Safal Niveshak's Guide to

The Art of Investing

To Your Wealth and Happiness

Vishal Khandelwal (Founder, Safal Niveshak)

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E-604, Neel Sidhi Splendour, Sector 15, Belapur CBD,

Navi Mumbai-400614. Maharashtra. India.

Website: www.safalniveshak.com

Foreword

"I don't invest in stocks. I find investing too risky!" This is a common statement I have heard from many of my friends who are yet to start investing. They feel they are better off without investing in stock market, and staying with the safety of bonds, and (mis-sold) insurance cum investment products like ULIPs.

It really amazes me when such educated people think that investing in stock market is risky. This is especially when they are already taking much bigger risks by listening to their greedy advisors and wasting their money on financial products that are never going to make them any money!

What I tell them is that if investing is risky, so is swimming, crossing the road, riding a bike, and driving a car. With proper training and guidance from our parents, we learn to do these things fairly early in our lives.

But the sad part is that, parents (or schools and colleges) rarely teach children how to treat money – how to save and how to invest. And that is what makes the grown-up children believe that 'investing is risky'!

The truth is that investing is risky only if you are ignorant about the subject and still try your hands at it.
If you do not understand it, or if you aren't properly educated on the risks involved, investing can be incredibly dangerous.

My attempt at Safal Niveshak is to exactly do that – to educate and enrich you with investing wisdom so that you can make your own intelligent and independent investment decisions.

Warren Buffett once said – "Risk comes from not knowing what you're doing." By educating yourself in investing, you will know what you're doing. And that will take away a lot of risk from your investment decisions.

So let's get started…and learn the 'art of investing'.

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Start to Think to Grow Rich

"TRULY, "thoughts are things," and powerful things at that, when they are mixed with definiteness of purpose, persistence, and a burning desire for their translation into riches, or other material objects." ~ Napolean Hill in 'Think and Grow Rich'

Most people just expect success to happen. What they fail to realise is that success comes to those who make it happen – who have a definiteness of purpose, persistence, and a burning desire for success. This is true for your life as it is for your financial well-being.

The secret to financial success is to have a "wealthy mindset" and be prepared to work for it. Wealthy mindset basically refers to the fact that wealthy people think and act differently to the general population.

Here is a table from a book titled "Life's Greatest Opportunity" written by Virend Singh, a leading network marketer who teaches the concept of the wealthy mindset. It helps to highlight some of the common cognitive differences between the rich and the poor.

The Wealthy Mindset	The Poor Mindset
Have a delayed gratification mindset, settling for short-term pain for long-term gain.	Have an immediate gratification mindset settling for short-term gain for long-term pain.
Willing to take risks with the understanding that failure/losing is part of the process of winning. Hence, they are early adapters, taking advantage of a new opportunity before others realise its potential.	The general population avoids risk because of the fear of failure or loss. They wait to see what everybody else is doing, then do the same – by which time it is too late to capitalize on a new opportunity.
Have a positive attitude, using language such as: "If others can do it, so can I." "I'll make time." "What's it worth in the long term?"	Have a negative attitude, using language such as: "I can't, it's too hard." "I don't have time." "I can't afford it – it's too expensive."
Are decisive – They are quick to decide and slow to change their minds. They know that their destinies are shaped in their moments of decision. Indecision leads to in-action which, in turn, leads to unfavourable results.	Are indecisive - they are slow to decide and quick to change their minds because, once they have decided, they start to worry if they have made the right decision. Fear, uncertainty and doubt are inherent in their personality
Seek opportunity. They want to develop, achieve and excel. They do what the majority are unwilling (not unable, just unwilling) to do. They realise that people	Seek security. They desire a safe, secure profession / job, but such a thing is virtually non-existent today, and even if it was, it would provide little

who play it safe continually miss opportunities and seldom make progress.	chance of attaining financial independence.
Take responsibility for their circumstances. They know that "when you choose the behaviour, you choose the circumstances". Hence they create their own circumstances by choosing actions that support their goals. The wealthy mindset attitude is "if it is to be, it's up to me."	Do not always take responsibility for their circumstances. When things aren't as they would like them to be, they sometimes try to justify their situation. Some even blame others – the government, their employer, their teachers, parents/children etc.
Those with a wealthy mindset *make* it happen. They know that success must be summoned; it won't come unbidden. They have plans. They can tell you where they are going and how they are going to get there.	The general population *let* it happen. Many have no definite plans for the future or they simply don't execute their plans, hence they fit into someone else's plans.
Understand and apply the law of 'Cause and Effect' – as you sow, so shall you reap. They know they must give to receive - e.g. one must give respect before they receive respect. One must give value to receive value.	They expect to receive value before they will give value.
Have a sense of urgency. All successful people are driven by sense of urgency to produce results.	They tend to procrastinate. They wait until all the conditions are right before taking action.
Persist until they succeed. Like a child learning to walk, every time they fall down, they get up quickly and keep trying until they get it right.	Quit at the first sign of defeat. As soon as they encounter setbacks, they give up. They say "it's too hard. It hurts too much. I give up"
They are results orientated and perform activities that produce the results they desire, resulting in a high quality of life. They plan their work and then execute this plan.	They are activity orientated, confusing being busy with progress. They are so busy being busy, that they lose sight of what they are trying to accomplish.
Have more money at the end of the month, i.e. they have money left over at the end of the month that they can invest or spend as they wish.	They live from pay cheque to pay cheque. More often than not their money runs out before the end of the month.
Focus on 'quality of life'. They will retire in comfort, maintaining their standard of living and generally enjoying more free time and better than average health.	Focus on 'standard of living'. Some will work their entire life. The majority will find that their standard of living will drop by 40-75%. When they retire they will struggle to make ends meet, depending on welfare or the goodwill of others for their existence.

Do You Have the Wealthy Mindset?

Creating wealth is not something that is typically taught in schools. But while many people dream of becoming wealthy, very few actually take the time to learn the secrets to success or put strategies in place to set themselves up for future financial gains.

Most people just "expect" wealth to happen, what they fail to realise is that wealth comes to those who "make" it happen. If you're willing to learn, here are 4 ways to create a wealthy mindset:

1. **Believe that you can create your own life:** Stop believing, "Life happens to me." If you want to create wealth, it is necessary that you believe that you are at the steering wheel of your life; that you create every moment of your life, especially your financial life. Instead of choosing to play the role of victim, take responsibility for what's going on in your life.

   Here's something I did myself to understand that I am in complete control of my life and future. A couple of years back, for seven days on a trot, I challenged myself not to complain at all, not even in my head. At first, this was difficult, but then with practice, I tuned my mind to 'not complain' and instead believe that I am fully responsible for what is going on in my life. Now it's your time to decide. You can be a victim OR you can be wealthy, but you can't be both.

2. **Play the "money game" to win:** People without the wealthy mindset play the money game 'not to lose'. They play on defense rather than offense. Let me ask you, if you were to play any sport or any game strictly on defense, what are the chances of you winning that game? Most people agree that it's slim or none. Yet, that's exactly how most people play the money game. Their primary concern is defense - survival and security – not wealth and abundance.

   What is your goal? What is your real objective? What is your true intention? Know that if you want to make it big in your financial life, you must be willing to play on the front foot.

   When your objective is to have "enough to pay the bills", that's exactly how much you'll get; just enough to pay the bills and usually not a rupee more. So if you want to get wealthy, your goal has to be "wealthy." Not just enough to pay the bills and not just enough to be comfortable.

3. **Remain committed to being wealthy:** Each of us has a file on wealth in our mind. This file contains our personal beliefs that include why being wealthy would be great. But for many people, their file also includes information as to why being wealthy might not be so great. One part of them says, "Having more money will make life a lot more fun." But then another part screams, "Yeah, but "I'm going to have to work like a dog! What kind of fun is that?" One part says, "I'll be able to travel the world." then the other part responds, "Yeah, and everyone in the world will want

something from me." These mixed messages are one of the biggest reasons that most people never become rich.

I hate to break the news to you, but getting rich is not a "stroll in the park." It takes focus, expertise, 100% effort, and "never say die" perseverance. You have to really commit to it, both consciously and subconsciously. You have to believe in your heart you can do it and you deserve it. If you are not fully committed to creating wealth, chances are you won't.

4. **Get bigger than your problems:** Getting rich is not a stroll in the park. It's a journey that is full of obstacles, twists, and turns. The simple fact is, success is messy. The road is fraught with pitfalls and that's why most people don't take it. They don't want the hassles, the headaches and the responsibilities. In short, they don't want the problems. The secret to success is not to try to avoid or shrink your problems; it's to grow yourself so you're bigger than any problem.

   What's important to realize is that the size of the problem is never the real issue. What matters is the size of you! Remember, your wealth can only grow to the extent that you do! The idea is to grow yourself to a place where you can overcome any problems that get in your way of creating wealth and keeping it once you have it. You have to do something, buy something, or start something in order to succeed financially. You have to see opportunities for profit all around you instead of focusing on ways of losing money.

"The best investment I ever made was the time I invested to learn how the wealthy get that way." - Troy Rocavert.

What's the Point of Saving and Investing?

"Nice to meet you. Just hold on for a second. I need to send an SMS to my husband." My cousin and I stood there waiting. The girl, a manager with a private sector bank, busily tapped out a text message on her new iPhone. She was pretty slow with the typing, but we knew what was going on. She was just showing off her new Rs 30,000 iPhone – hot stuff for Alwar, a small town in Rajasthan where I grew up and which has a relatively middle class population.

We had seen her arrive to the bank with her husband who drove a shiny black and modified SUV. She and her husband were young… probably in their early thirties. As I came to know from her, he was a real estate broker in the town. Even though their income must be down in a weak housing and job market, their spending didn't reflect the crisis.

"What's going on here?" I asked my cousin who was a local. "These aren't the only people out here sporting an iPhone and an expensive car," he told me. "This small town has changed a lot, brother, since you left it 10 years ago. And by the way, who doesn't own an iPhone or a big car these days?" he continued. "In a world of rising incomes, easy loans and EMIs, buying expensive stuff is so very easy. Don't you think?"

