

## **App Names**

**KISS - Keep Investments Simple & Straightforward**

**KIS - Keep Investments Simple**

**Grow Money**

**Becoming Successful at Investing**

**[Suggestions please]**

## **Chapter 1:**

### **Basics / Investment Fundamentals / Why Invest?**

#### **Importance of Saving**

Saving money helps in bringing financial stability to a person's life and creating safety net in case of unforeseen emergencies like loss of job, Health complications etc

Saving money is highly recommended in achieving short term financial goals like buying Motor Bike, Family Vacation, House hold purchases and also in meeting long term goals like funding for Marriage, Buying house / Car, Retirement etc

Assuming that a person is paying a tax of 30% & monthly expenses of around 50% of salary, for saving Rs.1, one will have to earn a minimum of Rs.5

Reducing expenses and increasing investments with lower taxes on investment returns is key to a persons financial well being.

#### **Magic of Compounding**

The money you earn in-turn works for you and earns further money. The longer the time period the more pronounced is the result.

It is definitely smarter and wiser to create more egg-laying hens from your initial single hen (thereby benefiting from interest on interest concept).

When an investor can deploy the funds that can beat the inflation, he will see the real benefit of compounding money over longer period of time. Investors like Warren Buffett, Charles Munger, Philip Fisher and many more investors in the world and in India have consistently beaten the inflation over longer period of time by investing wisely and compounding their money.

#### **Financial Goals**

Here are some of the financial goals for different individuals based on their life stages

1. Buying Car / Motor Bike
2. Marriage
3. Dream Vacation
4. Buying House
5. Children's Education
6. Higher Education
7. Starting a Business
8. Early Retirement
9. Per-suing career of personal choice

All the financial goals can be met with definite plan of action. Lack of an action plan can hamper the progress towards achieving the financial goals.

### **Traditional Investments in India**

Most common investments in India are made into Real estate, Fixed Deposits & Insurance policies, Stocks and Mutual Funds.

The average investment size for Real estate is very high. Investments in real estate are illiquid & Non-transparent. Investing property for self occupation for longer term can be one of the best option. Renting property can be right choice for an Investor looking for making investments in stock market.

Fixed deposits are one of the investment avenues for majority of the Indians. Fixed deposits are regarded as financially secure & highly liquid form of assets. However returns on the fixed deposits are taxable and offer lowest returns on the amount invested.

Complex financial products or Hybrid Insurance cum Investment policies are another investment choice for many Indians. However these products do not offer adequate insurance, illiquid and offer lowest returns to the policy holder.

Investments in Stocks and Mutual funds come with high returns and high risk. A beginner in stock market will have to learn the basics of investing before making significant investments in equity market. Investing without learning can be harmful for an Investors financial well being.

### **Common Mistakes to avoid**

Here are some of the most common mistakes that can be avoided

1. Not saving enough in early stages of career - Investments get compounded over a longer period of time. Starting late in saving money and making investments towards end of career can leave a person in financial misery.
2. Making Speculative Investments - Investing in underdeveloped Land, buying Penny stocks on Rumors, Investing in Ponzi schemes, Leveraging portfolios with Stock futures and options is highly risky and should be avoided.
3. Buying Hybrid Insurance Policies - An investor has to keep the Insurance & Investment requirements separate. Financial products that combine Insurance and Investments provide inadequate insurance coverage and lower returns to the Investor. It is advisable to go only for pure insurance policies like term insurance
4. Credit Card & Personal Loans are given to customers are very high interest. Loans from credit card companies and personal loans should be completely avoided to the extent possible.
5. Longer term Fixed Deposits: FD's and Liquid funds are meant for short term. Short term capital can be invested in Fixed Deposits / Liquid Funds. Long term capital can be invested in Stocks. Fixed deposits can't beat inflation over longer term.
6. Prepaying the housing loan takes away the tax benefits associated with housing loan and also locks the Investors capital. An investor can potentially use this capital for investing in equities for longer term. By prepaying a home loan, an investor is giving away the low cost funds.

While these are some mistakes that can be avoided, there are many more mistakes that should be avoided. In case of doubt, an investor must consider taking services from SEBI Registered Investment Advisors.

