



Here's How To Invest Judiciously

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Investing money judiciously is an important activity in your financial life. Hence, to be a successful investor, it's important to make the most of the ever-expanding investment universe. It's equally important to follow the right investment strategy and keep an eye on certain aspects that can impact the final outcome of your investment process over different periods. Therefore, as an investor, you must imbibe certain traits that can not only help you start your process right but also ensure that it remains on track through your defined time horizon. Here are some of these and how they can make you a better investor.

Think Long Term — One of the key factors in your investment process should be to avoid following a haphazard approach of investing in different asset classes and exiting from them depending on how these asset classes behave at certain points. Needless to say, this approach can often make you miss out on opportunities in the market. Therefore, look at the bigger picture and think long-term at the start by establishing your goals to be achieved over varying time horizons. Remember, a goal-based investment process ensures that you follow an asset allocation model and give risk management its due. This helps in creating the right balance between risk and reward.

Make Smart Money Moves — The smart money moves would involve budgeting and looking beyond traditional investment instruments like fixed deposits (FDs) and small saving schemes to give yourself a chance to accumulate more and earn a positive real rate of return i.e. gross returns minus taxes and inflation. While there are attendant risks of investing in market-linked products offered by mutual funds, you can mitigate them by following an asset allocation strategy and investing on a regular basis.

Focus on Asset Allocation — It's a proven fact that asset allocation is the key to investment success in the long run. It goes a long way in helping you determine the kind of risk you are likely to take and the kind of returns you can expect from your portfolio. However, you must choose the right investment

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options in each of the asset classes to get the desired results. While asset allocation should be the first step in the decision-making process, many investors straightaway move to the selection of investment options. This either takes them beyond their risk tolerance or makes their portfolio too conservative.

Be Open and Collaborative — Today, a lot of information is available on various investment options and strategies to invest in them through different mediums. Therefore, you must always be open to absorbing this knowledge and using it in your investment process. If you find it overwhelming to analyse this information, don't hesitate to take the help of an advisor. Once you start working with an advisor, listen to him or her carefully as that can go a long way in allowing you to understand the complexities of the investment world. Remember, the unwillingness to listen can make it difficult for you to adapt to the ever-changing investment and economic environment.

Ensure Flexibility in the Investment Process — While investment is an ongoing process, there is no straight path to investment success. Therefore, your investment process as well as options must have the flexibility required to rebalance your portfolio in line with your changing circumstances as well as economic and political environment. Also, be prepared to tackle the challenge of non-performance of some of the investments in your portfolio. Although monitoring the performance holds the key to long-term investment success, don't get tempted to make frequent changes just because you have the flexibility to do so.