Me? I don't have an iPhone…or an SUV. I'm doing well with my old age Nokia and an Alto. But I probably have one thing these habitual consumers don't: The house I live in is fully paid for. Plus I don't have a rupee of debt on my head. I could buy an iPhone or a new car tomorrow. I wouldn't need a rupee of debt to do it. But I won't…Why? Because these expensive things won't add to my assets. They will only add to my liabilities. Also, those things won't make me the slightest bit happier. I'd be the same guy I was before…only Rs 5-6 lac poorer!

You see, I don't try to keep up with my peers – with their swanky phones and cars, and a new higher-paying job every six months. In fact, I'm doing the opposite. I'm downsizing. I'm trying to go minimalist (my society's security guards and the housemaid are happy to get something or the other from my house every day. In their already minimalist life, they need to enjoy some 'stuff').

Think about this…What good are all these possessions, really? You can't take it with you when you die. Instead, the truth about life is that after a while, you don't own your material possessions…they own you. I don't need a big car to claim that 'I have arrived'. It's ridiculous!

Anyways, this brings me to the main idea of this post. What is the reason for all this saving and investing? When you get older (if you're not already older), how is this money that you save and invest now going to serve you?

Jonathan Clements, the much respected Wall Street Journal columnist, who retired in 2008 after writing 1,008 columns for the newspaper, said that your savings can deliver 3 key benefits:

1. If you have money, you don't have to worry about it.
Well, this isn't something that is guaranteed. I've seen a lot of rich men who are always worried about their finances. However, the real idea is that if you save and invest diligently, you should reach the point where money worries are relatively rare.

2. Money can give you the freedom to pursue your passions.
When you picture your financial independence, what do you see? Enjoying your life to the fullest given that you've ensured that your family's needs have been taken care of? Seeing around the world? Working on a cause you are passionate about?

Saving and investing can help you achieve complete mukti (freedom) from all your financial worries, so that you can attain complete peace of mind and pursue your passions.

3. Money can buy you time with friends and family.
What are we all living for? When I used to work at a job, the best part of my waking hours was when I came home at night…to my family. Now I stay with them 24×7 while also taking care of them financially.

Research has found that regularly being with your friends and family can provide a huge boost to your happiness. And money can help you in this regard. If you don't need to work or you only work part time, it helps you spend more time with your family and friends, go on regular vacations with them, and spend other quality time in their company.

Anyways, as Clements also said, you don't usually need millions of rupees in your bank account to spend time with friends and family or pursue your passions. But in order to get there, the girl I met in that private bank in Alwar needs to skip out on her flashy mobile and glitzy car. The quicker she grasps this about saving versus spending, the quicker she'll be able to start living like a free bird… even if she doesn't have many millions of rupees in her bank.

So if you are disgruntled with how your financial life is going, here's my advice…

Forget spending more money at the mall – and instead spend more time with friends while saving and investing money regularly. At the end of it, your bank account may still seem inadequate, but your life will be far, far richer.

That's the entire point of saving and investing.

Investor, Mind Your Behaviour!

Were you ever punished in school for not behaving properly in the class? If you are like me, you must have experienced the happiness (mixed with some embarrassment) of being an 'out-standing' student on a regular basis! But then, you must have behaved well after that punishment. Sometimes I wonder if we as adults were always guided and punished by our teachers for all our mistakes and mindless behaviour. Growing up and moving out of school gives us a lot of freedom to behave the way we want to. But then, for some of us, it becomes a license to behave any which way…even at the cost of our own peace, and money.

Talking about stock markets, the pundits will tell you that to learn to invest, you need to read the theory books. You need to understand complex accounting. You need to know the jargons, the P/E, the EV/EBDITA, the SOTP. What these pundits however fail to tell you is that before you get to all that investing theory, you need to work on the practical. You need to study 'yourself'…your behaviour.

We are who we are…

…but our behaviour shapes us. And as human research suggests, 70% of our behaviour is shaped by our experiences (the remaining 30% by our genes). This implies that whatever we have learnt about saving and investing from our parents doesn't matter that much. What matters is what we have experienced ourselves in our lives and professions.

The brain is a leaking boat

We call ourselves rational beings. The truth is that we aren't rational but rationalising beings. The brain that sits on the top of our head isn't a flawless machine. Yes, it is powerful. But it has its weaknesses. In everyday terms, we call such weaknesses as 'biases'. The good part is that while we cannot exchange our brains with other people nor can we upgrade it at a hardware shop, we can avoid mistakes that our biases cause by just taking notice of them. It's just like getting into a boat. Before getting in, you would want to know about any holes in it before you start paddling. Right?

Biases are such holes in our brain's reasoning abilities. And these biases can damage our decision making. Here are five most common biases that we carry with us, and which can really have a negative impact on our decision making capabilities, including the way we invest in stocks.

1. Overconfidence: Answer this simple question – "Which is the world's only officially Hindu country?" India? Sure? Confident? Over-confident? Sorry, but you are wrong! It's Nepal. Now tell me – "Are you sure the stock you just bought will go up?" See, you are again getting over-confident!

2. Confirmation bias: You can call it 'wishful thinking'. Confirmation bias appears when you see what you want to see. It's a bias that makes you notice and look for information that confirms your existing beliefs, whilst ignoring anything that contradicts those beliefs.

3. Availability bias: More people are killed every year from attacks by donkeys and by drowning in swimming pools than those who die in car accidents or plane crashes! But just after a plane crash, we give more prominence to those killers than anything else. So what is the reason for that? The answer lies in 'availability bias', which is a phenomenon in which people predict the frequency of an event based on how easily an example can be brought to mind.

4. Framing: You may think it's fine to eat a burger that is 90% fat-free. But when you turn it around and think of it as a burger that's 10% fat, you may think twice about eating it. That's what 'framing' does to you – how you say and hear things makes a good impact on how you respond or act. In investing, a 50% loss hurts more than the pleasure from a 50% gain.

5. Herding: When in doubt, follow! This is what the herding bias tells us. We are programmed to feel that the consensus view must be the correct one. This mistaken belief that 'not everyone can be wrong' has led to many a disastrous decision. The Great Depression of 1920-30s, the dotcom boom of 1999-2000, and the more recent financial crisis are the most famous examples of how investors have lost big time by doing what everyone else was doing.

Know the holes, and fill them

Simply noticing the holes in a boat won't save you from drowning. A boat will fill with water whether you are aware of a hole or not. But by being aware of the holes you can devise methods to patch them up. In the same way, if you know how your biases can hurt you, you will take precautionary action to safeguard yourself from them. So just be aware of yourself…and mind your behaviour.

5 Steps to Creating a Personal Investment Strategy

If you have been with Safal Niveshak for long, you know that my core idea here is to NOT enforce upon you what 'I believe is the right way of investing'…because there's no right or wrong way of investing. Instead, my idea is to help you understand 'yourself' better…so that you can frame your own investment strategy – one that is highly personalized to your style, habits, and what keeps you awake at night.

In effect, I am just acting as a facilitator to guide you towards self-realization as an investor. This post works in that very direction – to help you with some simple questions you must answer to better understand the kind of person you are…so that you can develop a personal investment strategy. You see, there are basically three aspects that can help you create a personal investment strategy:

- Your personal tolerance for risk
- Your financial goals
- Your time horizon

All the points we discuss below will revolve around these very aspects. So let's get started.

5 steps to create a 'personal' investment strategy

These five steps are basically five critical questions that you must answer to formulate a personal investment strategy

Step 1: Am I a stock or a bond?

I ask this question again and again on Safal Niveshak. And this is the first question you must ask yourself while devising your personal investment strategy – "Am I a stock or a bond?" You are well aware of the fact that a stock is a share in a company, and thus its performance is dependent on how the company's business does. In short, a stock's future performance is unpredictable. This is because it is backed by a company that has inconsistent earnings (in most cases) and subsequently inconsistent performance.

You also know that a bond is much safer than a stock as it 'guarantees' a regular income (in the form of interest) and a confirmed payout at the end of a predefined time.

So coming to the question "Are you a stock or a bond?"…the answer lies in understanding yourself – your life, and your career. You are a bond if you have a stable job that is unaffected by the volatility of the stock markets. And you have many years left to work. So to balance out, you should have a higher proportion of your savings invested in more aggressive investments like stocks and equity mutual funds.

On the other hand, you are a stock if you have little years of work ahead of you, or if you work in a volatile and unpredictable field that could decline quickly with little notice (like the stock markets itself!). So to balance out, you should have a higher proportion of your savings invested in less aggressive investments like bonds and fixed deposits.

What this stock/bond question answers is how you look to the idea of integrating your 'human capital' with your 'financial capital'. It answers how you can integrate your work outlook into your investing plan. And since each person has a different kind of 'human capital', the answer to the question of how much one should invest in stocks and bonds differs from person to person.

Step 2: How strong am I emotionally?

We humans have a terrible design flaw. When it comes to investing, we aren't just built for it. We have a tendency to see order in randomness. We find patterns where none exist. While this trait might have helped a baby recognize its parents (thereby improving the odds for its survival), seeing patterns where none exist is harmful when it comes to investing.

Investing is a game of emotions – the less emotional you are, the better will be your long-term performance as an investor. So when someone asks me – "Do you think I should invest in stock markets?" – I ask back – "How strong are you emotionally?"

If you count 'patience' among your strengths, you are well-suited to long term investing where patience will earn your great returns. But if you are a nervous wreck – which I was till a few years back – you will be safe staying in the company of bonds, fixed deposits etc. But whatever you do as an investor, never try to go against your basic nature. Never try to suppress the real 'you' or you might end up with demoralizing results.

Step 3: How much risk am I willing to take?

Even after you know whether you are a stock or a bond, or how strong you are emotionally, you must also know your 'willingness' to take on risks that come with certain investments (like stocks and mutual funds).

