GOLDEN
SPARROW
CONSULTANCY

INVESTOR AWARENESS

GSC

Golden Sparrow Consultancy

AMFI-Registered Mutual Fund Distributor

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Saver vs Investor.

Saver	Investor
Focuses on accumulating and preserving money through savings.	Put their money into various investment vehicles for the long-term growth of capital.
Usually saves for short-term needs or emergencies.	Invests to achieve bigger objectives in life.
Usually prioritizes more on the liquidity of the investment.	Prioritizes more on compounding return in the long term.
Low-risk tolerance while prioritizing more on capital protection.	Willing to take risks on the expectation of a high return on investment.
Invests mostly fixed return instruments with guaranteed returns.	Apart from fixed return instruments, investments are done in volatile instruments like shares, mutual funds, commodities, bonds, real estate, etc.

Disclaimer: Mutual Fund investments are subject to market risks. Please read the scheme related documents carefully before investing.

PORTFOLIO REBALANCING

Portfolio rebalancing is the process of restoring an investment portfolio to its initial asset allocation. Over time, portfolios naturally deviate from their original allocation, and rebalancing brings them back in line.

Reasons for rebalancing a portfolio:

Risk Management:

Rebalancing reduces exposure to high-risk asset classes which may not be in line with the investment objective.

Locking in Profits:

It allows you to secure gains in appreciating asset classes.

Volatility Resilience:

Sticking to the initial allocation helps your portfolio withstand market volatility.

Comfortable Risk Levels:

Rebalancing ensures that your risky asset allocation aligns with your comfort level.

Maintaining Long-Term Goals:

Rebalancing helps keep your investment strategy aligned with your long-term financial objectives.

Minimizing Emotional Decision-Making:

It prevents emotional reactions to market fluctuations by enforcing a disciplined approach to investment.

Enhancing Diversification:

Rebalancing promotes diversification, which can reduce overall portfolio risk and enhance stability.

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Which one is better for Short Term Investment?

FD vs Debt Fund Comparison

Attributes	Fixed Deposit (FD)	Debt Fund
Return	Return is Fixed.	Return can be variable.
Risk	Less risky as RBI has secured fixed deposits of up to Rs 5 lakh.	Can be subject to credit risk but investments are diversified in various instruments to reduce risk.
Liquidity	FDs are less liquid as investors need to pay a penalty for premature withdrawal.	Open-ended debt funds are highly liquid with shorter duration exit load.
Taxation	You need to pay tax on accrued interest as per your slab. It can affect compounding returns in the long term.	Deferred taxation benefit as returns are taxed only at the time of redemption, which can boost compounding during the investment period.
Reinvestment Risk	FDs are subject to reinvestment risk as interest rates have tended to decrease in the last few decades.	Debt Funds can benefit from a falling interest rate scenario if they hold long-duration bonds in the portfolio.
Expense Ratio	FDs typically don't have expense ratios.	Debt Funds have nominal expense ratios that cover management costs.
Investment Horizon	Generally suited for short to medium-term investments.	Can cater to both short and medium-term investment horizons.
Interest Rate Fluctuations	FD interest rates are fixed at the time of investment.	Debt Funds can benefit from changing interest rate scenarios, potentially leading to higher returns in falling rate environments and vice versa.

When considering short-term investments, both FDs and Debt Funds have their pros and cons. FDs offer fixed returns and are relatively secure, but their liquidity is lower and taxation can impact long-term growth. Debt Funds, on the other hand, can provide variable returns and higher liquidity. They also have a taxation advantage where tax is incurred only upon redemption, potentially enhancing compounding. Additionally, Debt Funds can benefit from falling interest rates, which might not be the case with FDs due to reinvestment risk.

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Why Prepare for Retirement?

Longer Life, Shorter Working Years	**Increased life expectancy calls for sufficient retirement savings.**
Impact of Higher Education	**Advanced education can lead to earlier retirement aspirations.**
Shifting Family Dynamics	**Nuclear families mean more financial responsibility on one family.**
Battling Lifestyle Inflation	**Inflation erodes savings, especially with rising medical costs.**
Evolving Retirement Aspirations	**Retirees now pursue dreams like travel and personal fulfillment.**

Benefits of investing in different asset classes?