### **Benefits of starting early**

In an ideal scenario a person completes education and starts earning by age of 21 (Some can be little early or bit late). Once paychecks are in hand one can start saving for money to grow year on year through compounding

Here are some of the benefits of starting early

- For improving quality of living
- Rationalizing spending habits
- To step ahead in life
- To take calculated risks in life
- Per-suing personal interests

### **What to Invest**

Apart from the investment options like Real Estate, Fixed Deposits, Insurance Policies and Gold, Investors have many more choices from Indian Financial Markets. Currently there are more than 5000+ listed companies in BSE & NSE stock exchanges and also 2000+ Mutual fund schemes from nearly 40+ Asset management companies.

An investor will have to develop understanding about these companies and mutual fund schemes before considering where to Invest. Making right choices about the investment portfolio will give the Investor the best returns and wrong choices will leave the Investor with losses.

Hence it is very important to develop good understanding about how different Investment options will affect the Investment returns.

### **Investment Basics**

Here are some of the Investment basics

1. Develop understanding about different stock market terms, Stock Fundamentals, Industry exposure etc
2. Watching stock prices on a daily basis is a weakness & analyzing news and understanding company annual reports is a strength
3. Trading does not generate profits. Strong financial performance from a company generates profits
4. Never loose money & don't forget this rule
5. Never follow rumors & get authentic advice from trusted source. Free advice can be more costly than a paid advice from authentic source
6. Use stock market simulator like dbportfolios.com or any other simulator to make experiments. Experimenting with hard earned money costs a lot more money.
7. Investing without training or guidance is like driving without learning
8. Stay away from Futures & Options. These products are not for beginners & long term investors
9. Don't get panic when prices are falling or get greedy when prices are raising

There are many more important lessons that an investor has to learn. An investor has to continue learning and constantly improve to become successful.

### **Risk & Safety**

Risk is part of every person's life. Playing cricket is risky. Working with Gas & Electricity is risky. This risk is mitigated by learning how to work with different instruments and gaining expertise in each of these specific areas.

To avail the benefits of Investing in equities a person has to learn how invest safely by mitigating various risks involved.

### **L"earn"ing makes a difference**

Investing in equity markets is less understood. For an Investor to be successful in equity markets it takes lot of effort and time. An investor will have to go through the up's and down's in the equity market before getting successful. **During this long journey an investor needs to have enough courage to stay invested in the equity markets.** Most successful investors today have learned from their own mistakes and try avoiding the past mistakes made while making their new investments.

During an Investors journey first 5 to 10 years may go for developing good understanding about stock markets. Getting successful depends on if the Investor is able to learn from the mistakes happening while making the investments. If an Investor is unable to learn from the markets, it would be foolish to think that one day he / she will be a successful Investor.

It is also possible that an Investor may make mistakes in his early investments and completely exit the markets thinking that investing in equities is Gambling!!!

### **Risk comes from not knowing what you're doing - Warren Buffett**

### **Learning with Simulator**

Learning with Simulator comes with following advantages

- Learn how to Invest without losing money
- Reduce the learning time for becoming successful Investor
- Try multiple strategies with Virtual cash and create multiple portfolios
- Develop understanding about market movements

A cricketer does not get selected to national team directly. It needs lot of practice, commitment and hard work. Same is the case any other game. Becoming successful in investing is not an exception.

It is recommended for beginners to start learning with stock market simulator rather than investing hard earned money into the equity markets directly.

## **Chapter 2:**

### **Stock & Mutual Funds**

What is Equity / stock?

What are Mutual Funds

Understanding Expense Ratios

Why buy stocks?

IPO & Secondary Market

Stock Exchanges (BSE & NSE)

Sensex & Nifty

Market Capitalization

Penny stocks

Dividends, Bonus & Stock Splits

### **Chapter 3:**

#### **Building Successful Portfolios**

Building Cricket team vs Building Portfolio  
Characteristics of good company  
Understanding Company culture, Products & Management  
Company / Brand Moat  
Margin of Safety  
Circle of competence  
Growth Industry & Commodity stocks

### **Chapter 4:**

#### **Reading Annual Report**

Balance Sheet & Important Financial Ratios  
Cash Flow  
Cash & Debt  
Debt free / Low debt  
Sales /Profit Growth

### **Chapter 5:**

#### **Your Investing Life**

Opening Brokerage account  
Building Diversified Portfolio  
How to **KIS?**  
Importance of taking Advice  
Risk vs Reward  
Controlling emoticons  
Mistakes to avoid  
When to Sell  
Order Types  
Leverage / Margin  
Short Selling  
Monitoring Your Investment & Portfolio changes  
Futures & Options