One key factor that defines the level of risk you can take is your level of understanding about various investment options available. So while I might claim to be an expert on stock markets, my level of understanding on other avenues like fixed income and debt might be extremely weak. This is also true for you. Being a banker, you might know more about banking stocks than a fund manager managing a banking fund.

Or having burnt your fingers in dud equity funds (and 95% of them are real duds), you might believe investing in index funds is a safer strategy (which I believe is perfectly alright based on how you perceive things, though personally I have my reservations about index funds). So you need to be very clear about the level of risk you are willing to take, and about the type of investments that suit your risk profile.

Step 4: What are my life goals and when are they due?

This is a very important question in the preparation of your personal investment strategy. You must be very clear of what your financial goals are and when are they due. In other words, your investment choices must always be driven by why you need the cash for and when.

So if you are looking to accumulate money to send your child for higher education in 3-5 years, allocate just a marginal amount of money (say around 10-20%) to stock markets. Keep the rest of your capital ultra-safe – bonds, FDs, liquid funds, etc. On the other hand, if your financial goal – like child's education or buying a house – is 10-15 years away, employing a large portion of your savings in stock market is a 'safer' strategy than keeping them in bonds and FDs.

The thing is that the longer your investment horizon, the lesser you must worry about the short-term fluctuations in stock prices. After all, in the stock market, return and time are painstakingly related.

Step 5: How much can I afford to invest?

The answer is – You should only invest money you can afford to lose. A more constructive way to consider it is: "If I lost this money, would it affect my day-to-day life or expenditure?"

So the first thing to do before you start investing is to repay all your debts – at least ones that need to be repaid in the next 2-3 years. You also need some money for the proverbial 'rainy day'. A sensible rule of thumb is to set aside enough money for 8-10 months' expenditure in a high-interest savings account.

But you may feel happier setting aside more money if, for example, you have a number of dependents. After you do this i.e., repay your short term debt and create an emergency fund, start investing for wealth creation to meet your long term goals.

Why you need a personal investment strategy?

If there's one certainty about investing, it's the certainty of losing money by randomly picking investments on a whim. You are a very rare investor if you can consistently pick great investments solely through gut feel or intuition.

Alternatively, forming a set of sensible guidelines and having the discipline to stick to them should keep you involved in investments that are more suitable for you.

Whether it's considering companies of a certain industry (your circle of competence), or keeping to index funds, remaining with what you know best and feel comfortable with should limit any investing heartache.

Always remember one thing – You can win the investing game only when you play according to your own rules…and not those set by a maverick, like the one you know as Vishal Khandelwal.

You must also remember that however hard you try to win the investing game, you will still fall several times in your journey.

Of course, I'll always be there to try and sort out matters for you…but I can only help you identify the stumbling stones where you can fall, so that you get 'less' hurt than most other investors.

I hope that sounds fine. What do you say?

7 Simple Steps to Planning Your Financial Life

Step 1: Spend less than you earn. In short, save some money every month.

Step 2: Create an emergency fund. The fund should ideally be around 6-10 months of your household expenses.

Step 3: Buy medical insurance. Health is wealth, but bad health must not destroy your wealth.

Step 4: If you have dependents, buy term insurance. No ULIP, no Endowment, no Money-Back, no Child Plan…just term insurance.

Step 5: Divide your financial goals into "less than 5 years" and "more than 5 years" and allocate your investments based on the duration of your goals:

- For money required in less than 5 years (like for debt repayment, child's education fee, foreign holiday, new car purchase), allocate your investments among "stocks plus equity mutual funds" and "bonds plus other capital-protection investments" in a ratio of 30:70.
- For money required in more than 5 years, allocate your investments among "stocks plus equity mutual funds" and "bonds plus other capital-protection investments" in a ratio of 70:30.

Step 6: Write a Will. If you don't want to leave you family in the lurch after you're gone, write a Will. It's much simpler than what you could imagine.

Step 7: Review your financial goals and investments every 6 months. Review to check if all is well, not to change everything that has already been done.

Asset Allocation: What You've Been Told All These Years…is All Wrong!

A time-honoured investment rule is that your asset allocation should mirror your age. So, you should allocate your money into stocks and bonds in a ratio of 60:40 at age 40, 40:60 at 60 and so on.

Ask any stock market expert or financial advisor for a proper allocation of your money, and he will tell you that you must simply subtract your age from 100 and invest that must proportion of money into stocks, and the rest into bonds or other safe instruments.

So if you are 25, you are advised to invest 75% (100-25) of your money into stocks. And as you age, your stock allocation must come down while that of safe investments like bonds must rise.

On the face of it, this logic of increasing an allocation to less-risky, less-volatile bonds as one gets older seems convincing.

As investors approach and enter retirement, their ability to earn their way out of a stock-market plunge evaporates. So does their ability to outlive a market decline.

So what is wrong with the allocation rule and the advice based on it? Plenty! Like many investment rules, this one strikes me as grossly simplistic at best, and dangerous at worst.

Why Benjamin Graham mocked such an allocation

The most striking thing about the father of value investing Ben Graham's discussion of how to allocate your assets between stocks and bonds is that he never mentions the word 'age'.

This is what sets his advice firmly against the winds of conventional wisdom – which holds that how much investing risk you ought to take depends mainly on how old you are.

Unless you've allowed the proponents of this advice to subtract 100 from your IQ, you should be able to tell that something is wrong here.

Why should your age determine how much risk you can take?

A 90-year-old with Rs 10 crore in his bank account, a big enough house, and a gaggle of grandchildren would be foolish to move most of his money into bonds. He already has plenty of income, and his grandchildren (who will eventually inherit his stocks) have decades of investing ahead of them.

On the other hand, a 25-year-old who is saving for his higher education and a house down payment would be out of his mind to put all his money in stocks. If the stock market takes a nose dive, he will have no bond income to cover his downside – or his backside.

What's more, no matter how young you are, you might suddenly need to move your money out of stocks not 40 years from now, but 40 minutes from now.

Without any warning, you could face troubles in your life – like losing your job, getting divorced, becoming disabled, or suffering who knows what other kind of surprise.

The unexpected can strike anyone, at any age.

As such, everyone must keep some assets in the riskless haven of cash.

Also, as I've seen over the past many years, many people stop investing just because the stock market goes down.

When stocks are going up 30% or 40% a year, as they did between 2003 and 2008, it's easy to imagine that you and your stocks are married for life.

But when you watch every rupee you invested getting crushed, it's hard to resist moving into the 'safety' of bonds and cash. Because so few investors have the guts to cling to stocks in a falling market, Graham insists that everyone should keep a minimum of 25% in bonds (or other similar safer instruments).

He argues that such a cushion will give you the courage to keep the rest of your money in stocks even when they are sinking.

4 Time-Tested Rules of Asset Allocation

Rule 1: If you need the money in the next year, it should be in cash.

You don't want the down payment for your home to evaporate in a stock market crash. So keep it in a savings or liquid account.

Rule 2: If you need the money in the next 1-5 years, choose safe, income-producing investments such as fixed deposits, bonds, recurring deposits.

Whether it's your kid's college money or the retirement income you'll need in the not-so-distant future, stay away from stocks. Shop around for the best rates; your local bank may not offer the best deal.

Rule 3: Any money you don't need within the next five is a candidate for the stock market.

Rule 4: Always own stocks.

Over the long term, equities are the best way to ensure that your portfolio withstands inflation and your retirement spending. According to Jeremy Siegel's Stocks for the Long Run, since 1802 stocks outperformed bonds in 69% of rolling five-year investing periods (1802-1807, 1803-1808, etc.). The percentage of the time that stocks whoop bonds only improves as you look over a longer horizon.

Holding Period	Stocks Outperform Bonds
3 Year	67%
5 Year	69%
10 Year	80%
30 Year	99%

Data from Stocks for the Long Run, by Jeremy Siegel.

Risk drives return

Most people base their investment strategies on the returns they want, but they have it backward. Instead, focus on managing risk and accept the returns that go along with your tolerance for it. It'd be great if we could get plump returns with no risk at all. But to achieve returns beyond a minimal level, we have to invest in things that involve some possibility that we'll lose money.

So ask yourself: What would you do if your portfolio dropped 10%, 20%, or 40% from its current level? Would it change your lifestyle? If you're retired, can you rely on other resources such as pensions, or would you have to go back to work (and how would you feel about that)? Your answers to those questions will lead you to your risk tolerance. The lower your tolerance for portfolio ups and downs, the more bonds you should hold in your portfolio. As an extra aid in determining your mix of stocks and bonds, consider the following table, from William Bernstein's The Intelligent Asset Allocator:

I can tolerate losing ___% of my portfolio in the course of earning higher returns	Recommended % of portfolio invested in stocks
35%	80%
30%	70%
25%	60%
20%	50%
15%	40%
10%	30%
5%	20%
0%	10%

So, according to Bernstein, if you can't stand seeing your portfolio drop 20% in value, then no more than 50% of your money should be in stocks. Sounds like a very good guideline to us.

Action: Determine how much you should invest in stocks. Just use Bernstein's table above. And remember that our appetite for risk changes depending on current market and personal circumstances. So err on the conservative side if you're taking this quiz during a bull market (and vice versa).

Have You Passed the "Mirror Test" of Investing?

"Is Infosys a good investment?" isn't the first thing you must inquire about a stock. Instead, before you even think of buying a stock, look at the mirror and ask these 3 questions:

1. **Do I own a house?**

You can buy a house for 20% downpayment. Even if your house price rises by just 5% per year, you are making 25% returns on your downpayment! Plus the interest on your loan is tax-deductible. Do that well in the stock market and eventually you'd be worth more than Warren Buffett!

2. **Do I need money?**

Don't invest in stocks if:

- You need the money in less than 3 years.
- You're an old person who needs to live off a fixed income
- You're a young person who has large expenses like house down-payment, education fee, marriage costs etc. just round the corner.

Stocks are relatively predictable over 10-20 years. As to whether they're going to be higher or lower in 2-3 years, you might as well flip a coin to decide. Only invest what you could afford to lose without that loss having any effect on your daily life in the foreseeable future.

