UTI SWATANTRA

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Women are natural savers but are mostly extra-conservative and hence not-so-good investors. With some expert advice they could become great investors as well

Five easy steps to overcome fear of money and investing

Times News Network

Almost every experienced financial planner and advisor agree that women are natural savers and are much better than men in this aspect relating to money and finance. However, due to some reason they are not as good a money manager as men are, they say.

According to **Mrin Agarwal**, co-founder, Womantra, an organisation that teaches finance and investing to only to women, there are mainly four types of fear relating to money that pulls them back from taking the plunge into managing money. These are: Fear of losing money, lack of confidence that they can manage money, their insecurities if they are investing in the right place and also doubts that they may not have enough money to meet their needs lifelong, Agarwal said.

Financial planners and advisors say that these fears also pull back women from taking on a little bit more risk, and they end up investing in low-risk, low-yielding financial products like bank FDs, RDs, bonds etc. Ideally they should analyse their risk taking ability and should consider investing in equities also.

According to Agarwal, there are five easy steps for women to overcome their fear about money and investing. These are:

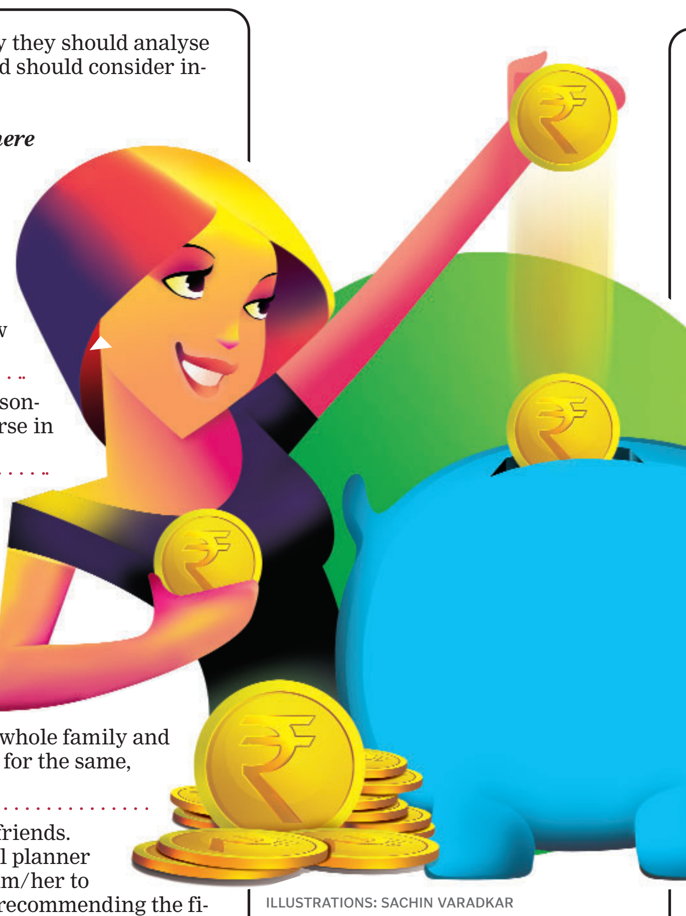
1 Stop believing that men know better and start spending some time to know your family finances,

2 Start reading about personal finance or take a course in finance, investing etc.,

3 Start small and have a mock portfolio which you can monitor for a while before investing with real money,

4 Undergo a financial planning exercise along with your spouse to identify the goals that you are saving for the whole family and also decide where to invest for the same, and

5 Don't take advice from friends. Hire a fee-only financial planner instead and engage with him/her to understand why he/she is recommending the financial products that he/she is recommending.



ILLUSTRATIONS: SACHIN VARADKAR

Trust, willingness to learn made a winning combination

Hena Nagpal

For the last few years I've been working with Rupa (name changed), helping her with a complete financial planning solution after a series of unfortunate events had put her life into a tailspin.

About six years ago, Rupa lost her husband and her NRI sister who was a single mother with a child with special needs. Rupa was steadfast in her decision to raise the child herself. She also had to look after her own finances, although she hardly had any knowledge of finance and investing.

Some of the initial challenges were that some of the investments that Rupa's husband had done, nominations were not done. Also some of the shares were in physical form. So we had to make sure all these investments were legally transferred to Rupa. For this we had to coordinate with the mutual fund houses and companies which was a long drawn process.

At the same time, we also had to put in place a financial plan so that she could maintain her existing lifestyle. Her total portfolio size at that time was not very large which could readily contribute to maintain her lifestyle she was used to and also support the child.

Since the child was a citizen of a foreign country, she got support from the government of her country. But for that the child had to be taken to her home country about twice a year.

The next step for us was to secure the child's future in case of any eventuality to Rupa. For this we have set up a trust so that the child, with special needs, is fully supported under every possible circumstances.

While we were working on all these issues over the past few years, I also had to slowly educate Rupa about the financial planning process as a whole, various asset classes in which she had invested her money and the risks she could afford to take.

One of the major challenges for us was to get her into equities since it was clear to us that given her annual expenses, for future needs she had to invest in stocks. With a carefully constructed portfolio and regular reviews, Rupa's portfolio has nearly doubled since we started working together. And this even after withdrawing funds at a regular basis to meet her and the child's expenses.

Since Rupa could trust me completely with her money and was flexible with her approach to execution of the plan and also the learning process, I feel this is one my prized professional success stories.

Hena Nagpal is MD, Quantum Leap Wealth Advisors

Follow a simple plan with equity, debt and insurance

Sangita Shimpi

It's been a couple of years since I met Deepali (name changed) when she came to me to get some financial advice. As we spoke, Deepali, a software professional, realised that for the long term benefit, it was important that she put in place a financial plan for the family. She has two daughters, one six-year old and the other about a year old.

