Twitter Thread by Balaji Thotadri



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Thread on my Mistakes in #personalfinance. Slightly long - hopefully insightful. We all make mistakes in personal finance in our early stages our life and career – I want to take this opportunity of sharing my mistakes – the sole objective being – others can learn from them - 1/

Not saving and investing early in life – lived life in a complete consumption mode on a monthly paycheck till the time I actually bought a house. This was for the first 5 years of my career. Had lived the first 30+ years of my life in a 300 sq ft house. 2/

Bought my first car before I bought a house – so EMI for my Maruti 800 had already started. Objective of buying a house (way back in 2001 – under construction – possession in 2005) was to force savings in the form of an EMI. 3/

Had barebone savings of 50K which was the down payment for the 3 bed apartment in a plush complex for 26 odd lakhs (quite a luxury for my age – was single at that time) – But in hindsight – this one move has helped me as I inadvertently timed the real estate market at a low. 4/

Was lucky to be funded by HDFC for 100% of Property value + stamp duty + registration + term insurance for Loan value for 15 Years (with one Bullet Premium) – with no down payment – was refunded my 50K too. This was on a/c of the Brand which the Builder commanded 5/

Big move for me to move from a 350 sq ft house to 1400 sq ft .. ab le to liya – how to furnish the same – started with the Kitchen – had learnt the art of Balance transfers thru credit card in 2006 @ 0% for 90 days with a processing fee of 199/- Had accumulated 5 cards by then 6/

Spent furnishing Kitchen – in Card 1 – and then shifted to Card 2 on due date – Balance Transfer for 90 days – wherein I just had to pay 5% every month – and remaining at the end of 3rd Month was transferred to Card 3 – Did so – upto 4 Cards. 7/

Once base card got freed up – Repeated the cycle .. and in all furnished my house fully over 18 months.7.Positive learning from the same was Card co's were target driven – for 1st cycle or so – I had to keep reminders to request for next DD for Balance Transfer. 8/

(it wasn't online then) – But after a cycle or 2 – I would ask the same telecaller to gimme a call back on x date – and they would stick to the calendar – Never missed a due date – never paid interest – only processing charges. 9/

Timed the final outflow payout to ESOP encashment – and also had a monthly SIP in Equities to repay the credit card debt – Market also helped – and at the end of the 18 Months – could repay all – despite the ballooned amount – from my savings. Rotated & spent nearly 10 lakhs- 10/

for furnishing a 26L house house (quite high in 2006) but lived all my dreams of setting up my house – the way I wanted. While the above methods of rotating was a mistake if I missed any payouts – mitigated the risk by being diligent & timed projected inflows for final payout 11/

Got into a settled job – with a Brand – was married – and still spending the balance after my EMI's towards consumption. The next dream was a 20 day vacation to Europe – obviously with no savings. Property had appreciated significantly by then, 12/

figured that Lenders were giving top up loans (no q's asked). Voila – funded my 1st European Jaunt with a top up – with marginal increase in EMI as it was spread over 20 Years. 13/

Since I was working in a secured Brand – with no potential risk of Job Loss – had no personal Mediclaim policy or no term Cover. Was growing well to within the Organization too. 14/

Bought a second house for my parents – in 2010 – down payment for the same was funded vide a top up of the first house (appreciated handsomely and LTV was still 50%). 15/

2011 was life changing when I lost both my Bro in law (42 years old) to cancer – and my dad within a span of 4 weeks. This opened my eyes to the risks I was exposed to – and immediately took a Term cover and Medical Cover other than the one that the office provided me. 16/

Sold my 2nd house in 2012 after dad passed away –& cleared primary debt and top up availed for down payment (Booked a Marginal Loss) – This was a positive move in retrospect – as interest costs with EMI's would have killed me – given that post 2012 – real estate stagnated. 17/

Since my debt was at an all time low !!! - Subsequent compounding mistake to the earlier top ups – was always into fancy cars – but was sold on the second hand markets – Bingo my First Audi (drove for 3 Years) and then a BMW (again for 3 Years) –was funded by top up's again. 18/

Then 2013 – Krish – my son happened – and this is when I woke up to the fact that hey I need to have a drastic change in lifestyle and start saving. 19/

First step in the same was to create an emergency Fund – Targetted 10 Lakhs (lo and behold again funded by a Top up). (By this time Property value had appreciated nearly 7X from 25L to 1.75Cr – so top ups with a with a significant LTV was never an issue). 20/

Parked it in an FD (Differential cost I was paying was around 150 bps). This was the first sense of financial security I ever had. So by this time I had ticked the boxes of Personal term cover, Medical cover and Emergency Funds. 21/

Now the full focus was to clear the debt on my Head (base + Top ups) – Aggressively Increased EMI's and reduced tenure every year (Income - bare bone Expenses = EMI) and cleared Debt completely. This took around 6 years – and I was into my 40's now – with no savings. 22/

Career was on an upswing too – which was a saving grace. Now had to start my saving and investing journey - which is all but 3 years old – started post I was 45. Very late – but better late than never. 23/

In between also contemplated investing in parallel to Reducing debt – but it did not work out – positive arbitrage looked good only in excel. Now at the age of 48 – I have a decent nest saved – Drive a Maruti 800 now (back to basics) and in a decent headspace 24/

Learnings – while we hear a lot of staying variable early in your career and living on rent – and saving and then buying your house – it certainly makes sense now – but not back in early 2000's when the rental yields were as high as 6%+. 25/

So it's the market which defines the principal of rent v/s buy – its not that one size fits all. For all the mistakes I have made in life – I also have had an opportunity to live life at the fullest and on my terms. That's a huge positive. 26/

While I do preach now that one should start saving and investing early – I believe rather than that being an universal principle – Balance is what is critical – Early in life – its ok to make mistakes – especially when the earnings are lesser – one sure will learn from them. 27/

If focus in the early part of life is so much into savings – one is missing out on a lot of things too – materialistic or otherwise. Hence again Balance is critical. 28/

If one saves aggressively in the first 10-15 Years of career – the habits are so well entrenched that even when big money comes in the propensity to spend has disappeared. Hence one should have a serious balance over savings and spending. 29/

When covid struck – was having much more time with my 7 year old –who was keen on becoming a YouTuber and – we started his channel –"fingeekid" which talked about basics in personal finance explained by a 7 year old. We have done 25+ videos on diff aspects of personal finance 30/

Though he is 8 now – he has still imbibed 40%+ of the content which he has learnt at this early age. Wanted to set the basics right for him early so that he doesn't commit the mistakes I did. 31/

Also wanted to grow this initiative of teaching personal finance as a life skill which is sorely missing in today's curriculum. My friends (20Years +) have a super laugh at me today for preaching personal finance hacks – after my journey full of mistakes 32/

But I surely have learnt from them – without having paid too much of a price. Hope this story helps others avoid some of the mistakes I have done. Please do share and RT if this is helpful. @FI_InvestIndia @KirtanShahCFP @Least_ordinary @connectgurmeet @kshitiz_m @fingeekid_twt