Diversification :

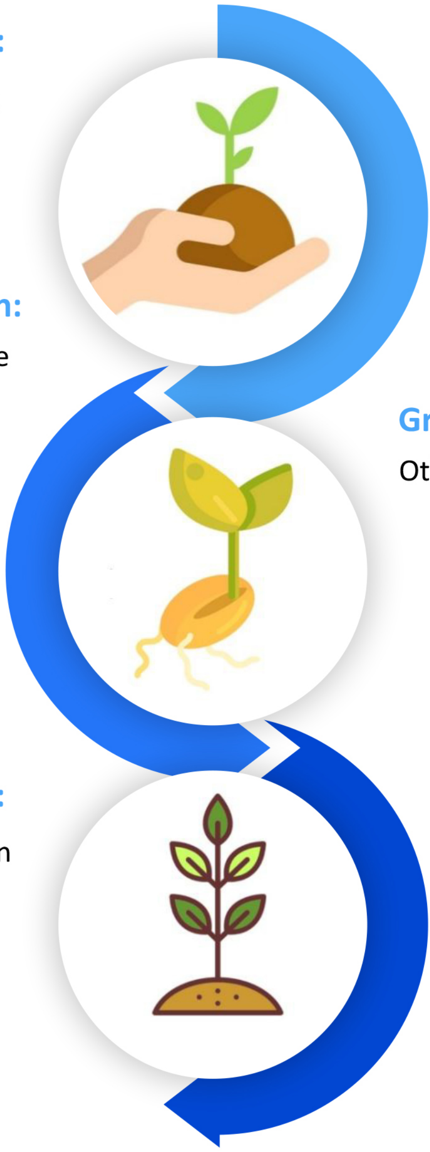
Spreading investments across asset classes reduces risk.

Income Generation:

Some assets can provide regular income

Wealth Preservation:

Certain assets maintain value over time



Growth Potential:

Others can offer the potential for capital appreciation.

Inflation Hedge :

Some assets protect against rising prices.

Risk Management:

Different asset classes react differently to market events.

Liquidity Options:

Varied assets provide flexibility in liquidity.

Portfolio Customization:

Tailoring assets to financial goals and risk tolerance.

Long-Term Growth: Investments in diverse classes support long-term goals.

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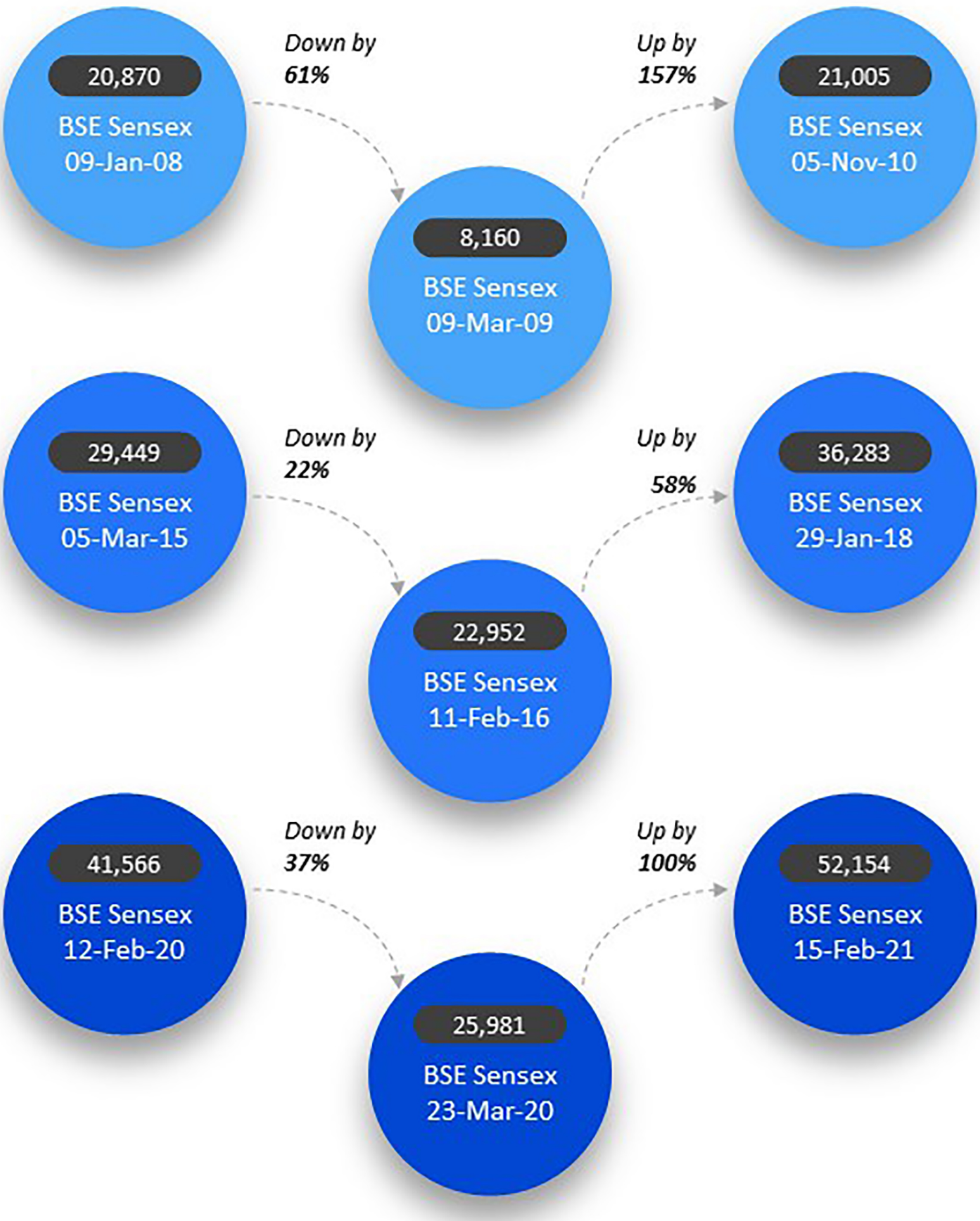
Why Invest During Bad Times