Over the next few months Deepali put in place a financial plan, with the two primary goals being meeting the costs of education of their two daughters and also the expenses for their wedding. She also wanted to put in place a plan for building a retirement corpus for herself.

For her primary goals, I suggested her to start monthly SIPs in mutual fund schemes divided into large cap, midcap and small cap schemes. She is investing about Rs 20,000 per month for each of their kids through these SIPs. As per the plan, she will be investing in these SIPs for 15-20 years which should take care of future costs of education and weddings for their kids.

The idea behind investing through SIPs in equity schemes was to optimise returns which could beat inflation. Also the returns from these schemes would be tax free when withdrawn after 15-20 years.

I also suggested child future plans from insurance companies, for guaranteed returns, and a term plan for Deepali. The SIPs and the insurance plans have been combined to give the portfolio some balance between wealth creation and guaranteed return. I also suggested a health plan with family floater which is in place.

After taking care of the primary financial goals and insurance plans, Deepali is able to invest about Rs 5,000 per month in an SIP to build her own retirement corpus. So the solution here is that she will increase the contributions in the SIP for retirement corpus as and when her income increases. Deepali's husband was investing mainly in debt instruments but now we have restructured his portfolio and added mutual funds into it.

Sangita Amol Shimpi is Director, SAS Investments
*(As told to **Partha Sinha**)*

INVESTOR QUERY

I AM LIBRARIAN IN A PRIVATE SCHOOL. MY MONTHLY TAKE-HOME SALARY IS RS 16,000 AND MY EXPENSES ARE RS 6,000-7,000. I HAVE INVESTED IN TWO MONTHLY SIPS (IN A BANK): RS 2,000 AND RS 1,000. SHOULD I INCREASE THE SIP AMOUNT OR INVEST IN A NEW ONE? I AM NOT SURE ABOUT THE MOST SUITABLE SIP FOR ME. PLEASE TELL ME ABOUT DEBT FUNDS ALSO.

Najma

Zeenat Jagani replies : I am glad that you understand the importance of 'save before you spend'. It's the best way to save. You can definitely start another SIP of Rs 1,000-Rs 2,000 in a good small & midcap mutual fund for 5-10 years tenure that will help you to create wealth. Your mail gives me the impression that your SIPs are in a bank, like a recurring deposit. Over the long run, SIPs in equity funds will create wealth for you as patience is rewarded. Also at your age you should have higher risk appetite.

I would advise you to start your SIP in equity schemes. Ascertain the time horizon, for which you wish to stay invested. This could create wealth for you over the long run.

If you are a conservative investor with a low risk appetite, you can invest in a debt fund, preferably for three years or more. There are various types of debt funds: MIP (monthly income schemes), liquid funds, income funds, gilt funds and capital protection oriented funds.

Bank FDs are commonly compared with debt funds, where the returns are guaranteed and also taxed as income in the hands of the investor.

Investments in most debt funds are tax efficient if you stay invested for three years or more. The biggest advantage for debt funds is that they offer products both for a rising and falling interest rate scenario. However, short term gains from debt funds are treated as regular income for taxation purposes.

While selecting debt funds, duration of the scheme is very important. For example, you should not invest in a long term debt fund with an investment horizon of three months. For emergency fund, consider investing in a liquid fund.

Zeenat Jagani is CEO, Composite Investment Services

FINANCIAL ADVISORS SAY THERE ARE SOME SPECIFIC STEPS THAT WOMEN SHOULD TAKE TO BE THE IN-HOUSE MONEY MANAGER

- Learn these things with the objective of having financial security, stability and independence of the whole family
- Don't forget that a financial plan for the future could make your and your family's life smoother
- If you start a financial plan early, you (and/or your husband) can also think of retiring early
- Put in some effort to understand what you are investing in and why
- Not all men are good with finance. So take the lead on investing and finance

"If your husband is earning, you could take the lead to become the CFO (chief financial officer) of the house

Hena nagpal,
MD, Quantum Leap Wealth Advisors

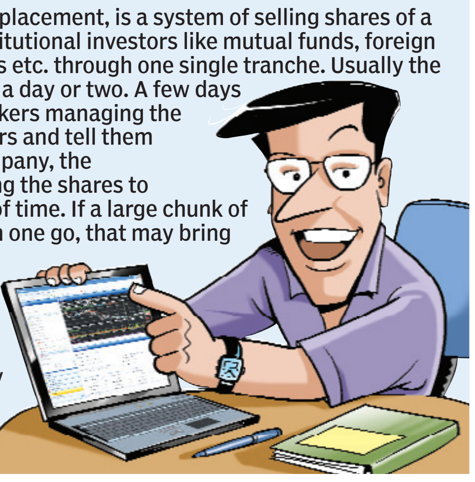
NEXT EDITION

In our next edition we will discuss about resolutions for investing in the new financial year

DEMYSTIFIER

WHAT IS A QIP?

QIP, or a qualified institutional placement, is a system of selling shares of a company to a large pool of institutional investors like mutual funds, foreign investors, insurance companies etc. through one single tranche. Usually the process starts and ends within a day or two. A few days before the offer, merchant bankers managing the QIP connect with fund managers and tell them about the whole issue, the company, the industry etc., all aimed at selling the shares to them over a very short period of time. If a large chunk of shares are sold in the market in one go, that may bring down the price of the stock sharply. However, a QIP ensures that such a slide in the stock price does not take place, and the cost of selling such a large chunk of shares by the company is also reduced substantially.



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Please mention **'Swatantra in TOI'** in subject line.
You can also tweet us at **#swatantra** or visit us at **http://www.beswatantra.com/For-women**

Mutual Fund investments are subject to market risks, read all scheme-related documents carefully