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Dear Investor,

Nidhi Investments celebrated its fifth anniversary on 14th October 2014 and entered into 6th Year of Operations. With grace of God and the blessings of all well-wishers like you, we grew our clientele in 13 States of India (including Maharashtra, Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Rajasthan, Gujarat, Madhya Pradesh, Uttarakhand, West Bengal, Goa, Uttar Pradesh and Delhi NCR) and 5 countries overseas (including U.K, California, UAE, Singapore and Africa) in the fifth year. God willing, we will soon have clientele in all parts of the country and also plan to further expand globally. We hope you are liking our website www.nidhiinvestments.com

To be able to be in touch with you, we have our page on FB https://www.facebook.com/pages/Nidhi-Investments . You are most welcome to become a part of it and get regular updates from us.

It gives me immense pleasure to present you "Nidhi Yearbook Vol V" which is a compilation of my articles published on the renowned global portal www.wordpress.com . These articles have been read and appreciated by readers all over the world (from 65 Countries). You may access these articles by logging on to www.professorbajaj.wordpress.com . These articles are basically aimed at investor education and awareness. Many of these articles have also been published by renowned websites like CAClubindia.com, MBAClubindia.com, Lawyersclubindia.com and TotalCA.com. Some articles have also been published by ALUMINOUS, the Monthly Magazine of NMIMS, Mumbai.

We are committed to make every effort to protect the investors from getting cheated by the fraud practices happening in the market. Our biggest asset is the trust of all you investors which helps us to scale new heights every day.

We look forward to your continuous trust and support which would enable a fruitful long term relationship.

We also look forward to your valuable feedback and suggestions on our services, articles or anything else. Please feel free to write us on saurabh@nidhiinvestments.com

Regards

Prof. Saurabh Bajaj *(BE, MBA, FRM)*

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Time-Time ki Baat Hai – Part 3

Posted on October 21, 2014

"Look Who's here !! Mr. Desai, Good to see you." said Mr. Suren Mehta, a retired banker. He was sitting with few other friends, Mr. Ajit Khanna and Mr. Rajat Ghosh, in a park as their daily routine in retirement days. He suddenly saw Mr. Srikant Desai, a retired professional coming towards them, when he said this.

"Good to see you all too." said Mr. Desai.

"Let me introduce you all to my friend, Shrikant Desai. He is the happiest retired person I have ever met. He exercises, spends time with his grandchildren, goes on vacation with family and enjoys his retirement to the fullest." Said Mr. Mehta to Mr. Khanna and Mr. Ghosh.

"You're a lucky Man" said Mr. Khanna. "I have 2 daughters. I took loan against my PF and LIC policies and got them married in a grand fashion. Now, I am left with meagre amount to fund my retirement. I wish, I had a son who could fund my retirement."

"Not Really" said Mr. Ghosh. "I have 2 sons. But none of them gives me enough money to enjoy life like Mr. Desai. And the annuity I earn from my policies, is hardly enough to survive. I can't even dream of such luxuries. Retired life looks like a curse now."

"I disagree with both of you" smiled Mr. Desai. "Your retirement planning doesn't (rather shouldn't) depend on whether or not you have son or daughter. It all depends on how well you have planned for your retirement."

"We had all planned for our retirements. All of us had few policies and post office certificates for our retirement". Said Mr. Mehta. "Additionally, we had our PF amount with us. All put together we had some Rs. 10-15 lakhs for our retirement."

"There you are. You had only invested in traditional debt instruments which could not grow your wealth in line with inflation. As a result, you had a smaller kitty for your retirement. This amount might have appeared big during your young age. But today you realise that it is small.

To make things worse, Mr. Khanna dipped into his retirement corpus to get his daughters married in a grand fashion." Said Mr. Desai.

"But in our community, it is mandatory to have a grand wedding ceremony Mr. Desai. Also, doesn't a father aspire that he celebrates his daughter's wedding in the best possible way?" asked Mr. Khanna.