* Past performance may or may not sustain in future.

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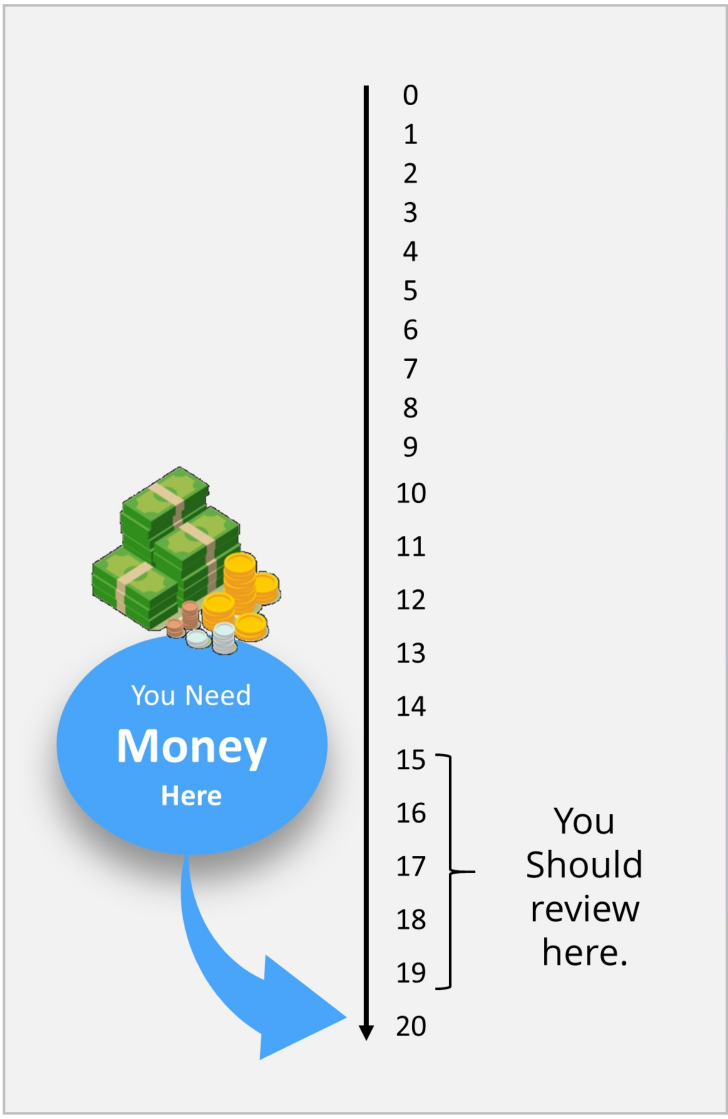
What If The Equity Markets Go Down In The Year In Which I Need Money



You can switch to Liquid / Debt Fund if returns are decent.

