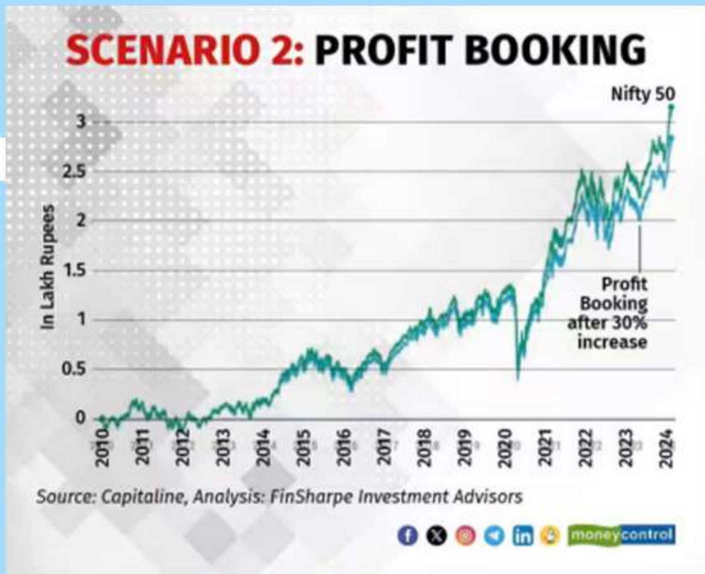
Scenario 1:

Buy & Hold An investor waltzes in, invests Rs 1 lakh in Nifty 50 in 2010. Fast-forward to January 1, 2024—the investment dazzles at Rs. 4.11 lakh, twirling at an impressive 11.98% CAGR (that's a huge 311% absolute returns!) over 14 years.



Scenario 2:

Profit Booking Savvy investors pirouette out at 30% profit, reinvesting elegantly. Their initial Rs. 1 lakh becomes Rs. 3.88 lakh (a mere Rs. 23,000 less), with subtle transaction costs of 0.25% joining the dance.



Why does this happen? Ah, the market tango! During bullish years (cue 2014, 2017, 2020, 2021, and 2023), portfolios shimmy to a 30% profit beat. But here's the paradox: timing the market is akin to predicting weather with a frayed umbrella. Sometimes, you'll dodge the thunderstorm; other times, you'll waltz through unexpected rainbows. So, diversify, hold on tight, and remember that even in the wildest market dance-offs (and profits), it can surprise you.

1. Achieving Goal-Based Targets: Setting clear investment goals is crucial. If you've met your goal, consider booking profits, especially during market highs. However, if the goal remains unmet and time allows, avoid market timing. Consistent re-entry at lower prices is challenging bordering on to impossible over the long term.

2. Balancing Asset Allocation: If your portfolio is diversified in Equity, Gold and Debt, according to your risk profile it may have been recommended that you stick to an asset. Currently, equity markets are at high, the likely weightage of Equity in your portfolio might have increased. This could be a good time to rebalance your portfolio to ensure that the Asset Class weightage is maintained, otherwise your portfolio will be subjected to a higher than anticipated risk.

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

TOP CLIENT QUERIES OF THE MONTH

What Did Our Clients Ask Us Last Month?

Question – Why am I advised to continue with funds in the portfolio review that have a low ranking on MoneyControl? Could you explain the reasoning behind not suggesting top-rated funds through rebalancing in their respective categories to maximize returns?

Our Answer – Our portfolios are strategically composed of both equity and debt components, meticulously aligned with the financial goals of our clients, ensuring a balanced approach to optimize returns while managing risks effectively. We strive to incorporate the best-performing funds into our clients' portfolios, aligning with the current market dynamics. We conduct periodic portfolio reviews at defined intervals considering various parameters like funds' performance, risk-to-reward ratios, and how the funds respond in different market conditions. This methodical assessment enables us to analyse the present composition of the portfolio, ensuring that any adjustments made are not only strategic but also well-founded. In simple terms, we conduct necessary rebalancing in our clients' portfolios when we identify the need, ensuring confidence in providing a better future outlook and growth that aligns with their requirements.