"Well, may be. But the question is, if that was your aspiration, why didn't you plan for it separately? How can a grand wedding ceremony be a justified expense at the cost of your retirement??" asked Mr. Desai.

"I think you are right Mr. Desai." Said Mr. Mehta. "So according to you what is the right thing to be done ? Rather what's the secret you followed that today you are so relaxed?"

"Let me Guess. Your Son financially supports you pretty well." Said Mr. Khanna.

"Let me also Guess. You had inherited huge wealth from your father". Said Mr. Ghosh.

"Both of you are incorrect." Said Mr. Desai. "I inherited nothing but a small house to live from my father. Also, me and my son are financially independent. We live together and morally support each other, but neither he seeks financial support from me neither do I seek financial support from him. I think this is one reason that makes me feel proud of him and proud of myself.

I had decided to start planning for my retirement at an early age of 25. Also, I realised that only debt instruments cannot create wealth for me. Thus, I chose the way of equity which created good wealth for me. I started saving small amounts starting from Rs. 500 p.m. gradually growing to Rs. 1,000 p.m. then Rs. 2,000 p.m. and so on as my income grew.

Last year, I retired with a wealth of more than Rs. 2 Crores which I invested in Tax Free Bonds and now earning around Rs. 16-17 Lakhs p.a. as tax free interest. And I still have some Rs. 40-50 Lakhs in diversified equity funds so that I continue to beat inflation hereafter."

"That's great Man. What a farsightedness !! But you know what?? Equities aren't everybody's cup of tea. It requires lot of research to find the right stocks." Said Mr. Mehta.

"You are right. So if you can't find so much time to research for equities, you can choose the route of Mutual Funds. And if even researching Mutual Funds is also difficult for you, go for a fees based financial advisor." Said Mr. Desai.

"But I always thought equities are risky." Said Mr. Khanna.

"Equities are volatile in the short term. But in the long term, they are the true wealth creators. Also, let us analyse the risk of not investing in equities. Look at all your equity-less portfolios. Isn't that a bigger risk that your retirement wealth is far below required as you couldn't beat inflation?" said Mr. Desai.

"But aren't sons supposed to fund our retirement? We do so much for them. I still remember, I gave them everything they asked for, even if it was stretching my budget. At times, I ignored my parents' requirements to fulfil my sons' wishes. But today, all they care about, is their children. We don't exist for them." Said Mr. Ghosh in an agitated voice.

"Here come the double standards. You say that when you ignored your parents to fulfil your sons' wishes, you were right. But if your sons ignore you to fulfil their children's wishes, they are wrong. Why so? Also, you said, that you stretched your budget to fulfil their demands. Now ask this question to yourself, whether it was a need or desire that your children demanded? If it was a need, then its ok. But if it was a desire, and you gave up your retirement planning to fulfil it, then the only person to be blamed is you, not them." Said Mr. Desai.

"That ways I am kinda lucky" said Mr. Mehta. My Son gives me some money every month for my expenses. Also, he fulfils the demands of his children. So I would say, he is an ideal son and ideal father."

"I would agree only if you tell me, that after all this, he is still able to save and invest for his retirement." Said Mr. Desai.

"Well, I am afraid, not." Said Mr. Mehta. "These days expenses are so high that after doing all this, he is hardly left with any money."

"In that case, I would suggest you to become his mentor and tell him to start saving some money. In fact, don't take me wrong, but your son is facing this problem because of your lack of planning. If you had planned your retirement well, the money he is giving you could have been invested towards his retirement." Said Mr. Desai.

"So what should I do now?" asked Mr. Mehta.

"Please tell your son to prepare a budget for his monthly expenses and try to curtail those which are unnecessary. This money needs to be necessarily invested towards his retirement so that he doesn't have to financially depend on his son. Today, my son Niraj is not only handling the household expenses very well, but is also saving and investing around 20-25% of his income towards his retirement. This way he is not only securing his own retirement but is also taking off the responsibility from his Son. In a way, he is helping his son by planning his own retirement." Said Mr. Desai.

"Isn't it our culture that our best retirement planning is to invest in our children?" asked Mr. Ghosh.