You can continue for sometime if the Equity markets are down.

You can book part profits.

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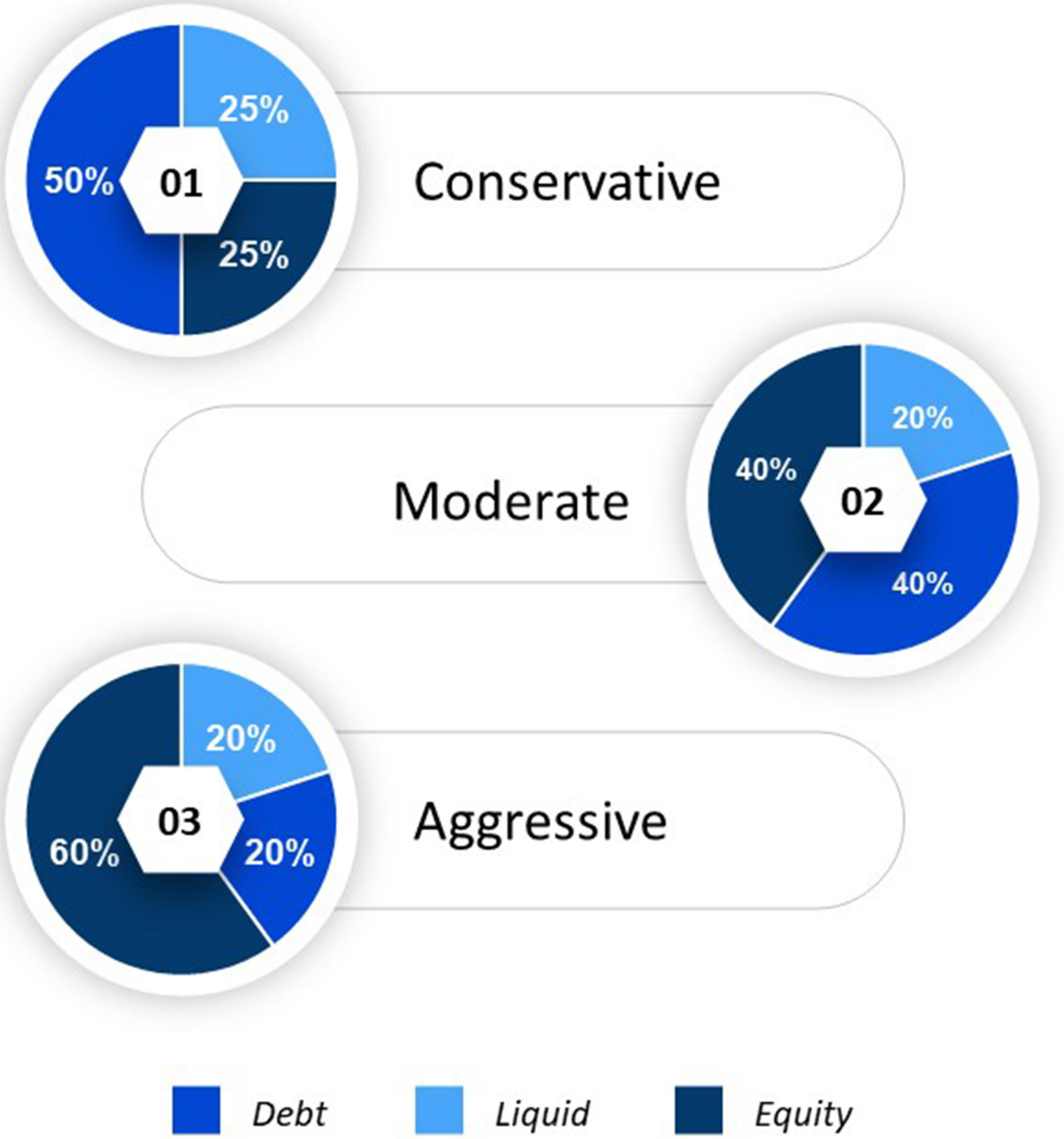
Suggestive Asset Allocation



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Compounding:
8th Wonder of the World.

Ever wondered what would happen if you could double your
₹ 1 every day for the next 30 days?

