25 December 2008

Today's Tabbloid

PERSONAL NEWS FOR *ranjanvarma@gmail.com*

BUSINESS AND FINANCE

Where to Invest for Retirement Planning?

DEC 24, 2008 3:15PM

What is the best retirement plan where we can invest? Alas, this simple question does not have a one line answer!

Moreover, if we really want to plan for our retirement >20 years from now, it's a good idea to spend an hour or so rather than come to a hasty decision. In fact when you are planning for retirement, you are also, in a single stroke, managing your personal finance. Because retirement investments takes into account your **financial goals, income, spending and savings.** So it is a good idea to spend some quality time on this.

So, let's start with figuring out your retirement funds, how much every month will you need after factoring inflation and how long will the funds keep going.
(you may like to spend time with these sheets and calculators)

After you have an idea about your retirement needs, you also figure out how much to invest. And depending on what your income is, you make the decision for savings too. So, in a way, your retirement planning is a complete management of your money too!

Now it's time to weigh the various options available. The common investments options are:

1. Pension products from Insurance companies,
2. Mutual Funds and
3. Post Office investments.
4. PPF.

Before we proceed, it's important to consider three out of four parameters of investing. i.e. 1) Growth, 2) Security and 3) Expenses (leaving out liquidity, which has to come much later!)

The pension products from the Insurance companies have a high cost structure as they pay a decent amount to their Agents. The Insurance companies have to follow guidelines from IRDA to invest your money which is generally in safe investments (Other than ULIPS where investor bear the investment risk). This affects the returns and the average return can be pegged at around 6% as of now.

ULIP Pension products can give higher returns though the investor bears that risk. But the cost structure of ULIP pension funds is higher than Mutual Funds.

Mutual Funds offer better returns and again they are subject to market risks. But over a long time frame, the returns are really good.

Post Office monthly accounts offer interest @ 8% per annum, payable monthly.

Now, coming back to the question about the best retirement plan, the answer would be a combination of the following products:

Mutual Funds, Public Provident Fund, fixed deposit (FD) and fixed maturity plan (FMP), etc to build the retirement fund while you are young and can take risks.

As the fund grows, the investments can be deployed in avenues like FDs, senior citizens scheme, Post Office Monthly Income Scheme, MF investments with a systematic withdrawal option, FMPs in the dividend distribution mode and monthly income plans, etc to get periodic returns.

Essentially it's like bat like Sehwag first and then let Sachin take you to the winning post!

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BUSINESS AND FINANCE

What's Wrong With Mistakes, Learn from Them!

DEC 21, 2008 8:47AM

From about 2003 till early 2008, there was a feeling of invincibility for all investors. No matter what the investors did, they made lots of money. No mistake seemed to matter. Whether it was a the wrong fund, a heavy sector concentration, or a disfigured asset allocation, it all worked out.

But times have changed now. Errors in financial judgement can carry a heavy cost today. While what was done in the past cannot be undone fully, some of the ill-effects of financial mistakes can be corrected.

So it's time to ask yourself the following questions?

- Is my Fund selection aligned to my financial goals?
- Am I properly diversified?
- Do I have an asset allocation strategy in place?

Very basic questions. But once you have figured out the questions, the solution is on the way.

Every problem has a solution has been heard so many times. How about the following:

> **Solutions are fun, but to get one, you need a problem. So what's wrong with problems?**

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PERSONAL FINANCE 2.01

Satyam Destroys Rs 10640 crore Investor Wealth?

DEC 21, 2008 12:19AM

Ajay Shah (http://ajayshahblog.blogspot.com) has a detailed post on the recent fracas about Satyam Computers.He writes, (http://ajayshahblog.blogspot.com/2008/12/crisis-at-satyam_21.html) The recent fracas about Satyam Computers is a really fascinating story. Satyam (http://www.business-beacon.com/kommon/bin/sr.php?kall=wcos cocode=214297 type=s tab=1010) (a computer software firm) was about to buy two real estate companies: a listed company named Maytas Infra (http://www.business-beacon.com/kommon/bin/sr.php?kall=wcos cocode=142276 type=s tab=1010) and an unlisted company named Maytas Properties (http://www.business-beacon.com/kommon/bin/sr.php?kall=wcos cocode=371935 type=s tab=1010). They were going to pay roughly $1.6 billion. This was a troublesome transaction from so many points of view. First, it would deplete the firm of cash. Second, it would mean defocusing the firm away from software towards real estate. Even if diversification into real estate were the goal, there were better acquisition targets around like Unitech (http://www.business-beacon.com/kommon/bin/sr.php?kall=wcos cocode=257777 type=s tab=1010). The case for buying these two companies seems to have been influenced by the shares held in the two companies by managers of Satyam.

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INSURANCE

Insurance v/s Fixed Deposits

DEC 19, 2008 5:38AM

Advertisement
More than half of Indians polled in a recent survey say that they prefer to purchase insurance to placing their money in fixed deposits.

The survey by marketing information company Nielsen shows that 54% of people in the country prefer to invest in the different insurance schemes, while only 34% opt for fixed deposits.

The exercise polled around 1,000 people across the cities like Delhi, Mumbai, Kolkata, Chennai, Bangalore and Hyderabad.

However, the most popular choice of all is gold with 58% of respondents naming it as their best investment option.

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