"That's only half the truth" smiled Mr. Desai. "The fact is, we Indians have a culture to save for our future. In your young age, future is 2 things i.e. your children's working life and your retirement. Now, when you give good education to your children, you are done for their future. But for your retirement, you still need to save and invest. In fact, Western Countries had a culture of not saving for retirement. There, the government had enough resources to take care of the retired. But you will be surprised to know, that the trend is changing there too, now. They have started saving for their retirement. So even 'culturally' we should be saving and funding our own retirements." Said Mr. Desai.

"You have opened our eyes today" said Mr. Ghosh, Mr. Mehta and Mr. Khanna to Mr. Desai.

"Thanks for the compliments. A few last words which I would like to share with you:

There has been a trend of old age parents being deserted by their children as they cannot financially support them. But if we want to curb this problem, the first step is to start saving and investing for your retirement. So this is not only a social issue, but a case of lack of planning.

Tomorrow, when your children grow up, they will have enough liabilities including household expenses, home loans, children's education, self-retirement etc. Make sure that YOUR lack of planning doesn't mess up their finances. In fact, if you say that you care for your children, show this care by doing retirement planning for yourself.

Blowing up money in daughter's marriage is an extremely bad idea, especially when you have dip into your retirement money. Rather, help her find a good match and provide your blessings. If you have saved some amount for her, give it to her than blowing it up. That would provide some financial security to her. (Please don't confuse this with dowry.)

Your investments have to necessarily take care of inflation. If your money grows slower than inflation, your retirement planning is on the verge of collapsing.

Times have changed and they will always keep changing. So keep an open mind to keep up with the times.

Last but not the least. Retire from Work, not from Life."

We look forward to your valuable comments and feedback. Please feel free to contact us on CEO@nidhiinvestments.com if you have any questions.

(The views mentioned in the article are personal opinion of the author)

Readers Comments:

"Indeed very true bhai, one should start saving early to build good wealth for retirement."

- Hasan Chobarawala, ICAI, Ujjain.

"Good Article to burst many myths we were having. Nicely elaborated. Story of almost every household. Highly appreciated. "

- Rahul Tijare, IL&FS, Mumbai.

Convenience at the cost of Security ?? Bad Deal !!

Posted on August 20, 2014

A few days back, I went to pick up my daughter from her school. The school has a good system wherein whoever comes to pickup the child, has to show the bearer card, so that the teacher knows that the child is being picked up by the authorised person.

All of a sudden I saw one househelp staff asking a teacher to hand over a child to him. When she asked for the bearer card, he said "its in the child's bag". The teacher was astonished. She immediately called up the parent to verify and if they knew about this practice being done with their child. She was further shocked by parents' reply.

"Its more convenient to keep it in child's bag." They said, "Many a times we forget to carry the bearer card or to send the card with the staff."

"What's the purpose of asking for the bearer card then ?" the teacher asked "anyone can ask for the child and I will have to hand it over. How can you place convenience over security of the child?"

I came across a somewhat similar story with a colleague. She kept forgetting her ATM PIN. So she wrote it on the backside of the ATM Card. I accidently saw it, and asked "isn't that dangerous? If someone steals your ATM card, he also has the PIN readily available with him."

"May be" she said, "but it's convenient. I keep forgetting it"

The above 2 incidences have one thing in common. Many people give up on security so that life becomes convenient.

This attitude gives enough room to fraudsters to play their foul tactics. People use their smartphones for doing fund transfers, online payments etc and stuff up their phones with truck-loads of "Apps" which they themselves aren't sure of the utility and source. These Apps make you agree that they will access all the personal information on your mobile and then actually do it.

This makes you vulnerable to online frauds. A few cases have been reported wherein the credit card details or netbanking details were used for unauthorised withdrawals or payments. It's good to be tech-savvy but we need to draw a line wherein we are not letting convenience score over security. A few tips listed below could be helpful :

Rather than using your credit card everytime for paying utility bills, you can opt for an automatic bill payment facility using the same credit card. This would require your signature for first time authorisation and later on it becomes automatic. Thus, it saves you from putting your card details everytime you make online payments. These days even your browsers store a lot of information which is used by the browser developers.

