

8 Secrets of becoming rich

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1. Start early

The age at which you start investing is the most important factor which determines how much wealth you will build over your lifetime, let us take the case of ram and sham, both ram and sham want to retire at 60 years and both their investments grow at 10% Ram starts at 35 years and saves 100000 Rs. (one lakh) for the next 25 years he would have accumulated 84,08,546 (eighty four lakh eight thousand and five hundred and forty six). Suppose sham starts at the age of 45 and saves 100000 Rs. (one lakh) for the next 20 years he would have accumulated just 51,29,392 (fifty one lakh twenty nine thousand and three hundred and ninety two). A different of 32,79,154 (thirty two lakh seventy nine thousand and one hundred and fifty four) or 40% lesser than Ram with just 5 years difference.

2. Keep it simple

If you have a full-time job and it's not in investment, acknowledge that. Just choosing three or four actively managed mutual funds and balancing it based on how far your retirement is the simplest of the steps. Generally the rule of the thumb is 120 – your age should be what is in equity funds. If you are not doing investment for a living chances are high your mutual fund manager will do a better job at investing than you would.

3. Get the right asset allocation

Even the best fund managers have trouble beating the Nifty, so give up the chase. Markets go up and markets go down, the easiest way to avoid heartache is to diversify your assets and then rebalance your assets at least once a year. What Rebalancing essentially means is selling your winning asset and redeploying that cash to some other asset, which has not performed so well in the last year. Remember what goes up has to come down.

4. Don't chase trends

If you want to grow your money you cannot switch your assets around each time you read a headline or hear a rumor, if you are chasing an asset class which is on fire chances are high the smart investors were already in the asset class much before the news was out. Ask questions like do you understand why it is moving the way it is Don’t buy just because you heard a rumor on the street that Rakesh Joonujunwala brought it. Ask yourself do you see yourself making more money in the long-term vs. some other asset, which you understand better.

5. Make saving automatic

Make your saving automatic may be you could save 10% of your salary comfortably may be 15% the amount does not matter, you can even ask your employer to transfer a part of your salary into the PF or Most mutual funds now offer some kind of Systematic Investment Plan (SIP) instruct your bank this is very simple, and helps investors accumulate wealth in a disciplined manner over the long-term and it is automatic.

6. Go for the lowest paying dept

All debt is not created equal; some have high interests some low some have tax breaks some don’t. Most of us do not even acknowledge that we have problem debts if acknowledged you have taken the first step towards getting out of debt by acknowledging that you need help, that means you are ready to chuck the credit card debt and move to lower paying debt.

7. Go low on the commissions

Whenever you see a new NFO find out if the fund house already has a similar plan which you could get in if it has then it is time to start running from the fund house, the mutual fund distributors control the market thanks to skewed SEBI regulating how much a fund house can charge as initial expenses most fund houses are launching close ended fund which are not really close ended. Check the expense ratio a low expense ratio makes a lot of sense, If you are trading in stocks don’t be fooled by the promise of a 5 Paise brokerage add the other charges including annual charges to find out if it is the cheapest. When negotiating for a property make sure the broker is working for you not jacking up the price so that he gets a higher percentage.

8. Lock in your investment

Lock in your investment from the biggest risk YOU. A ELSS provides a 3 year lock in and a PPF provides a 15 year lock in while a Pension plans provide a 5 year lock in these lock in help you in keeping your investments during downturns in the markets what goes up has to come down again.

In conclusion in a simple line the secret of becoming rich is save more than you spend and invest.