



Investing Principles That Can Ensure Prosperity

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Every investor has a different risk profile i.e. from being very conservative to moderate to very aggressive. Then, we invest for different goals and different time horizons to ensure that there are enough financial resources available at every stage of our life. We follow different strategies and investment philosophies to achieve this. However, certain investing principles apply to every investor and hence must be followed diligently at all times. Here are a few of them:

Save and Invest Wisely

To be an investor, you have to be a saver first. Therefore, it's important to follow budgeting to keep aside some money for investment on a regular basis. This process will keep you focused on your financial future and also ensure that you not only invest regularly but also keep increasing the investment amounts in line with growth in your income.

Risk Management

Many risks can expose you and your family to financial uncertainties due to unfortunate events of death, health risks and damage or theft of property or assets. Therefore, make sure that you have adequate life, health and property insurance and do it through the right products. Always keep insurance and investment needs separate for this and also create an adequate emergency fund.

Establish Goals

It is important to plan your investments by establishing goals and having clarity on the time horizon and targets as well as working out how much to invest for each one of them. This process would ensure that important goals not only have realistic targets but also get prioritised in line with your ability to invest.

Asset Allocation

Investing in different asset classes helps you maintain a balance between risk and reward. While short-term goals should have an asset mix to protect capital, the portfolio for longer-term goals should focus on asset classes like equity that can make

money grow at a rate higher than inflation. The asset allocation for the medium term should be ideal for capital protection and moderate growth.

Diversification

While asset allocation ensures that you invest across different asset classes suitable to your time horizon and risk profile, diversification within an asset class allows you to get the best from it. There are options like mutual funds that are diversified by nature.

Discipline in your Investment Process

While having clearly defined goals and asset allocation ensures a good beginning and keeps your portfolio on track, a disciplined investment approach like investing every month not only minimises the impact of challenges such as volatility but also turns it to your advantage through averaging.

Review and Rebalance your Portfolio

While it is important to build your portfolio the right way, it's equally important to monitor the progress on a regular basis and make changes, if required. Ignoring this aspect negates all the good work done at the planning stage, which can have serious consequences on your financial future. Rebalancing plays an important part in the final stage of your time horizon and allows you to prepare your portfolio for future goals i.e. moving from growth to income generation and growth after retirement.

Follow a Tax-Aware Investment Strategy

Investing in investment options that provide tax-efficient returns goes a long way in improving your post-tax returns. After all, what matters for you as an investor is what you get to keep at the end. That's why investing in market-linked products is a much better option than traditional options like FDs, small savings schemes and bonds, etc. Of course, it's important to choose the combination of funds in a manner that doesn't take you away from your defined risk profile.