As we move towards a paperless world, don't make yourself totally aloof from basic paperwork. While entering into a new agreement / investment product / policy, it is better to go the traditional paper way for the first time and get it automated later. If you automate it from the beginning, then you neither have the copy of the terms and conditions that you have agreed, nor you always have bright chances of asking for it later.

Set an upper limit to all your credit cards / debit cards / netbanking for making fund transfer. This will provide you some cushion if you are exposed to a fraud. For example, you try paying / donating Rs. 100 to some unknown site and later it might use your details to transfer Rs. 5 Lakhs to themselves. If you have a limit of say Rs. 20,000-25,000 set for online transfers, then the loss could be minimized. For larger amounts, I would suggest to still use the traditional cheque method as far as possible. (This is only for online payments. If you are swiping your card in your presence, risk could be relatively lesser).

The above tips might sound making life difficult which has become very convenient off-late. But lets remember that if we sacrifice security for the sake of convenience, the damage could be much bigger. The inconvenience or the additional effort required could be worth to protect the big damage.

We look forward to your valuable comments and feedback. Please feel free to contact us on CEO@nidhiinvestments.com if you have any questions.

(The views mentioned in the article are personal opinion of the author)

Readers Comments:

"Nice and simple language makes it easy for anyone to understand."

- Amit Chandrayan, Dell Computers, NOIDA.

"Gud one bhai..Convenience at the cost of Security is applicable to all of us. Its in our blood to find an easy way out in almost everything. Thank you for simplifying the importance of health & term Ins in all your articles…."

- Adarsh Rao, Dell Computers, Bangalore.

Budget 2014-15 : What's Good and What's Not So Good ??

Posted on July 26, 2014

We saw a deluge of analyses coming on Budget 2014 right from 11th July 2014. However, we chose to wait for clarifications and finer details so that readers get the right perspective for themselves.

People would have different opinion about the budget depending on their own profession and field. However, from investor and taxpayers point of view, we have made an attempt to list down few good things and few not-so-good things about the budget.

What's Good ?

The Nil Tax Slab has been raised to Rs. 2.5 lakhs. Since the other slabs i.e. 10%, 20% and 30% slabs were untouched, this provides a saving of Rs. 5,000 to every individual /HUF earning more than or equal to Rs. 2.5 Lakhs. (There have been some misundertandings wherein people have interpreted that those in 30% tax slab will save Rs. 15,000 due to this change. But it is untrue. Your total tax saved due to this increase in nil tax slab, will be max Rs. 5,000).

The maximum limit u/s 80C has been hiked to Rs. 1.5 Lakhs. While this enables additional tax saving, readers are advised to be wary about where are they putting their additional Rs. 50,000. There is a world of mis-sellers on prowl to pitch you their investment-cum-insurance plans to grab your additional Rs. 50,000. Before you invest this, just do some base calculations such as :

A. Add your PF deduction of the entire financial year.

B. If you have a home loan, add the principle repayment amount of your home loan. (You need to obtain a loan repayment schedule from the bank for exact figures).

C. If you have a term plan, add your term plan premium. If you don't have a term plan yet, immediately buy one.

For example, if you have Rs. 4000 as your monthly PF deduction. Then you would have Rs. 48,000 towards PF. Then lets say your home loan principle repayment adds up to Rs. 60,000. And you have a term plan with an annual premium of Rs. 10,000. So now these 3 items add up to Rs. 1,18,000. Thus, you only need to invest Rs. 32,000 towards your 80C. Till last year, you might be investing more than Rs. 1 Lakh but getting tax benefit for only Rs. 1 Lakh. This year, plan in advance to get the full benefit.

