My learning as a Investor and Advisor since last 20 years

Finance
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Wealth creation is a beautiful journey which we go through in our lifetime. In my 20 years of wealth creation journey as a Investor and investment advisor I have been through a lot of ups and downs and have seen various cycles of world economy. I felt that I should share my learning point wise with you which may help you as a Investor.

1. Start investing early and stay invested longer:

Starting investment at early age and staying invested longer will significantly increase your wealth and help you achieve your financial goal. At young age you have appetite to take risk so your allocation to high-risk asset class will help you in long term. Compounding effect of long-term investment create great wealth for you. We call compounding effect as 8th wonder of world.

For eg. A monthly investment of 2000 USD for 10 years fetching a compounding return of 10% annualized will grow to 413,104 USD but the same monthly investment done for 20 years will give you a return of 1,531,394 USD. Same 2000 USD monthly investment for 20 years giving you 12% annualized return will give you a return of 1,998,296 USD.

Please note that equity markets in India have given a return of more than 15% CAGR (Compounded Average Growth Return) since last 20 years.

2. Proper asset allocation is key to your wealth creation journey:

Asset allocation increase return according to your risk tolerance. By investing in different asset classes we can guard our portfolio against volatility and give you flexibility while liquidating investment to generate cash. Finding right asset allocation is key to your portfolio performance.

Do you know 100-age rule of asset allocation?

The “100-minus-age” rule is a widely recognized rule of thumb in personal finance used to establish asset allocation, the practice of distributing your investment portfolio among various asset classes such as stocks, bonds, and cash. As per this rule investor must substract their age from 100 to arrive at an equity allocation with fixed income accounting to the rest.

For eg.A investor with 30 years of age can allocate 70% of of his investible money to equity while a investor aged 70 should keep his equity allocation to 30% only.

While this formulae may not be same for everyone but it is logical and we have been using this for many of our clients. Barring some exceptions it suits everyone as a investor at young age can take higher risk.

3. Goal setting is very important when you start investing journey:

Our objective of investment is to achieve our short term, medium term and long term goal. The importance of wealth creation can be summed up by a statement made by legendary investor Warren Buffet – “If you don’t find a way to make money while you sleep, you will have to work till you die”.One of the key objective of wealth creation is the ability to generate wealth passively by investing money that has been earned previously.

4. Stick to your plan :Wealth creation is a continuous process.

You need to make a plan and stick to it so that you can meet all your goals.

Plus there is no one-size-fits-all wealth creation solution as each individual has unique goals, risk tolerance, etc.So, choosing the right investment that can help you achieve your goals plays a key role in ensuring you succeed in creating wealth over time.

5. Focus and discipline is equally important:

A lot of investors when they start investing their goals are long term but since liquidating many of equity and debt instruments are easy the take out the money from their investment for their short term needs which hamper their long term goals. Being disciplined is the most important part of your wealth creation journey. Various risky asset classes are very volatile in nature and since we know this, we take out funds with a expectation to invest again when is comes down. We never invest that money because we have a tendency of selling our winner and holding on to our losers. Many of us get effected by events happening around us. For eg. Covid was extreme event in our life. During Covid I got so many calls to liquidate portfolio asnobody was sure of their own life. We counselled our clients as that was need of hour. In fact those who listened to us and invested during that period created huge wealth. Keeping calm for that difficult phase of one month was the most important part.

6. Your Investment Advisor is the most important person in your wealth creation journey:

Just like our family doctors, our gym instructor, our family or our friends are important in our lives same way investment advisor is most important part of your wealth creation journey. You just can’t DIY (Do it yourself). It’s a complex process which takes a lot of time, process, discipline and emotional aspect of our life. Your investment advisor is a friend who brings lot of discipline and relief to your life.

These are some of my learnings which I hope will help you a lot.

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