Twitter Thread by Finalysis

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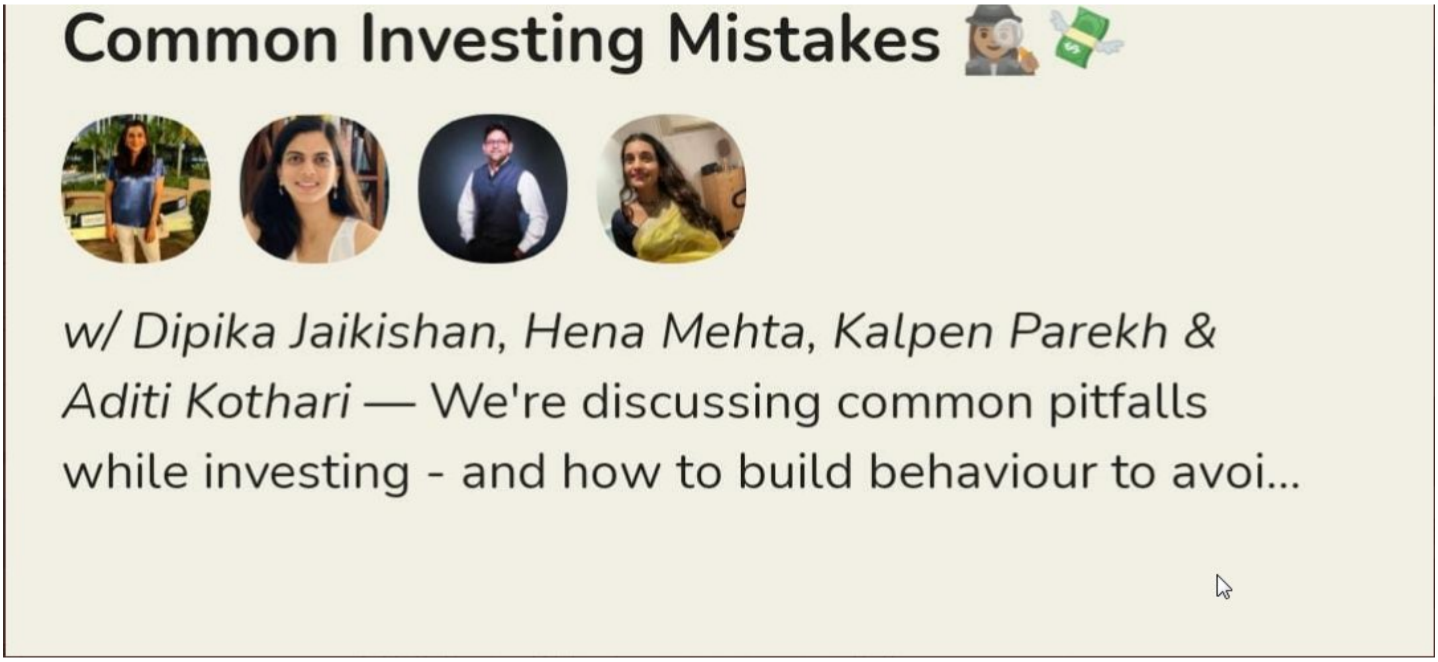
@Finalysis20

Attended a clubhouse talk on:

"Common Investing mistakes" hosted by
Hena Mehta @hena1220 co-founder of Basis with
Aditi Kothari Vice Chairperson DSPMF &
Kalpen Parekh @KalpenParekh MD-CEO DSPMF
moderated by Dipika Jaikishan @dipikajaikishan

■ on key learnings:
@getbasis
@dspmf



A common investing mistake:

Taking out money when market falls!

Reason:

~ It's difficult to get in once you get out

~ If you manage to get in you will be late and lose the rise in the market.

Don't exit when market falls, neither stop the SIPs.

What's important for an investor?

Avoid being a bad investor; than worrying about being a good investor.

Basic mistake in investing:

Not knowing why we are investing!

We often invest because:

~ Others are doing it
~ We see the particular asset class is popular

But we don't understand the asset class

Wrong reasons for investing in asset class!

Gold : Because of family culture or as a symbol of inter-generational wealth.

FD: Because it's safe

Equity : To double money quickly!

One Mistake about asset class

People invest in a booming asset class

They don't understand the drivers behind the boom.

When it falls badly they exit!

That is actually the time when we must invest.