The maximum limit u/s 24B has been hiked to Rs. 2 Lakhs from 1.5 Lakh earlier. This could come as a great breather for those already having home loans and who are servicing EMIs. Those who have recently availed home loans, would have a higher component of interest in their EMIs in the initial years. Thus, this increase in exemption would help them to save some tax. Someone in 30% tax slab can get a tax saving of as high as Rs. 15,000 with this. Also, those couples having double income can save upto Rs. 30,000 given that :

A. Both are co-owners of property.

B. Both are co-applicants of home loan

C. Both are contributing towards EMI

However, for those who are looking to buy property as an investment are advised to view this with caution. Sec 24B is applicable on self occupied property. For rented out properties, entire interest can be set-off against the rent received. Thus, there is no change on that.

Other than above, there have been certain measures taken which would contribute towards overall growth of the economy. This could result in equity markets giving good returns. Thus, investing systematically in diversified equity could be helpful in wealth creation.

What’s Not-So-Good ?

Given the hefty inflation numbers, the Nil tax slab was expected to be increased till Rs. 3 Lakhs and 80C limit was expected to be hiked to Rs. 2 Lakhs. In fact, if it was hiked to Rs. 2 Lakh, government could have had access to huge low cost funds to plug the fiscal deficit. But it was marginally increased.

The Long term holding period for non-equity mutual funds was increased from 12 months to 36 months. Also, the tax slab of 10% without indexation was removed and uniformly 20%

with indexation was applied for non-equity mutual funds. This came as a big blow to the investors in debt mutual fund. Investors who had invested in FMPs which would mature after 10th July 2014, are feeling cheated.

What can we do about it ?

As they say, there is no point in crying over spilled milk. Investors now need to tweak their strategies and see how they can benefit (or at least reduce loss).

Even now, debt mutual funds haven't really become a bad option. It's just that, the tax arbitrage has gone for those holding between 12-36 months.

Life is pretty much same for those investing in debt mutual funds for less than 12 months (be it any tax slab).

Life is pretty much same for those in 10% slab as If they redeem debt mutual funds after 1 year, they will still pay 10% on the gains.

Life is slightly different for those in 20% slab as they will have to invest with a time horizon of more than 36 months if they want to reduce tax liability.

If you are in 30% tax slab, FDs and Debt Mutual Funds have become at par for a period of less than 36 months. But if you want to invest for more than 36 months, debt mutual funds still give you tax arbitrage. FD income will be taxable at 30% whereas debt mutual funds will be taxed at 20% with indexation.

All-in-All, the budget comes with a mixed reaction. But that's how life is. You cant expect every day to come with a good news. You can just have a positive and receptive mind, which accepts every challenge as an opportunity, and take best possible advantage of the same.

We look forward to your valuable comments and feedback. Please feel free to contact us on CEO@nidhiinvestments.com if you have any questions.

(The views mentioned in the article are personal opinion of the author)

Reader Comments:

"FD income will be taxable at 30% whereas debt mutual funds will be taxed at 20% with indexation"? If possible, Explain with a small example, prof Bajaj"

- Adarsh Rao, Dell Computers, Bangalore

Professor Bajaj replied:

"Lets consider this example:

Mr. A and Mr. B, both are in 30% tax slab. Mr. A invests Rs. 5 Lakh in an FD giving him 9% interest. Mr. B invests Rs. 5 Lakhs in a debt mutual fund giving him 9% returns.

After 3 years, Mr. A earns Rs. 1.35 Lakhs as interest on his FD. This will attract a tax liability of Rs. 40,500 @ 30% for Mr. A. Thus, post tax returns would be Rs. 94,500. i.e. 6.3% p.a.

Whereas after 3 years, Mr. B earns Rs. 1.35 Lakhs gain on his investment. Using indexation, his investment of Rs. 5 Lakhs is treated as Rs. 6.05 lakhs (assuming 7% inflation). Thus, his taxable gain would be Rs. 30,000 which will be taxed @ 20%. Thus, the tax liability for Mr. B will be Rs. 6,000. Post tax returns would be Rs. 1.29 Lakhs i.e. 8.6%.

Thereby, even if FD and debt mutual fund give equal returns, holding on to them for more than 36 months, saved Rs. 34,500 for Mr. B on an investment of Rs. 5 lakhs.