3. **Do I have the personal qualities that will bring me success in stocks?**

For success as an investor, you must possess qualities like:

- Patience
- Self-reliance
- Common sense
- Tolerance for pain
- Open-mindedness
- Persistence
- Humility
- Flexibility
- Willingness to do independent research
- Willingness to admit to mistakes
- Ability to ignore general panic

If your overall answer to the 'Mirror Test' is negative, your only hope for increasing your net worth may be to adopt J. Paul Getty's surefire formula for financial success: "Rise early, work hard, strike oil."

Making of a Stock Picker

There is no such thing as a hereditary knack for picking stocks. There was no ticker tape above the cradle of Warren Buffett or Peter Lynch.

Studying history and philosophy is a much better preparation for the stock market than studying math or statistics. Investing in stocks is an art, not a science, and people who have been trained to rigidly quantify everything have a big disadvantage.

If stock picking can be quantified, you could sit at your home PC and make a fortune. But it doesn't work that way. All the math you need in the stock market, you get in the fourth grade.

Logic is the subject that has helped me the most in picking stocks, if only because it taught me to identify the peculiar illogic of the stock market experts.

As Peter Lynch wrote in his One Up on Wall Street, "Stock market experts think just as the Greeks did. The early Greeks used to sit around for days and debate how many teeth a horse has. They thought they could figure it out by just sitting there, instead of checking the horse.

A lot of investors sit around and debate whether a stock is going up, as if the financial muse will give them the answer, instead of checking the company.

You don't have to invest like a fund manager. If you invest like a fund manager, you are doomed to perform like one, which in many cases isn't very well."

So if you're a banker, software engineer, a high school dropout, or a retiree, then you've got an edge already. That's where the 10-baggers come from.

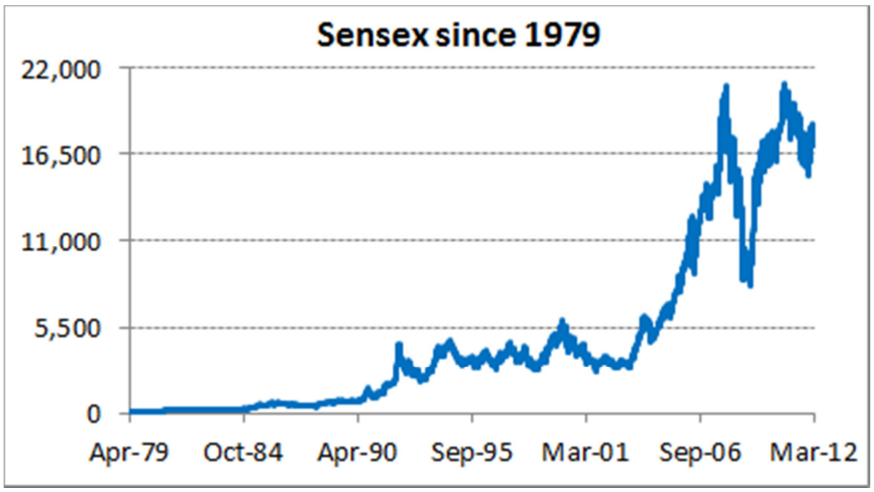
Here is why you have an edge over the fund manager:

- When you invest, there's no one to criticize your monthly or quarterly performance, or to grill you as to why you bought Voltas instead of Blue Star.
- You don't have to spend a quarter of your waking hours explaining to a colleague why you are buying what you are buying.
- There's nobody to chide you for buying back a stock at Rs 100 that you earlier sold at Rs 70. Fund managers can never do that, or they would be out of their jobs!
- When nothing seems attractive or when everything seems dangerous, you can avoid stocks altogether and wait for a better opportunity. Fund managers don't have this luxury.
- You can buy small cap stocks when they are small caps.

But why invest in stocks?

Andrew Mellon said, "Gentlemen prefer bonds."

But in spite of crashes, depressions, wars, recessions, ten different coalition parties at the centre, stocks in general have returned 16% on an average for the past 33 years. Where could you have earned such long term returns?



Data Source: Ace Equity

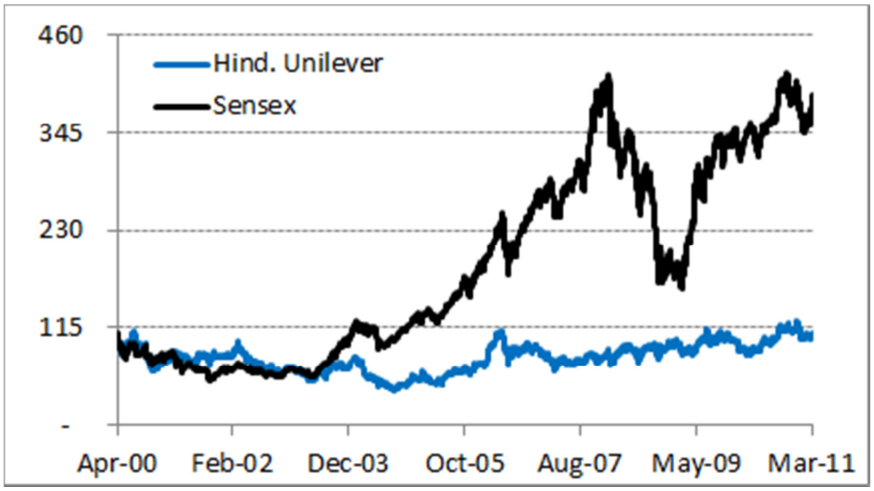
In stocks, you've got the company's growth on your side. You're a partner in a prosperous and expanding business. In bonds, you're nothing more than the nearest source of spare change.

What about the risks?

Of course, stocks are risky! Nowhere is it written that a stock owes us anything, as it has been proven on hundreds of sorry occasions.

Even blue-chip stocks held long term, supposedly the safest of all propositions, can be risky.

HUL, one of the safest companies in India, between Apr-2000 to Apr-2011, generated 0% returns to shareholders!



Data Source: Ace Equity

Buy the right stocks at the wrong price at the wrong time and you'll suffer great losses. Buy the wrong stocks at the right time and you'll suffer more of the same.

An investment is simply a gamble in which you've managed to tilt the odds in your favour.

By asking some basic questions about companies, you can learn which are likely to grow and prosper, and which are unlikely to grow and prosper, and which are entirely mysterious. 6 out of 10 is all it takes to produce an enviable record as an investor.

The greatest advantage to investing in stocks, to one who accepts the uncertainties, is the extraordinary reward for being right.

The World of Stock Picking

How to Generate Stock Ideas

There are many ways to come across potential investment ideas. The three steps I use in generating ideas are:

1. Compile a List of Companies
2. Realize Your Circle of Competence
3. Compare Companies

1. Compile a List of Companies

To gather a list of companies that may be great value ideas, you may have to look in various places. These places are infinite, but the more you dig, the more you may find. Here are several areas to look in:

- General Observations (new products, products that you use, etc.)
- 52-Week Low Lists
- Company Screens (Ace Equity, CMIE Prowess)
- Industry Outlooks
- IPOs
- Bankruptcies (CDR)
- Best Businesses (Forbes lists, great businesses by discovery, etc.)
- Business Media (newspapers, publications, magazines, etc.)
- Blogs

2. Realize Your Circle of Competence

Once you look for potential investments in all or some of the categories mentioned above, there are usually still hundreds of stocks to sift through. It is impossible to do an in-depth analysis on each of them, there just isn't enough time.

The second step is realizing what your "circle of competence" is – or what industries do you know? Everyone has certain industries which they know better than others. The difficulty is to realize what you are good at and what you can improve upon.

For example, if you have no idea how to value or do not understand how financial institutions work, then you can throw out all financial institutions that show up in your List of Companies. This method will get rid of many of the companies on your list that you do not have enough in-depth industry knowledge about.

3. Compare the Companies

The third step should be another screen on the companies in your circle of competence. Perhaps comparing competitive advantages, margins, ratios, multiples, and quick income, market, and cost approach valuations to competitors, the market or other industries.

This should narrow your pool of possibilities down to a more manageable scale. I prefer to scale down to just 10-15 of my best investing ideas.

Once you have compiled your 10-15 best investment ideas, you can move on to assessing risk for each of these companies.

Analyzing Stocks: Homework

Even when a stock/company has come to your attention, the discovery is not a buy signal. Just because L&T has big orders in hand or Pantaloons' stores are always crowded doesn't mean you ought to own these stocks. Not yet! What you've got so far is simply a "lead" to a story that has to be developed.

You need to do the "homework", which is one of the most important steps in your entire investment strategy.

For some reason, the whole business of analyzing stocks has been made to seem so mysterious and technical that normally careful consumers invest their life savings on a whim.

The same couple that spends the weekend searching for the best deal on airfares to London buys 500 shares of Kingfisher Airlines without having spent 5 minutes learning about the company!

I. Size of the company

Well-managed mid and small companies are more likely to make you more money in the stock market than big companies.

II. 5 Categories of Companies

Here are 5 main categories of companies as per Peter Lynch's One Up on Wall Street:

1. **Slow growers**
    - Large and aging companies
    - Expected to grow just slightly faster than GDP
    - They were fast growers once, but grew too big or got too tired
    - Generally pay generous and regular dividends
    - HUL, Colgate, Nestle

2. **Stalwarts**
    - Not agile, but faster than slow growers
    - Offer pretty good protection during recession and hard times
    - 50-60% return in 2-3 years is good enough from these
    - Infosys, Titan, Marico, Asian Paints, L&T, Hero Honda

3. **Fast growers**
    - Mid and small in size, aggressive
    - Land of 10 to 100-baggers

- Plenty of risks – sometimes get overzealous and underfinanced
- Look for good balance sheets and ones that make substantial and consistent profits
- Trick is to figure out when they'll stop growing, and how much to pay for growth

4. Cyclicals

- Sales and profits rise and fall in regular if not completely predictable fashion
- Coming out of a recession, cyclicals flourish
- Buy cyclicals in the wrong part of the cycle and see immense wealth destruction
- Most misunderstood of all types of stocks
- Timing is everything in cyclicals
- You have an edge if you have the business knowledge
- Tata Motors, Ashok Leyland, Tata Steel, Hindalco

5. Asset plays

- Companies that are sitting on something valuable – like land, mines, or pile of cash
- GE Shipping, LMW, Bharat Electronics

Companies don't stay in the same category forever. But it's important for you to decide which category a company belongs to when you are studying it. This is the first step to developing a story.

