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“Good advice is beyond on all price.”

Dear Investors and Advisors,

One of the joys of my profession is to travel the country, and meet a diversity of investors and advisors – of different age groups, levels of financial awareness, financial needs, and of course risk profiles. Each interaction has a story hidden in it, and let me start by telling you two stories about two different investors.

Rajesh Kumar is an investor based in Delhi. His family moved to Delhi from Saharanpur, and he lost his parents when he was just 11. He started life working in a bindi factory. He did not own a car till he was 45 and lives in a one bedroom house in East Delhi with his wife. He is now 58, and now has a corpus of Rs. 1 crore, as he is about to retire. Satish Kumar, is a second investor also based in Delhi. He went to St. Stephens, and then FMS Delhi, both premier schools, and then took on a corporate job. He saw tremendous success in his career, and retired early to run a chain of restaurant businesses. He was known in Delhi for his presence on the social circuit, and was a keen golfer at a time. Today, he is in the process of selling off his bungalow in South Delhi, and shutting down his restaurant businesses to pay off the loans he has taken.

You may wonder, how did Rajesh retire with a corpus of 1 crore after starting life as a bindi seller, and how did a corporate superstar end up in financial doldrums. There is no secret – the former build up his savings, constantly investing sensibly month on month, increasing the amounts as his income grew. The latter saved less, invested even less, and took on more debt than he could handle. Investing is one of those things where your journey matters much more than your starting point.

Our industry and media writes a lot about timing the market, the elections, and what is happening in the economy. Pages and pages of analytics are devoted to what are the best stocks, sectors, and yes, also mutual funds. But for most of us – our life is not determined by a single election, or what happens to crude over the next 3 months, but by our own investment discipline and behavior.

The narrative around behavior as an investor or advisor is not new. We know we should be long term investors, we know we should not stop our SIPs, we know we should not obsess about daily NAVs in a fund. And we still make the same mistakes, and we will keep doing them, because we are humans, and humans have biases. We anchor to immediate outcomes (think assuming 2017 is the reality of equity markets), our sentiments move in extremes depending on short term market outcomes (think flows in 2008 when markets were at their most attractive), and we like to follow the herd. The inevitable outcomes - we still do try to time the market (and usually badly!), our asset allocation gets skewed to equities excessively in bull markets, and we buy fads and hold them much longer than we should. But there is a solution to this.

Seek good advice.

Before I tell you about good advice, let's go to the first advisor in our life – our teachers. My mother has been a teacher all her life, and she has always gotten very irritated when a parent comes to her saying, “My child is a poor student. Please teach him ABC.” The truth is that in today's day and age, where all content is freely available, there is no ABC to teach, and there is no standardized way to teach or learn. Today's teacher teaches the way the child learns. Teaching is a partnership, as is financial advisory.

In today's information age, where there is so much information about all investment products, you do not need a financial advice to get information. You don't even need financial advice to get rich. You need financial advice not to make mistakes, which are so easily to make in the volatile markets we live in, and you need financial advice to guide you through life's journey, in partnership. The young person needs financial advice when he enters the workforce to take sensible steps towards saving and planning for future goals, as you enter your middle ages, you need advice on how your asset allocation changes with changing liabilities, and in the sunset, advice prepares for a smooth transition into retirement. The need of advice may change through a lifetime, but the need for it doesn't, which is why even the most accomplished of sportsmen or musicians talk about the importance of coaching, throughout their career.

At Edelweiss AMC, this month, we salute the need for financial coaching, or financial advice through our national campaign #AdviceZarooriHai, which highlights the importance of advice in all spheres of life, right from the very basics. We started the year by talking about the VUCA world ahead of us, and one of the best ways to insulate ourselves from the volatility and uncertainty around us is indeed sensible financial advice. Our industry is now known by a phrase all of us are very proud of – Mutual Funds Sahi Hai. Yes, indeed, Mutual Funds Sahi Hai, but remember Advice bhi Zaroori Hai!

Regards,
Radhika