Here, we have ignored the capital gains earned due to fall in interest rates, which could earn even higher returns in debt mutual fund. Also, for simplification of calculation, we have ignored compounding of returns for both FD and debt mutual funds.

Hope this is helpful.

Regards

Prof. Bajaj"

FB-WhatsApp Deal : Lessons To Learn !!

Posted on March 6, 2014

Everyone seems to talk about FB-WhatsApp Deal these days !! Its not just the size of the deal that is talk of the town, but also it is leaving everyone wondering, "What made FB pay such a huge price for WhatsApp ?" Given that WhatsApp is free (more than 90% people still use it for free). Moreover, it does not flash any advertisements (like FB) which could fetch revenues to it. Then how does WhatsApp earn ? And if it doesn't earn much, why did FB pay such a big price for it ??

The Business of Database

Before understanding this, lets try to understand, how the business of database works. We are all aware that telecom companies were making good money by selling the database of their users' contact numbers. These database of contact numbers were sold to companies dealing in Credit Cards, Insurance, Personal loan, Holidays etc. However, this data was very low quality data as the telecaller had no idea about the age or profile of the person to whom she is calling. Thus, at times, she used to land up calling a person who has no interest or eligibility to buy the product which she is trying to sell.

Then there was a similar model of collecting data from public places like Petrol Pumps, Shopping Malls etc. You might recall an event of a marketing executive chasing you to just fill up your name and contact number to make you eligible to win a "Lucky Draw". You also felt comfortable to share your contact number, as there was "nothing to lose". Later, these numbers would sell at a premium as the buyer of the database could safely assume that people walking in a mall or driving out of a Petrol pump, would have decent earning capacity and is likely to buy a product he is willing to sell.

In fact, there are some elite clubs, who have heavy membership fees and thereby have a rich database of HNIs. You might be surprised to know that some Clubs charge as high as Rs. 20,000 for the contact details of each member. Or in simple words, they “sell” the contact details of one member for Rs.20,000. This data is of fairly high quality, as the buyer of the database knows that I can target this segment for high end luxury brands.

So How does WhatsApp Come into Picture ?

Having understood the business of database, it is also worth noting that the above mentioned techniques gave a very rough idea of the person in the database. The buyer of the database had a contact number, sometimes name and sometimes a blurred guess about his income. The buyer still did not have any way to find out the likes and dislikes, the requirements, or the grievances of the database he is buying.

Here is where all the social networking platforms come into picture. In last few years, people have started freely sharing their satisfactions, dissatisfactions, complaints, requirements etc on social media like FB, Twitter and so on. In fact, there are professional data analytics organizations hired by big companies, just to keep a watch on content shared by people about their products. It helps them devise their strategies related not only to their own products and services, but also to their competitors’ products and services.

In the same series, WhatsApp had a higher edge. It allowed people to talk in closed groups, chat one-on-one and that too 24X7. Some “confidential” data, which people were uncomfortable sharing on FB, they shared it very conveniently on WhatsApp (thinking it was Safe). Also, it was not restricted to the users of a particular company handsets (like erstwhile BBM).

Why did FB pay such a huge price to WhatsApp ?

Although $19 bn sounds like big money, if you work it out, FB paid around $42 for each WhatsApp user. (WhatsApp has an estimated user base of 450 million active users).

For this $42, FB has now access to a rich database of 450 million users across countries with following details about each user:

Name

1. Mobile number
2. Email id (already with FB, but now coupled with mobile number)
3. Profession / Employer
4. Mobile Handset details.
5. Family background
6. Health Status
7. Financial Status
8. His Concerns and Grievances
9. His likes and dislikes
10. His religious beliefs
11. His Political Views
12. His Photographs and Videos

And few more things which can be analysed with the help of his discussions with his / her contacts .

Businesses would love to buy such a rich database at a very high premium because they would think that they can target the right set of customers and increase sales.

Are there any lessons for us ??

