Twitter Thread by Radhika Gupta



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Ten honest questions to ask yourself before you are investing in any financial product.... especially in this bull market...

1. Am I buying this product because everyone else is buying it? Fundamentally, remember, you don't create alpha by buying what everyone else is buying at a price similar or higher than them.

2. Am I buying a debt product that will give me significantly higher returns than the risk free rate? With consistency or guarantees? Immediate red flag. Free lunches don't exist in finance. Returns greater than the risk free rate, don't come risk free.

3. Do I know in what circumstances this product will make money, and why it will do so? Has that happened in the past? I can't emphasize enough the importance of looking at rolling returns carefully to have realistic return expectations.

4. Do I know in what circumstances this product will lose money, and why it will do so? When has it lost money in the past, especially extreme money? Do these times mirror times like this?

5. What is this product adding to my portfolio that isn't already there? Am I adding a 3rd tech fund to my portfolio and tripling down on tech exposure? Or I am buying something that is genuinely going to add something new? Don't load up funds like clothes in a closet!

6. What am I paying for this? Do I know all the fees? Is this product too expensive, and if so is it worth it? Is this product too cheap, and if so, what am I missing?

7. Am I locking in my money? How I can exit if something goes wrong? If I am locking in money, what I am getting in return for doing so? Remember, if you are giving up on liquidity you should get significant incremental return for doing so.

8. Can I get the same kind of returns-risk-exposure in a simpler / cheaper / more liquid product? Simplicity is always at a premium.

9. Do I trust the person/firm I am handing over money to, to do this particular job well? Have they done it well in the past? Have I done reference checks? Why do I trust them? What is my regulatory recourse if things go wrong? Never buy

unregulated products.

10. What kind of disclosures and information do I need to monitor on this product, after investing? Will I get this information? Decide before investing, what are the metrics you will monitor after investing.

P.S It is important for buyers to beware, when investing hard earned money. When markets are at all time highs, do not let your caution hit an all time low. Invest sensibly, safely, and wisely. And remember, no opportunity is running away!

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