13. HOW TO BEGIN INVESTING?

One can begin investing by fulfilling the following steps:-

1. Investor must have the following documents
   - Personal Identification Proof – PAN Card, Passport Copy, Driving License copy
   - Address proof – Utility bills – Telephone bills, Electricity bills
2. Investor should approach an intermediary which may be a broker, relationship manager etc.
3. Investor is then required to fill up the KYC (Know your client) form and should furnish the necessary details. In addition, he would have to fill the broker-client agreement.
4. Investors then need to open a demat account and a clearing bank account. For this, he or she would have to furnish his or her bank account details.

Once these steps are completed an investor can begin trading in financial markets.
In case of any disputes, investors can approach the following authorities –

No.	Asset Class	First authority to approach	If not solved
1	Shares/Securities	Company/ stock Exchange (if exchange based trading)	SEBI/MCA
2	Corporate Debt	Company/ stock Exchange (if exchange based trading)	RBI/ MOF
3	Commodities	Stock Exchange	FMC
4	Forex	Stock Exchange	RBI
5	Insurance	Company	IRDA
6	Mutual Funds	AMC / Stock Exchange (if exchange based trading)	SEBI
7	NBFC	Concerned NBFC	RBI
8	Listing /delisting /takeover /buyback	Company	SEBI
9	Merger/Amalgamation	Company	MCA
10	In case of government debt		RBI

Where,

SEBI	-	Securities & Exchange Board of India
MCA	-	Ministry of Corporate Affairs
RBI	-	Reserve bank of India
MOF	-	Ministry of Finance
FMC	-	Forward Markets Commission
IRDA	-	Insurance Regulatory and Development Authority

14. SUMMARY

- Know the importance of financial planning.
- Set financial short and long term goals
- Prepare an investment plan and monitor your progress.
- Invest for income and try to allow for your income to rise with inflation.
- Differentiate between needs and wants
- Adjust your living standards if your after-tax income will not be able to meet your expenses.
- Plan how to manage all your financial resources together
- Stay informed about issues that may affect your investments like inflation, taxes etc.
- Keep track of how your investments are doing, changing needs for income, how financial markets and products are changing, and how income might help you achieve your goals.

15. SELF ASSESSMENT

1) As a rule of thumb approach, there is a method of calculating how long it will take for your investments to double. Consider your latest return on investments. Let me help you with a few.

Investments	Expected Rate of return (A)	Rule 72 [(A/ 72)x 100 =no of years]
Stocks		
Bonds		
Mutual funds		
Fixed deposits		

Thus through this approach we get an approximate estimate of how long it will take your investments to double.

2) Write down the goals and aspirations you wish to fulfill and how you plan on getting there. This activity is designed to help to realize how important financial planning really is and whether what you are doing will help you get there or not!

S.No	Goals	Years from now	How will you get there?	Which financial instruments would you use?
1	Buying a car			
2	Buying a house			
3	Marriage			
4	Starting a family			
5	Children's education			
6	World tour			
7				
8				
9				
10				

If you have left some of these spaces blank or feel confused as to what you should be doing to fulfill your dreams, then you need to properly start financial planning with your financial planner.

3) Given below is a small questionnaire designed to help you understand what sort of investor you are.

1. What is your major investment objective?
    a. High return
    b. Moderate return
    c. Liquidity
    d. Low risk
    e. Safety

2. How would you allocate your funds?

Allocation of funds (Options)	Stocks %	Mutual Funds %	Real Estate %	Debt up to %	Fixed Deposits up to %
I	100	0	0	0	0
II	70	10-20	10-20	05	2
III	50	15-25	10-20	10	5
IV	30	20-25	10-20	20	10
V	10	20-30	10-20	25	20

3. What is your investment horizon?
    a. 3 to 6 months
    b. 6 months to 1 year
    c. 1 year to 3 years
    d. 3 years to 5 years
    e. > 5 years

4. What are your expectations on return from investments?
    a. 50 to 100%
    b. 40 to 50%
    c. 20 to 40%
    d. 10 to 20%
    e. 5 to 10%

5. What type of investor do you consider yourself?
    a. High risk taker
    b. Opportunistic risk taker
    c. Moderate risk taker
    d. Low risk taker
    e. I don't like taking any risk

Scoring:
It's now time for results!!!

Each of the options carry a score, 'a' being the highest risk and 'e' carrying lowest risk.

Scores	Results
5 - 10	Highest risk takers
10 - 15	High risk takers
15 - 20	Moderate risk takers
20 - 25	Lowest risk takers

NOTE: In question 2, you may try out a number of portfolio combinations. Look at the following combinations which will give you an idea of how you can allocate investments based on your risks and investment horizon.

Asset class	% of Investments			
Stocks	70	50	30	10
Mutual Funds	15	20	23	30
Real Estate	10	15	17	20
Debt	3	10	20	25
Fixed Deposits	2	5	10	15
TOTAL	100	100	100	100

Observe how your allocations will change depending upon your risks. The above combinations are used for illustrative purposes.

16. REFERENCES

1. www.sebi.gov.in/
2. www.rbi.org.in/
3. www.amfiindia.com/
4. www.mcx-sx.com
5. www.ftkmc.com
6. www.fmc.gov.in
7. www.fimmda.org.in
8. www.fsa.gov.uk
9. www.nseindia.com
10. www.federalreserve.gov