How does it matter what amount FB paid to WhatsApp? Is it any of our business? Are there any learnings for us? The answer is yes. We need to learn below lessons from this deal.

1. Whatever you discuss on WhatsApp as a confidential discussion, it's all recorded and analysed by people totally unknown to you. So you can't be sure, how it will be used. Beware while discussing confidential topics on any such platforms.

2. This deal has suddenly raised hopes of all other "App" developers to develop an App that just becomes popular such that it is downloaded on maximum number of handsets. This could fetch it a big price. However, these Apps need not be chatting Apps. Even if they are gaming or any other utility Apps, they can access all your data (They first make you agree that you are granting them permission to access all your data and then actually access it). Thus, do not download each and every Free (or even

paid) App you heard about, just because you think its "Cool" to have so many Apps on your mobile.

3. Avoid making any financial transactions (funds transfer, online payment with credit card etc) using your mobile. Also, do not store any of your confidential and financial information (your bank details, credit card details etc) on your mobile. All the "Apps" you are using, will be able to access all this information, and you never know, when the misuse of this information starts.

We look forward to your feedback and comments on the above article. Please feel free to contact us on CEO@nidhiinvestments.com if you have any questions.

(The views mentioned in the article are personal opinion of the author)

Readers Comments:

"The article is very broadly described though we are aware of the some facts like sharing the database but didn't have idea that there is so much money involved in this.

Thanks Saurabh for sharing this Article looking forward for more articles which are eye opener."

- *Rahul Dahake, Cognizant, Pune.*

"Nice Article Sirjee. Your article nicely describe a revenue model which can be debated as breach of user trust. To get away from legal liability they add these things in their terms of services which we conveniently ignore, like we ignore what capabilities are requested by mobile apps. Many apps request capabilities just to capture them and create database.

Recently found that facebook messenger require complete access to all your SMSes (wonder why?).

But its also is difficult for do without these apps in today's world. I guess right thing is to do what you suggested, is be careful in sharing information on different channels.

Nothing is actually free in business world :-), in fact free services uses data much more liberally without liabilities compared to paid ones.

Other side of coin is analyzing data can enable to give better service. This creates a grey area where need access to data for better service and misusing that data when have access. This makes confusion for users whether to allow access for better service and take risk of getting shared with undesired business/people or don't use the service and keep the data safe.

I guess there is no perfect single answer to that, and users will have to use their judgement on case to case basis to fall on which side based on sensitivity of data.

Articles like this will make them aware of risks and strategies used by businesses so they can make more informed decisions.

Thanks for making us aware."

- *Vikram Agrawal, Google India, Hyderabad.*

"namaskaar sir g…. your articles are always worth reading…. always teaching something…. keep writing…"

- *Giriraj Sharma, Country Head, Chemi & Cotex Industries, Rwanda.*

Beware !! Another Fraud in the Air !!

Posted on February 18, 2014

Mr. Rajeev Kumar, a Chartered Accountant, working with a leading Automobile company was worried about his insurance policy. He had bought an insurance-cum-investment plan from a company (say “K”) 3 years back with an annual premium of Rs. 24,000 p.a.

When he learnt that this policy is not going to help him for his future, he decided to surrender it. He had paid a premium of Rs. 72,000 in last 3 years. But to his great surprise, his total surrender value payable was just Rs. 33,000. He was shocked !! A loss of Rs. 39,000 in a “Guaranteed” product !! He was feeling cheated.

He decided to lodge a complaint with IRDA. He wrote a mail to IRDA with all the policy details.

Within few days, he received a call. The caller, Mr. Harish, claimed to be an IRDA executive and explained Mr. Rajeev that he will resolve his problem.

Mr. Harish told Rajeev that, all he needs to do is, transfer the money from company K to one of the three companies i.e. Company R, Company B and Company A. In fact, the way these options were told was also interesting. He said that Company R will pay 10% interest, Company B will pay 8.5% interest and Company A will pay 7.5% interest.

Like anyone else would do, Rajeev almost decided to go for Company R. However, some more sentences from Harish raised an alarm in Rajeev’s mind.