The next step is filling in the details that will help you guess how the story is going to turn out.

Getting the story on a company is a lot easier if you understand the basic business. That's why I'd rather invest in a company that makes watches or car batteries than in one that makes communication satellites. When someone says, "Any idiot can run this business," that's a plus for you because sooner or later any idiot is probably going to be running it.

If it's a choice between owning stock in a…

- Fine company with excellent management in a highly competitive and complex industry, or
- Boring company with average management in a simple industry with no competition

…I'll take the latter.

III. Stocks to Avoid

- Hottest stock in the hottest industry
- The 'next' something

- Diworseification
- Whisper stock
- Stock with an exciting name

IV. Steps in Studying a Company

- Call the company – talk to the investor relations – companies are mostly honest with investors
- Visit the headquarters
- Kick the tires (Visit malls, market places etc. to know how products are selling)
- Read the annual report
  - Financial statements & Schedules
  - Management's assessment of the past and future
  - Chairman's letter

V. Magic Numbers

- Percent of sales (how much does the best-selling product(s) contribute)
- Cash position (net cash)
- Debt position
- Dividend
- Cash flow
- PAT
- Working capital
- Return on equity & invested capital
- P/E Ratio

VI. Assessing Risk

You have to perform a thorough analysis of the risks of the company. In general, we reduce our risk by:

1. Buying a strong company;
2. Buying with a Margin of Safety; and
3. Assessing company-specific risks.

Business Strength

The only thing that determines whether a business is strong is how much cash it is able to generate. No company has never went out of business for generating too much cash. To increase a company's ability to generate cash, it is better to have:

1. A durable competitive advantage;

2. Favorable long-term prospects;
3. Historical cash generation (Owner's Earnings);
4. High historical cash returns on invested capital;
5. High historical profit margins;
6. An acceptable amount of debt; and
7. Managers that are candid, leaders and not followers, and focused on shareholder value.

Company-Specific Risks

To assess other risk factors you must, as Bruce Berkowitz describes, find "ways to kill the company."

What are the various ways we can destroy the company?

- Competitors;
- A crippling law suit;
- Lack of cash generation;
- Inability to meet debt obligations; and
- Many, many more.

Run through all of these potential scenarios and decide which are plausible - think of worse case scenarios of events that can happen to the company. For the scenarios that have a high plausibility, you may either decide to not invest in the company, apply a higher discount rate, or require a larger margin of safety for the uncertainties that may affect the company in the future.

After you filter out the companies that fit your investment criteria, you can incorporate this analysis into the next step, Valuation.

VII. Valuations & Intrinsic Value Calculations

A stock is not a piece of paper but a share in a business. So it is important to compare a stock's price with the company's business value (and not with anything else, ever!) to ascertain whether it is cheap or expensive as compared to another stock, and also in isolation.

The Rs 50 stock might be backed by a business whose value is Rs 25 – thus a price-to-value of 2 times (50 divided by 25). On the other hand, the Rs 500 stock might be backed by a business whose value is Rs 1,000 – thus a price-to-value of just 0.5 times (500 divided by 1,000). What this means is that the first stock is priced at 2 times the business value, while the second stock is priced at thus 0.5 times (or 50%) the business value.

Now, which is cheaper? The Rs 50 stock, or the Rs 500 stock? Based on this short analysis, the Rs 500 stock definitely looks cheaper. Isn't it? Anyways, the idea of this discussion is to bring to light the key investing concept of 'intrinsic value'. In simpler terms, you can also call it the 'core business value'. So, why you should calculate intrinsic value?

You need to calculate the intrinsic value because you must not buy any stock at any price. The price you are paying is the ultimate determinant for the rate of return that you'll be earning from a stock. The higher the price you pay for it, the lower will be your return. As simple as that!

And that is why you need to know how much a stock is really worth. Once you know its intrinsic value, you can identify if the stock is trading cheap or expensive. A very high stock price as compared to the business' intrinsic value means that the stock is expensive (like our first stock above). And a low price as compared to the intrinsic value means that the stock is cheap (like the second stock as discussed above).

These are general rules of thumb. We will understand the specifics of how much price to intrinsic value makes a stock cheap or expensive in the next three lessons. And we will also study the different ways you can calculate the intrinsic value of a stock.

But for starters, remember that intrinsic value is an estimate rather than a precise figure. And it is an estimate that must be changed with changes in the variables that are used to calculate it.

Here are 4 common ways of calculating a firm's intrinsic value:

1. P/E
2. P/BV
3. DCF
4. EPV

You can find detailed explanation of these methods in Lessons 6, 7, and 8 of Safal Niveshak's Value Investing for Smart People Course (Check this page – http://www.safalniveshak.com/value-investing-smart-people).

VIII. Analyze the Management Quality

Return on equity or ROE is a great overall gauge of a company's profitability, because it measures how efficient the company is at earning a decent return on shareholder money.

Warren Buffett says: "The primary test of managerial economic performance is the achievement of a high earnings rate on equity capital employed (without undue leverage, accounting gimmickry etc.)...."

[To calculate return on equity, divide net income (from the income statement) by owners' equity (from the balance sheet)]

As a rule of thumb, firms that are able to consistently post ROE above 15% are generating solid returns on shareholder's money. And if you can find a company with the potential for consistent ROEs over 20%, there's a good chance you're really on to something.

[Note: The long-term average return on equity of an Indian business is around 15%]
There are 3 levers that can boost ROE -- net margins, asset turnover, and financial leverage [i.e. taking on debt].

Unlike net margin and asset turnover -- for which higher ratios are almost unequivocally better -- financial leverage is something you need to watch carefully. As with any kind of debt, a judicious amount can boost returns, but too much can lead to disaster.

Buffett says: "Good business or investment decisions will produce quite satisfactory economic results with no aid from leverage. Furthermore, highly leveraged companies are vulnerable during economic slowdowns."

Another indicator of good management quality is profit margins.

High profit margins reflect not only a strong business, but management's tenacious spirit for controlling costs. Over the years, Buffett has observed that companies with high-cost operations typically find ways to sustain or add to their costs, whereas companies with below-average costs pride themselves on finding ways to cut expenses.

Peter Lynch suggests, "There's not much to be gained in comparing pretax profit margins across industries, since the generic numbers vary so widely. Where it comes in handy is comparing companies within the same industry.

[To calculate pretax profit margin, take annual sales (from the income statement) and subtract all costs, including depreciation and interest expenses to get income before tax. Then divide income before tax by net sales (a.k.a., net revenue) to get pretax profit margin].

IX. Checklists for Buying Stocks

Here are some great checklists for buying stocks, as discussed in Peter Lynch's One Up on Wall Street.

Stocks in General

- The P/E ratio. Is it high or low for this particular company and for similar companies in the same industry?
- The percentage of institutional ownership. The lower the better.
- Whether insiders are buying and whether the company itself is buying back its own shares. Both are positive signs.
- The record of earnings growth to date and whether the earnings are sporadic or consistent.
- Whether the company has a strong balance sheet or a weak balance sheet (D/E) and how it is rated for financial strength.
- The cash position.

Stalwarts

- These are big companies that aren't likely to go out of business. They key issue is price, and the P/E ratio will tell you whether you are paying too much.
- Check for possible 'diworseifications' that may reduce earnings in future.
- Check the company's long term growth rate, and whether it has kept up the same momentum in recent years.
- How the company fared during previous recessions and market drops.

Slow growers

- Since you buy these for the dividends, check to see if the dividends have always been paid, and whether they are routinely paid.
- When possible, find out the percentage of the earnings being paid out as dividends. If it's low, then the company has a cushion during hard times. If it's higher, then it's doubtful that the company can continue paying the dividends.

Cyclicals

- Keep a close watch on inventories, and the supply-demand relationship. Watch for new entrants into the market, which is usually a dangerous development.
- Anticipate a shrinking P/E multiple over time as business recovers and investors look ahead to the end of the cycle, when peak earnings are achieved.
- If you know your cyclicals, you have an advantage in figuring out the cycles. The worse the slump in the cycle, the better the recovery will be. Vice versa.

Fast growers

- Investigate whether the product that's supposed to enrich the company is a major part of the company's business.

- What the growth rates in earnings has been in recent years. Good ones are in the 20-25% range. Be wary of companies growing faster than 25%. Those 50% usually are found in hot industries!
- Is the stock selling at P/E ratio at or near the growth rate? In fair valuation, the P/E should be the same as the earnings growth rate.
- Whether the expansion is speeding up or slowing down. For companies selling products which customers buy only once (automobiles), a slowdown can be devastating. Not so much for companies selling product which customers have to keep buying (FMCG).
- That few institutions own the stock and only a handful of analysis ever heard of it. With fast growers on the rise this is a big plus.

Asset plays

- What's the value of the assets? Are there hidden assets?
- How much debt is there to deduct from these assets? Creditors will get the share first.
- Is the company taking on new debt, making the assets less valuable?
- Is there a raider in the wings to help shareholders reap the benefits of the assets?

How to Know if Your Company is the Next Kingfisher Airlines?

Succeeding in our professional and personal lives requires tremendous confidence. Our natural desire to be highly confident, however, leaves us at risk of becoming overconfident, which may be the biggest error of judgment that we make. It is when false confidence drives overconfidence that we become susceptible to hubris.

Such hubris is commonly seen across people in power – like corporate CEOs or Chairmen. In fact, according to researchers, the most reliable indicator of financial fraud is not good corporate governance practices, but rather, the ego of the chief executive.

