

Common Mistakes that Destroy Wealth

By

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Doctor's life in general

- Noble professionals bound by Hippocratic oath working with a set of ethics
- Hard earned money
- Long, erratic working hours have negative influence on financial life
- Working tirelessly to save lives leads to lack of sufficient time for investment planning

Our experience

- Over the period of last 20 years, we observed few mistakes that led to wealth destruction
- Please note, this is not an exhaustive list
- There are other avenues as well
- Sharing a few which are most common

1. Futures & Options

- Hedging tool to protect huge portfolios from extreme fluctuations in the market
- Instead used for gambling and results in huge losses



What are Futures & Options?

- Major types of stock derivatives traded in a share market
- Contracts signed by two parties for trading a stock asset at a predetermined price on a later date
- Contracts try to hedge market risks by locking in the price beforehand
- Reduce future risk in investment through pre-determined prices

What is hedging?

- Imagine you construct a portfolio by picking each stock after careful analysis.
- At some point, you realize that the markets may soon enter a turbulent phase resulting in portfolio losses.
- To prevent your market positions from losing money, you construct a portfolio hedge by employing futures.



Futures and options trading

- Widely practised on leverage
- Entire cost of trading does not have to be paid upfront
- Increases the profit as well as loss margin of an investor substantially
- One wrong decision can lead to huge losses.
- Accurate predictions regarding the price movements required which is highly impossible
- It is very very difficult to 'Time the Market'

2. Tip based trading

- Wake up in the morning
- Go to moneycontrol, listen to some hotshot on CNBC TV18, random tips on some other online platform or a potential multibagger recommended by your jigari yaar
- Buy stocks on impulse
- At 3pm, the same hotshot gives negative tips and you don't have time and courage to reverse the position

Tips are injurious to wealth

- The tip-giver should be busy multiplying his own money rather than wasting time to share his tips.

The lesson:

- Don't trust stock tips that promise quick returns.
- Do your research before investing.
- At least confirm if the business and promoters are legitimate.

Famous Nobel prize-winning American Economist Paul Samuelson once said:

“Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.”



3. Real Estate Investment at wrong time and high valuations

- **Paying too much for a property whose rental income stream or resale value cannot support the price.**
- **Relying on the seller's/broker's statements regarding value and income.**
- **Buying a property in unreachable area where no future development is visible.**

The way forward...

- You are working hard to earn money
- If you can't risk a patient's life, why should you risk your hard earned money?



*History shows you don't know what
the future brings.*

The difference between success and failure is not which stock you buy or which piece of real estate you own...

“Asset Allocation” is the key to successful investing

Asset Allocation

There should be a balance of fixed income (debt), equity, gold and real estate in you portfolio



Portfolio composition

Your portfolio composition depends on:

- Age
- Profession
- Requirements
- Risk-reward expectations
- And above all, your comfort (most important)

Various avenues

- Different categories of mutual fund schemes is a good avenue for asset allocation
- We recommend mutual funds as the fund managers with their dedicated research team have a deep insight about stocks and securities
- Invest for long term and relax!

Take help of an expert

- There are 2500+ mutual fund schemes
- An expert will help you to choose the right funds adjusting the asset allocation and matching your comfort and requirement

Get in touch with us to know more

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