Understanding an asset class

Each asset class:

~ Has certain boundary conditions & rules
~ Requires certain time duration
~ Should be relevant to your goal

Equity: High returns; Lot of fluctuations; For long term

Debt: Low returns; Less fluctuations; For short term

Past returns are no guarantee!

Past returns don’t belong to you. Returns that you earn, are from the future.

Don’t invest seeing the huge returns of a particular stock or mutual fund.

Recency bias of past returns give comfort but makes us poor investors.

Caution for new investors!

"You have never experienced a bear market."

Pandemic was not a bear market, it was just short term steep crash .

Don’t think the stocks will always go up.

Beware the current times of rapidly rising stock prices.

Tips for new investors:

~ Don't invest in a single booming sectoral fund
~ Diversify
~ Don’t just be in equity, be in debt too
~ Understand your risk profile
~ Have good asset allocation
~ For international, choose only a broad-based fund
~ Learn from the mistakes of others

What are the uncertainties about bitcoin:

~ Hazy future
~ Tightening regulatory environment

Common Mistakes by women in managing personal finance

~ They don’t invest
~ They are often not interested
~ They give money to their father, brother or husband to invest

Remember:
Earning money doesn't mean you are financially independent!

Why women must manage their money?

~ Women are also inheriting wealth
~ They often outlive men
~ What if you separate from your partner?

As a Women:

~ Take the first step
~ Commit to learn & manage your own personal finances..

Must haves for an investor:

~ Effort to understand & study each asset class
~ The right temperament to ride the market cycles
~ The right attitude towards investing

As an equity investor

~ Start knowing upfront that it will be volatile.

~ Don’t panic when the times are bad.

~ If the selected stocks & funds are good invest more.

~ Overtime you will get good money.

Some facts about debt funds:

~ Returns inline with prevailing interest rate in the country
~ Don’t beat inflation hence harm your portfolio returns.
~ Optically safe, but eat away purchasing power

Should you stay away from debt funds in the current times?

Debt allows to take out money, when market goes down.

In a market crash, transfer money from debt to equity & buy more.

If everything is in equity you can't invest more when market falls.

Both should be in portfolio.

Some interesting analogies:

Equity is the accelerator, while debt is like the break of car.

Equity is great on a long empty road, debt is needed in a crowded stretch.

Equity is like a sword in battle to attack inflation.

Debt is the shield in the battle to protect you.

Should you Invest based on tips?

Never!

Tips eventually lead to pits.

Check:
~ Incentive for the person giving the tips.
~ His track record
~ Are tips given both for buying & selling?
~ Are the tips only during a rising market?

There is no probability of tips being right!

Can we take tips on mutual funds?

No.

Why:
~ Something that suits the other person, won’t suit you.
~ Your risk profiles will not match
~ Your incomes won't match.

Instead:
~ Consult financial adviser
~ Educate yourself
~ Do risk profiling
~ Understand what's right for you

A universal investing truth:

Only companies that survive for the long term give returns.

Thus look for companies that have long term competitive advantage, which will allow them to survive!

Should I check portfolio on daily basis?

It's not required.

It will make you take unnecessary actions that are detrimental to long term returns!

Invest through SIPs in diversified fund.

Make sure portfolio is diversified and then forget about it.

Ignore the news!!

"News is to the mind, what sugar is to the body!"

News:
~ Is a stimulus which comes to you every minute
~ Is excess info that's not relevant to investing
~ Triggers activity & Activity is harmful for portfolio

Instead:
Read interviews, research reports etc.

Be passive with you money!

Don't churn you portfolio with every market rise & fall!

Know that you are in for the long term.

In the long term, your short term activity would be irrelevant!

Biggest risk for new investors in today's market

Having a false illusion of skills, seeing the portfolio returns.

Bull market feeds the ego

The real test is in a prolonged bear market.

Never:
Flirt with the stock.

Instead:
Marry & settle with good companies!

Facts from history:

2000 to 2010 american market gave zero returns.

For 40 years Japanese market gave no returns.

Don’t flirt with the stock, marry & settle with good companies.

How has Covid benefited companies:

Companies have cut cost
Have generated cash due the savings

Strong companies have become stronger after surviving covid.

Core timeless principles for investors:

~ Ask what are bad investing practices.
~ Try to avoid them
~ Focus on survival during bad phases
~ Diversify
~ Allocate assets wisely.

If you found this thread useful help me spread it to other.

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https://t.co/Q7DNicomIp

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