A CEO's hubris fuelled by overconfidence and arrogance is what ignites and accelerates the propensity of his senior managers to commit, or be oblivious to, value destroying behaviour.

You've heard the story of 'King of Good Times'…

Take the case of Kingfisher Airlines (KFA), where chief Dr. Vijay Mallya is busy firing salvos at everyone (except himself) for the destruction that has happened at his airline company.

If you've heard Mallya's sound-bites over the past few days and weeks, you must've sensed his ego (and a lot of it) playing out through his words. Like, when he said…

- Closing down is not an option. It will not happen!
- Why should we give up as long as we get help? Help is not bailout. (This was really funny!)
- The entire problem surrounding the issue of bailout is of the "media's making".
- We were the biggest and the best. We may not be the biggest now but we remain simply the best for our guests.

Amazing, isn't it? A man, whose ego first drove him into a business that is notorious for destroying wealth worldwide, and then led the business to actually destroy wealth by pursuing over-the-board growth targets, still dares to come on media and say why he believes he's right and the world's wrong!

After huge losses, mounting dues to banks, thousands of harassed customers, and huge destruction in shareholder wealth, KFA is still attempting to keep its head above water in what appears to be a losing battle…all because Mr. Mallya is seeing some 'light at the end of the tunnel'!

But where's the light for minority investors?

Who cares about minority investors when it comes to financial frauds (I couldn't find a better word) like the one at KFA? Not CEOs! A majority of them anyways work to fulfill their 'personal dreams' and satisfy their 'bloated egos'.

What about the regulator? You've got to be joking. After all, if you want to risk your money on the equity markets, it's your problem. Whether it's a 'vanishing' company or one that is looking to survive on bailout money (sorry, not bailout…'help' is the right word!), it does not make too much of a difference.

It's really 'your' problem – the problem of the investor who's made the choice of buying and holding the stock. You have no one else but yourself to blame if you are stuck with stocks like KFA, or for that matter a Suzlon or SKS Microfinance that we'd covered earlier.

"But how do I identify a financial fraud?"

Well, one way is to pull out the company's last 5 years' annual report. The debt/equity ratio (from the balance sheet) and the operating cash flow (from the cash flow statement) will give you a lot of hints if the company is 'playing around' with shareholders' money.

An easier way is to look at how the CEO talks when he's in the media. If he's charged up talking about the future, or if his eyes light up while announcing his next acquisition, or if he explains why a move into an unrelated business will be great, you know something is wrong (or could go wrong).

I used one such trick while analyzing IPOs during the 2005-2008 era. A company that held its IPO meet at the most luxurious of hotels and also funded a post-meet lavish dinner (with drinks) for analysts and fund managers, was a sure-shot 'Avoid'.

Then there were some that offered analysts gifts like perfume bottles, expensive pens, and coffee mugs even as their CEOs talked how they would have to take on more debt on their books to fund their aggressive growth targets!

The subtle hints from such companies was – "We're treating you with such nice food and a gift so that you overlook what's wrong with our company and write a positive report."

It all added up to create a very authentic view of whether there was something fishy that was happening in the corner office (of the CEO). And more often than not, my 'Avoid' or 'Sell' views on such companies worked.

You can try this for yourself as well…with the stocks you already own. Do Google search for interviews of CEOs of your companies, and read what they have been saying over the past few years. Also take out their annual reports and read the Chairman report. Have a look at the balance sheet and cash flows as well.

If you will do just this, you will be doing a great justice to your hard earned money which you might've invested in some companies that might go the KFA route.

But whether you test your companies this way or not, always remember that when a company that you hold goes bust and so does your investment in it, the entire blame lies on you…not the CEO or anyone else.

It was, after all, YOUR choice!

Invest Like the Masters

Growth Investing, the Peter Lynch Way

Growth guru Peter Lynch is a legend in the investing world. What makes Lynch so great? A wildly successful investor, Lynch truly stole my heart with his books One Up on Wall Street and Beating the Street, both of which were resounding calls for the empowerment of small investors.

By sharing his commonsense and replicable philosophy in a plain-spoken fashion, Lynch convinced a generation of investors that they didn't need an MBA or a white-shoe stock broker to invest in the stock market.

The core drivers of Lynch's growth-centric strategy are pretty straightforward: Invest in growing, unheralded, easy-to-understand companies. Here's how it rolls:

- **Buy what you know:** Lynch believes that the average investor knows more than they think. Not only do you consume an array of products and services on a daily basis, but you've developed unique career insights that can give you a leg up on the Street. Put them to use! Invest in what you know, understand, and are comfortable with, and leave the rest for the "pros."

- **Seek hidden gems:** Lynch highlights that individual investors have a huge opportunity when it comes to mid- and small-cap stocks. Most stock broking and research houses can't afford the time or staff to cover these stocks, and most mutual funds are too large to comfortably trade in and out of them. The end result is that small caps are frequently mis- and under-priced, leaving enterprising investors the chance to buy into small, growing businesses on the cheap.

- **Diversify:** Lynch spilled coffee on the Ivory Tower of Modern Portfolio Theory by proving you can comfortably crush the market despite being incredibly well diversified. How? By choosing small, growing, well-managed companies and letting them run.

Value Investing, the Warren Buffett Way

No offense to the father of value investing, Benjamin Graham, but his pupil and understudy Warren Buffett is The Man when it comes to the practice and theory of value investing. Value investing is the art of buying stocks for less than their fair, or "intrinsic" value.

For Buffett and his legion of value-investing disciples, the craft involves three steps:

- **Buy great businesses:** Buffett looks for businesses that boast strong brands, management teams, cash flow, and staying power. Serious staying power. The kinds of businesses that you think will outlive you -- names like Titan, Pidilite, Colgate, Nestle, Hero Motocorp. Once he finds such great businesses (amongst US companies), he looks to buy them when they're out-of-favor, and then patiently holds on for years upon years as these beauties compound wealth.

- **Be contrarian:** It takes some nerve to buy stocks that everyone else is down on, but Buffett has made a living by going against the grain. As he's been wont to say, "Be fearful when others are greedy, and greedy when others are fearful."

- **Invest for the long haul:** As Buffett once said, "Our favorite holding period is forever."

Building a Championship Portfolio

Everyone has the brainpower to make money in stocks. Not everyone has the stomach. If you are susceptible to selling everything in a panic, you ought to avoid stocks and stock mutual funds altogether." ~ Peter Lynch in 'Beating the Street'

"If you have the stomach for stocks, but neither the time nor the inclination to do the homework, invest in equity mutual funds." ~ Peter Lynch in 'Beating the Street'

"Buffett believes that unless you can watch your stock holdings decline by 50 percent without becoming panic-stricken, you should not be in the stock market." ~ Robert Hagstrom in 'The Warren Buffett Way'

I've heard people say they'd be satisfied with a 25-30% annual return from the stock market! Satisfied? At that rate they'd soon own half the country.

In certain years you'll make your 30%, but there will be other years when you'll only make 2%, or perhaps you'll lose -20%. That's just part of the scheme of things, and you have to accept it. If you expect to make 30% year after year, you're more likely to get frustrated at stocks for defying you, and your impatience may cause you to abandon your investments at precisely the wrong moment. Or worse, you may take unnecessary risks in the pursuit of illusory payoffs. It's only by sticking to a strategy through good years and bad that you'll maximize your long-term gains.

Around 12-15% a year is the generic long-term return for Indian stocks, the historic market average. You can get 15%, over time, by investing in a no-load mutual fund that buys 500 stocks in the Index, thus duplicating the average automatically. That this return can be achieved without your having to do any homework, or spending any extra money, is a useful benchmark against which you can measure your own performance, and also the performance of the managed equity funds.

If after three to five years or so you find that you'd be just as well off if you'd invested in the Index Fund, then either buy it or look for a managed equity fund with a better record.

Given all the convenient alternatives, to be able to say that picking your own stocks is worth the effort, you ought to be getting a 15% + return, compounded over time. That's after all the costs and commissions have been subtracted, and all dividends have been added.

How many stocks are too many?

It's best to own as many stocks as there are situations in which:

1. You've got an edge (your circle of competence)

2. You've uncovered an exciting prospect that passes all the tests of research.

That said, it isn't safe to own just one stock, because in spite of your best efforts, the one you choose might be the victim of unforeseen circumstances.

In my portfolio…

- I'm comfortable owning between 10-15 stocks, and
- I try to keep one stock to a maximum of 10% of my total stock portfolio

When to Sell Your Stocks?

Stocks in General

- When you realize that you made a mistake in buying a stock.
- When a stock gets overvalued (its price moves much higher than its intrinsic value).
- When the business model of a company deteriorates.
- When the cash flows of a company deteriorate.
- When the debt on a company's balance sheet crosses your comfort level (usually 50% of equity) and is expected to remain there for some time.
- When something happens to cast doubt on a company management's integrity (like a bad diversification, or an overvalued acquisition).
- When the return on equity falls below 15% with no sign of improvement.
- When the stock surges at a rapid pace without any change in the underlying business fundamentals.
- When you identify a better opportunity (you sell the worst stock from your portfolio and reinvest the money in this new opportunity).
- When you need money for an emergency, which is more than what you have set aside for your emergency fund (you start by selling the worst stocks from your portfolio).

Slow growers

- Company lost market share for 2 consecutive years and is hiring another advertising agency.
- No new products are being developed, spending on research and development is curtailed. Appears to be resting on its laurels.
- Recent acquisitions of unrelated businesses look like diworseifications and the company announces it is looking for further acquisitions "at the leading edge of technology".
- The company has paid so much for its acquisitions that the balance sheet deteriorated from no debt and millions in cash to no cash and millions in debt. No surplus funds to buy back shares.
- Even at lower price, the dividend yield is not high enough to attract buyers.

Stalwarts

- New products introduced in the last 2 years have mixed results, others still in testing stage and are a year away from marketplace.
- The stock has a P/E ratio of 15x, while similar quality companies have P/E ratios of 11-12x.
- No officers or directors have bought shares in last year.
- A major division that contributes 25% earnings is vulnerable to an ongoing economic slump.
- Growth rate has slowed down, though maintaining profits by cutting costs, future cost cutting opportunities are limited.