Each investment fund employs its unique approach to maximize returns while managing its corpus. The efficacy of these strategies can fluctuate, reflecting inherent market risks. It's not prudent to incorporate new funds into the portfolio solely based on rankings and past returns, as no fund can consistently maintain a top position and get the highest returns all the time.

Excessive portfolio churning, keeping returns as the sole aim in mind and forgetting consistency of good returns, may result in the loss of compounding benefits and unnecessary tax and exit load liabilities which finally will reduce your overall returns without you even coming to know of it. Also, every fund faces temporary lows due to various reasons and bounces back if it continues to be well-managed – this is what we keep looking for and avoid unnecessary tax penalties to you. A careful and well-informed approach, considering long-term objectives and potential risks, is crucial for sound investment decisions.

-Team Arjun, Hum Fauji Initiatives

What Did Our Clients Ask Us Last Month?

Question: How can I maintain a good credit score?

Our Answer: Maintaining a good credit score is not only essential for financial stability, it also opens doors to favourable loan terms. To achieve this, individuals should be mindful of common mistakes that can negatively impact their credit scores and take proactive steps to avoid them.

Here some common mistakes that can negatively affect your credit score

- Late or Missed Payments
- High Credit Utilization
- Taking Multiple Unsecured Loans
- Spreading Expenses Across Multiple Lenders
- Not Establishing a Credit Track Record

How you can avoid the common mistakes and maintain a good credit score

- Ensure timely payment of credit card bills and loan EMIs.
- Set up automatic payments or use digital reminders to stay on track with payment dead lines.
- Keep your credit utilization ratio low by not maxing out credit card limits.
- Spacing out expenses over time can help maintain a healthy credit utilization ratio.
- Refrain from taking unsecured loans from multiple lenders, as this may negatively affect your credit score.
- Consolidate your credit accounts rather than spreading expenses across multiple lenders.
- Having no debts does not guarantee a good credit score. Establish a credit track record by responsibly using credit cards or taking out loans and repaying them on time.

-Team Vikrant, Hum Fauji Initiatives

SNEAK PEAK INTO HUM FAUJI INITIATIVES

Colleagues and CEO Col Sanjeev Govila (Retd.) Birthday Bash

Join us for a sneak peek into our March Birthday celebration, where both our colleagues and **CEO, Col Sanjeev Govila (retd.)**, are honored with equal fervor! The air is filled with excitement as heartfelt wishes and surprise treats create an atmosphere of warmth and camaraderie. In our office, every individual is valued and celebrated, and this occasion is no exception. From shared laughter to shared memories, these festivities bring us closer as a team, leaving an indelible mark beyond the office walls.

OUR ADVENTURE AT SURJIVAN RESORT

The team embarked on an invigorating outdoor outing to Surjivan Resort, where nature's embrace welcomed us with open arms. Amidst lush greenery and tranquil surroundings, we bonded over adventurous activities and shared laughter, forging memories to cherish beyond the confines of our daily routines. Here's a glimpse of our unforgettable day amidst nature's beauty.

HFI Media Section

Explore the insightful article by **Col Sanjeev Govila (Retd.)** on Moneycontrol, guiding you through the crucial first money task of the new financial year: Portfolio Rebalancing. Gain valuable insights on assessing the past year, identifying emerging opportunities, and maintaining discipline while adjusting your equity-debt-gold split. Stay informed, stay disciplined, and set a solid foundation for financial success in the year ahead.

The first money task in the new financial year: Portfolio rebalancing

The new financial year has started. Take a look at the year gone by, keep an eye out for new and emerging opportunities, and rebalance your equity–debt-gold split. But most importantly, do not speculate. Be disciplined.

COLONEL SANJEEV GOVILA (RETD.) | APRIL 02, 2024 / 09:00 AM IST

Read more at:

https://www.moneycontrol.com/news/business/personal-finance/the-first-money-task-in-the-new-financial-year-portfolio-rebalancing-12556751.html

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