Day	Amount	Day	Amount	Day	Amount
1	₹1	11	₹1,024	21	₹10,48,576
2	₹2	12	₹2,048	22	₹20,97,152
3	₹4	13	₹4,096	23	₹41,94,304
4	₹8	14	₹8,192	24	₹83,88,608
5	₹16	15	₹16,384	25	₹1,67,77,216
6	₹32	16	₹32,768	26	₹3,35,54,432
7	₹64	17	₹65,536	27	₹6,71,08,864
8	₹128	18	₹1,31,072	28	₹13,42,17,728
9	₹256	19	₹2,62,144	29	₹26,84,35,456
10	₹512	20	₹5,24,288	**30**	**₹53,68,70,912**

But if you stop after 10 days you will have only ₹ 512!
This is the power of compounding.

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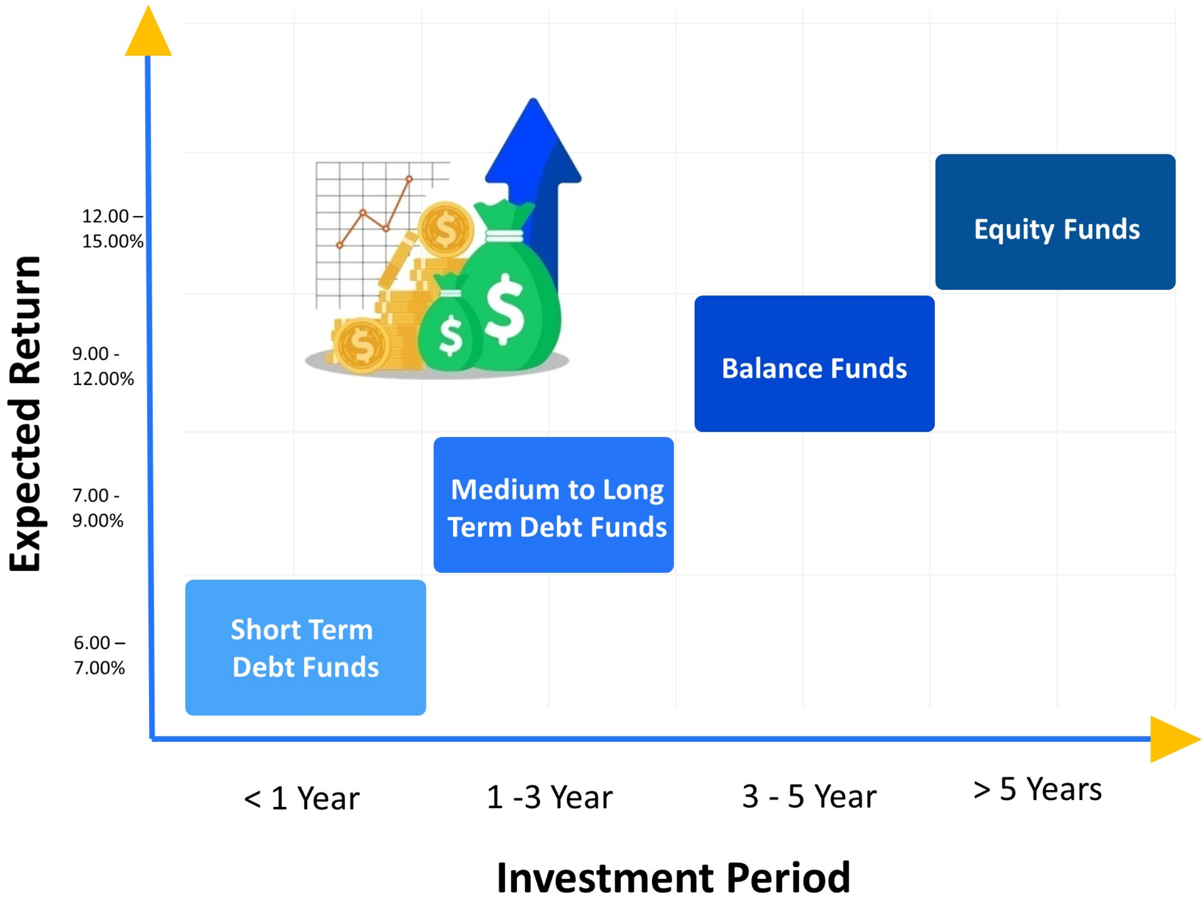
Choose Your Risk Appetite & Return Expectations



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