Cyclicals

- Sell towards end of cycle. Look for inventories building up/falling commodity prices/new competition.
- Demand for product is slowing down.
- Company doubled its capital spending budget to build a fancy new plant, as opposed to modernizing the old plants at low cost.
- Company tried to cut cost but can't compete with foreign producers.

Fast growers

- Watch out for the end of second growth phase of company.
- When a lot of analyst are looking into it, giving highest recommendations, 60% held by institutions and coming out in magazines.
- P/E gets bigger and reaches illogical levels.
- Top executives join rival firm
- Stock is selling at P/E of 30x, while most optimistic projections of earnings growth are 15-20%.

Asset plays

- Wait for the raider to come.

30 Investing Gems from Peter Lynch's One Up on Wall Street

1. Understand the nature of the companies you own and the specific reasons for holding the stock. ("It is really going up" doesn't count.)
2. By putting your stocks into categories you'll have a better idea of what to expect from them (categories are Slow Growers, Stalwarts, Cyclicals, Fast Growers, Asset Plays)
3. Big companies have small moves, small companies have big moves.
4. Consider the size of a company if you expect it to profit from a specific product.
5. Look for small companies that are already profitable and have proven their concept can be replicated.
6. Be suspicious of companies with growth rates of 50-100% a year.
7. Avoid hot stocks in hot industries.
8. Distrust diversifications, which usually turn out to be diworsefications.
9. Long shots almost never pay off.
10. It's better to miss the first move in a stock and wait to see if a company's plans are working out.
11. People get incredibly valuable fundamental information from their jobs that may not reach the professionals for months or even years.
12. Separate all stock tips from the tipper, even if the tipper is very smart, very rich and his or her last tip went up.
13. Some stock tips, especially from an expert in the field, may turn out to be quite valuable. However, people in in the paper industry normally give out tips on drug stocks, and people in the health care field never run out of tips on the coming takeovers in the paper industry.
14. Invest in simple companies that appear dull, mundane, out of favour, and haven't caught the fancy of Wall Street. (or local equivalent)
15. Moderately fast growers (20 to 25 percent) in non-growth industries are ideal investments.
16. Look for companies with niches.
17. When purchasing depressed stocks in troubled companies, seek out the ones with the superior financial positions and avoid the ones with the loads of bank debt.
18. Companies that have no debt can't go bankrupt.
19. Managerial ability may be important, but it's quite difficult to assess. Bases your purchases on the company's prospects, not on the president's resume or speaking ability.
20. Carefully consider the price-earnings ratio. If the stock is grossly overpriced, even if everything else goes right, you won't make any money.
21. Look for companies that consistently buy back their own shares.
22. Study the divided record of a company over the years and also how its earnings have fared in past recessions.
23. Look for companies with little or no institutional ownership.
24. All else being equal, favour companies in which management has a significant personal investment over companies run by people that benefit only from their salaries.

25. Insider buying is a positive sign, especially when several individuals are buying at once.
26. Devote at least an hour a week to investment research. Adding up your dividends and figuring your gains and losses doesn't count.
27. Be patient. Watched stock never boils.
28. Buying stocks based on stated book value alone is dangerous and illusory. It's real value that counts.
29. When in doubt, tune in later.
30. Invest at least as much time and effort in choosing a new stock as you would in choosing a new refrigerator.

Walter Schloss' 16 Golden Rules of Investing

1. Price is the most important factor to use in relation to value
2. Try to establish the value of the company. Remember that a share of stock represents a part of a business and is not just a piece of paper.
3. Use book value as a starting point to try and establish the value of the enterprise. Be sure that debt does not equal 100% of the equity. (Capital and surplus for the common stock).
4. Have patience. Stocks don't go up immediately.
5. Don't buy on tips or for a quick move. Let the professionals do that, if they can. Don't sell on bad news.
6. Don't be afraid to be a loner but be sure that you are correct in your judgment. You can't be 100% certain but try to look for the weaknesses in your thinking. Buy on a scale down and sell on a scale up.
7. Have the courage of your convictions once you have made a decision.
8. Have a philosophy of investment and try to follow it. The above is a way that I've found successful.
9. Don't be in too much of a hurry to sell. If the stock reaches a price that you think is a fair one, then you can sell but often because a stock goes up say 50%, people say sell it and button up your profit. Before selling try to reevaluate the company again and see where the stock sells in relation to its book value. Be aware of the level of the stock market. Are yields low and P-E ratios high? If the stock market historically high. Are people very optimistic etc?
10. When buying a stock, I find it helpful to buy near the low of the past few years. A stock may go as high as 125 and then decline to 60 and you think it attractive. 3 years before the stock sold at 20, which shows that there is some vulnerability in it.
11. Try to buy assets at a discount than to buy earnings. Earning can change dramatically in a short time. Usually assets change slowly. One has to know much more about a company if one buys earnings.
12. Listen to suggestions from people you respect. This doesn't mean you have to accept them. Remember it's your money and generally it is harder to keep money than to make it. Once you lose a lot of money, it is hard to make it back.
13. Try not to let your emotions affect your judgment. Fear and greed are probably the worst emotions to have in connection with the purchase and sale of stocks.
14. Remember the work compounding. For example, if you can make 12% a year and reinvest the money back, you will double your money in 6 yrs, taxes excluded. Remember the rule of 72. Your rate of return into 72 will tell you the number of years to double your money.
15. Prefer stock over bonds. Bonds will limit your gains and inflation will reduce your purchasing power.
16. Be careful of leverage. It can go against you.

6 Things to Remember in Investing

I often meet people who are just starting out as stock market investors but have no idea where to begin. Then there are others who have been investors for some time, but are still clueless about taking their next, and the next step.

If this is the case with you as well, here are 6 simple things that you must keep in mind as you enter the stock market. These are in fact the 6 lessons that I have learnt the hard way over the years. But you must not go through the same cycle, and these lessons will help you be safe, and emerge successful, in your investment journey. Let's start right here.

1. Don't believe that the market is logical: The stock market is primarily moved by perception and emotion far more than reality or logic.
So invest in what you see, not what you think you should or want to see.

2. Don't try to beat the market: One big truth about investing is that 'beating the market' is not a sensible, proper goal. The only goals of investing you must have are:

- To keep money (capital protection), and
- To make money (capital appreciation).

'Beating the market' is just a whim. The reality is that your core goal must not be to beat the market, but to meet your financial goals with comfort. To achieve that, whether you earn same as the market (Sensex), or 1-2% here or there as compared to Sensex's returns, makes no sense.

Trying to beat the market is like climbing onto a treadmill that never stops. It eventually exhausts you, and you come flying off it.

3. Turn off the noise: It is my strong belief that information overload and noise acts as a big hindrance to most investors in achieving their full potential. So the first step is to stop watching all business TV.

In addition, to perform better this year, you must stop wasting time on seeking out advice and opinions that only serve the interests of the advisors. Instead, learn the simple rules of investing yourself, do some hard work in analyzing companies, have patience, and you'll do much better than most of the advisors out there.

4. Understand 'yourself': Not everyone can be a long-term investor because it requires discipline and patience that not many people have. So, figure out how much time you can devote, what skills you already have, and formulate an investment strategy that works best for you. There's no point in copying others, for you are unique, and so must be your investment style.

5. Accept you will make many mistakes: One of the most important traits of successful investors is that they recognize the frequency with which they can get 'clean bowled' – and thus they have a plan in place to deal with such situations. This is the first lesson most new investors fail to digest, and thus neglect.

I have been a stock market analyst and an investor for the past nine years. And, to say the least, I have been rather frequently – and on occasion, quite spectacularly – wrong. But that is something I always expect to be. No one really knows what is going to happen in the future. This is especially true when it comes to the stock market. So why pretend otherwise? When you expect to be wrong, it makes it that much easier to both plan ahead and manage risk.

6. Never move out of your circle of competence: "I don't look to jump over 7-foot bars: I look around for 1-foot bars that I can step over," said the master investor Warren Buffett.

Buffett follows the concept of 'circle of competence' while searching for businesses he would like to invest in. In simple terms, your circle of competence with respect to investing defines your understanding about certain businesses. The businesses that you understand fall within the circle, and the ones you don't understand fall outside it. Also, you don't have to be an expert on every company, or even many. You only have to be able to evaluate companies within your circle of competence.

As Buffett says, "The size of that circle is not very important; knowing its boundaries, however, is vital."

So look for simple businesses that you can understand (the 1-foot bars) instead of worrying about how you can understand a complex business (7-foot bar), when the people running the show themselves don't understand it!

10 Useful Rules of Thumb for Your Personal Finances

1. Rule of 72
2. The number one rule of saving money is: Pay yourself first.
3. When you're saving money for retirement, base your needs on 30x your current annual expenses.
4. Your emergency fund should cover 6-8 months of expenses
5. Know your risk tolerance 'before' you begin investing. The time to decide how much you can afford to lose in the stock market is before a crash, not after one.
6. For proper asset allocation, first answer this question – "Am I a stock or a bond?" The answer lies in understanding yourself – your life, and your career.
7. Save for your own retirement before saving money for your children's college education. They can get education loans. You can't get retirement loans!
8. Save an emergency fund first; pay off high-interest debt second; and begin investing last.
9. If you're not willing to pay cash for it, then it doesn't make sense to buy it on credit.
10. If you get a windfall, use 1-2% to treat yourself. Put the rest in a safe place that will earn you interest and ignore it for six months. Allow the initial emotion to pass.

How to Get Very Lucky as an Investor?

The famous American writer Dorothy Parker once said, "I hate writing. I like having written." I know many people who are like that about their life and work. They love to fantasize about what life will be like when they 'make it', but they like to skip over the part that reads – hard work.

Like the young man I met a few days back who has spent the past ten years of his life destroying his body with alcohol, excessive food, and a sedentary lifestyle…but wanted to know a quick way to get fit, lean and healthy in just the next six months! He, probably, expects to get 'lucky' in his life by getting whatever he wants without the hard work to accompany it.

Really? Is 'luck' really about instant gratification? If I look back to the lives of great people, the answer I get is something absolutely different.

How to get very lucky in life?

If you ask Warren Buffett how he got so lucky to have become one of the world's richest men, what would be his answer? And what would be the answer of someone like Pele who got lucky as the best footballer the world has ever seen? In my view, the common answer that you would hear from these two great men will be – "Practice". Pele had, in fact, once said, "Everything is practice."

I met an old friend a few days back and was talking about the Safal Niveshak initiative and how people are appreciating the investing ideas that I share with them day after day. "Lucky boy," he told me. "You are lucky to be able to write well. That must be the reason people like you!" I was furious, though I kept my emotions at bay.

After spending the last 9 years of your life (many of them without receiving much recognition) learning how to create compelling information and nurture relationships with the people who interact with that information, if someone calls you 'lucky', what would be your reaction? That isn't luck, right? As you would've realized in your own life, luck doesn't just come pouring in all around you. You don't just sit back and let it all happen.

Luck, like love, is a verb

Both luck and love are verbs that run on work. The practice is the reward. When I practice, and when I do the work, I get lucky. Your relationships work like that, don't they? You need to nurture your business relationships. Your need to nurture your personal relationships. Everything you do to add value requires work. Playing a musical instrument, painting, singing…or investing – are all skills that come from a lot of work.

A duck sliding like glass across a pond isn't lucky to not drown in it. Instead, it's working really hard – paddling furiously under the water to stay afloat and in motion. So the idea is to 'do the work'. Because when you practice, and when you do the work, you get lucky.

Want to get lucky in investing?

Here's a simple trick you can use to become lucky in investing. Don't tell anyone that you want to become a successful investor and that you are going to put in the hard work to get there. Telling someone about your goals (or resolutions) and talking about your goals out loud can have the opposite effect that you're intending. It can signal the body that you've already accomplished the goal, and that is what keeps you from actually doing the work you just got done telling everyone you were planning to do. Talking about work is far less interesting. Actually doing it – practice – is what takes the cake.

When we practice consciously and with purpose, we became good at the things we really want to be good at. When it comes to investing in stock markets, practicing the art of analyzing businesses by doing the hard work of reading about them and understanding them will help you pick the right stocks. And practicing how to pick the right stocks from inside a heap of junk will make you a successful investor.

But then, remember that what I'm emphasizing here has nothing to do with 'perfection'. There is no perfect way of life, and you don't need to strive to become a perfect investor. I believe you're already perfect as an individual. Now it's your chance to bring that magic (luck) into your investing. You see, some people are lucky in love by finding just the right person, some are lucky by finding the right home or job, and some are lucky by building a successful business. You can also get lucky as an investor…so practice. And then bask in the glory of someone calling your hard work as 'luck'.

30 Most Dangerous Myths about Money & Investing

1. This time it's different.
2. If it's on CNBC, it must be right.
3. Let me buy before the stock moves even higher.
4. I won't sell till I get my capital back.
5. I'm sure this is a turnaround story, so I'm willing to put all my money on it.
6. This stock is already down 90%! How much more can it fall?
7. In the long term, everyone is dead.
8. You need to be a genius to make money from stock markets.
9. I hate stocks. I'm fine with the safety of bonds.
10. I'm too young to invest.
11. I'm too old to invest.
12. I'm already earning enough.
13. My broker is my friend. He knows what's right for me.
14. Investing the way fund managers do is the smartest thing to do for small investors.
15. IPO = Fast money.
16. Stocks are always best for the long term.
17. Investing is risky.
18. I'm sure this stock will double. Let me borrow some money to buy more of it.
19. Why save now? The future will take care of itself.
20. No one can pick the right stocks effectively.
21. It is skill with numbers that makes a money expert.
22. You can never go wrong when you invest like others.
23. Stock market is a casino.
24. It's easy to time the market.
25. Large cap stocks = Safe stocks.
26. I'll start saving and investing when I have enough money.
27. High risk = High return.
28. 99% of investors don't read annual reports? So why should I?
29. To grow my wealth, I have to diversify.
30. Speculation is fun. I made a lot of money from it over the past few months.

Avoid the Biggest Mistake Investors Make

I'm about to share with you the secret to avoiding a big investing mistakes. It's not more money, a higher IQ, or superb market timing. It's mind control. The way we're wired -- our natural inclinations to seek more information, look for patterns, compare options, and even flee to safety -- is great at keeping us out of harm's way. But these same emotional tendencies are also our biggest liability when we're in investing mode. In other words, your brain is to blame for all those boneheaded money mistakes.

Just ask super-investor Warren Buffett. The chairman of Berkshire Hathaway openly admits that a short in his analytical circuitry -- his "thumb-sucking" reluctance (Buffett's words) in the 1980s to pick up more shares of Wal-Mart because of a one-eighth of a point uptick in the stock price -- cost him $10 billion in potential profits over time. And this is from a guy who has famously said, "Success in investing doesn't correlate with IQ ... what you need is the temperament to control the urges that get other people into trouble in investing."

In other words, the Oracle of Omaha made a $10 billion investing blunder because his emotional brain got in the way.

2 traits you must have to be a great investor

1. Time
2. Temperament (Successful investors have the ability to remain calm and levelheaded when everyone around them is freaking out. That mindset makes the difference between investors who consistently outperform the market and investors who get lucky for a while)

Hop off the emotional roller coaster

1. **Memorize this affirmation:** "I am an investor; I am not a speculator. As investors, I:
    - **Buy stocks in solid businesses.** I expect to be rewarded over time through share price appreciation, dividends, or share repurchases.
    - **Don't time the market.** And I certainly don't speculate when we buy stocks. Speculation is what traders do.
    - **Focus on the value of the businesses I invest in.** I try not to fixate on the day-to-day movements in stock prices.
    - **Buy to hold.** I buy stocks with the intention of holding them for long haul. (That said, I am willing to sell for valid reasons.)

2. **Tune out the noise:** Put down the newspaper, turn off CNBC. None of it is doing you any good.

3. **Spread out your risk:** You need a solid asset-allocation plan -- meaning a portfolio with a bunch of investments that don't always move in the same direction. You need to diversify.

4. **Stay strong, think long!**

When preparation meets opportunity, that's when great investments are made.

Action: Get in touch with your inner investor. Do you know your time horizon and tolerance for risk and loss? Do you want to research stocks? In other words, what color is your investing parachute?

Take Your Investment Oath

After years of a Wall Street-induced financial crisis, MBAs globally – especially the ones that might wind up working in the finance industry – are under a microscope. Before they get to Wall Street, though, some new business school graduates are signing onto a new professional code of conduct called the MBA Oath.

This MBA Oath is similar to the Hippocratic Oath that doctors take – which is, first, do no harm.

So, dear readers, if the MBAs and doctors or the world can take their oaths to 'do no harm' (to others), what stops you – as an investor – to take an oath to do not harm (to yourself)?

In fact, it's good you take an investment oath now and promise yourself to become a better and smarter investor, come what may.

Here is an investment oath that was first published in Ben Graham's The Intelligent Investor. I have modified it to suit an Indian investor's requirements.

Print it, fill it, stick it in front of your work desk, read it, and practice it every day.

Believe me, this can have amazing consequences for your investment returns over the long run.

My Oath as a Stock Market Investor

I, _______________ ______________________, hereby state that I am an investor who is seeking to accumulate wealth for many years into the future. I know that there will be many times when I will be tempted to invest in stocks because they have gone (or "are going") up in price, and other times when I will be tempted to sell my stocks because they have gone (or "are going") down.

I hereby declare my refusal to let a herd of strangers make my financial decisions for me. I further make a solemn commitment never to invest because the stock market has gone up, and never to sell because it has gone down. I will invest with discipline – month after month – and into businesses that I understand and stocks that I find are trading with a good margin of safety as compared to their intrinsic values. I hereby declare that I will hold each of these investments continually through at least the following date (which must be a minimum of 10 years after the date of this contact): ___________________ ______, 20___.

The only exceptions allowed under the terms of this contract are a sudden, pressing need for cash, like a health-care emergency or the loss of my job, or a planned expenditure like a housing down payment or my children's education bill. I am, by signing below, stating my intention not only to abide by the terms of this contract, but to re-read this document whenever I am tempted to sell any of my investments.

This contract is valid only when signed by at least one witness, and must be kept in a safe place that is easily accessible for future reference.

Signed: ___________________________

Date: ___________

Witnesses:

1. _________________________

2. _________________________

About Safal Niveshak

Safal Niveshak is a movement to help you, the small investor, become intelligent, independent, and successful in your stock market investing decisions.

My name is Vishal Khandelwal, and I am the founder of Safal Niveshak. Before working on the idea of Safal Niveshak, I was working as a stock market analyst for eight years. During this period, I felt the pain of seeing small investors like you lose large amount of their hard earned money, for reasons ranging from:

- Scams…where companies simply vanished, to
- Speculation…to earn fast money, to
- Bad decisions…mostly backed by insensible and short-term advice from self-centered brokers and self-proclaimed stock market experts.

While the probability of a stock market analyst to work on a social cause is miniscule, here I am driving this movement called Safal Niveshak – to help you become intelligent, independent, and successful in your stock market investing decisions.

Through my experience in the stock markets, I have come to believe that:

- You alone are the most capable person alive to manage your money.
- Investing in the stock markets is not a rocket science. You just need to form the right habits, and behave yourself.
- Being smart about your money can be a lot of fun
- You can create a lot of wealth for yourself doing it.

You can write to me at vishal@safalniveshak.com to know more about this initiative and how you can benefit from it and/or support it.

With respect,
Vishal Khandelwal
Founder, Safal Niveshak

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Taking the Next Step

I've said enough.

But you know better what's stirring somewhere inside you.

You know better why you must get set on the right path of investing to build a better financial future for yourself and your family.

Now, it's up to YOU to find and connect with it.

I hope you will.
Thank you!