Harish said that these plans are exclusively in collaboration with IRDA. So you wont get these details on Company R’s website or their local office or from their local agent.

Rajeev realised that this doesn’t sound right. He immediately called up his financial advisor to find out if this was true. Not to his great surprise, he learnt that it was a fraud call. He immediately lodged an FIR against Harish for making a fraud call. Harish was also booked for using unauthorised sources to access Rajeev's information from IRDA.

Rajeev's prudence saved him. But being the favourite season of the mis-sellers, you are highly likely to receive such calls. Please bear following things in mind, when you receive any such call:

IRDA is Insurance Regulatory and Development Authority. It never "suggests" or "recommends" any policy to policyholders. Neither it designs any plans in collaboration with any companies. Its job is to keep a watch on insurance companies and protect the interest of policyholders.

Whatever money you have lost in one policy due to mis-selling, it is virtually impossible to recover it back. This is because, the policy document mentions that you have agreed to pay all those hefty charges and it bears your signature. Thus, you don't really have a legal recourse to the money lost due to your ignorance.

Treat any such loss as a learning which will prevent you from making mistakes in future. But if you try to recover that loss, such fraud calls will lure you quickly.

Never ever mix investments and insurance. Buy only term plans for your life insurance needs. Look for pure investment products for your investment needs.

Don't get trapped by the word "Guarantee". Investors have a tendency to pour in all their money, the moment they hear the word "Guarantee". Understand the intricacies before you invest.

Seek professional help to understand complicated products. Be willing to pay small professional fees than pay hefty hidden charges.

We look forward to your feedback and comments on the above article. Please feel free to contact us on CEO@nidhiinvestments.com if you have any questions.

(The views mentioned in the article are personal opinion of the author)

Readers Comments:

"What a way to make Public Fool !! Thanks for such a valuable information"

- Asheesh Kumar, ICAI, Mumbai

"Yes, very useful information as now a days we have to be very careful for any investment, thanks"

- Ravi Sharma, Sr. Manager Finance, REC, Bhopal.

The Reality about Realty !!

Posted on October 27, 2013

"Trust me Sir, real estate will always give you best returns. The prices cannot go down and you will be double your money in 3 years. I think you should book this flat." said Kunjan Srivastav, a seasoned real estate broker to his potential client Vaibhav Deshpande, a 33 year old IT Professional.

Vaibhav seemed to be convinced with Kunjan's logic and told him that he will get back to him. During tea break, he discussed it with his colleague Niraj Desai.

Vaibhav : Niraj, I think Kunjan is right. I am looking to invest for say 3 years. What's wrong if I can double it in 3 years ?

Niraj : How much money you are willing to invest ?

Vaibhav : Say around Rs. 15 Lakhs.

Niraj : Where do you find a flat for Rs. 15 Lakhs ?

Vaibhav : No, actually the flat cost is Rs. 75 Lakhs. I will use Rs. 15 Lakhs for downpayment and balance Rs. 60 Lakhs will be taken as a loan.

Niraj : Loan ?? You are taking a loan to invest your money? That's pretty strange!!

Vaibhav : But I will repay the loan from the profits earned.

Niraj : Profit !! Ok, let me share a real life story with you. Do you remember our ex-colleague Rakesh Sawant?

Vaibhav : Yes, I do. Whats the thing with him?

Niraj : Rakesh had done something similar. He had purchased a flat of Rs. 66 Lakhs in 2008. He recently sold it for Rs. 97 Lakhs.

Vaibhav : See, I told you. He made excellent returns.

Niraj: Please hold on before you listen to the entire case. He didn't have entire 66 Lakhs with him. He just had Rs. 10 Lakhs, so he sought a loan of Rs. 56 Lakhs. With the interest rates at that time, he had to service an EMI of almost Rs. 61,660 p.m.

Now, lets do some calculations.

He paid Rs. 61,660 X 60 EMI = Rs. 36.99 Lakhs + 10 Lakhs Downpayment = Rs. 47 Lakhs (rounded off)

When he received Rs. 97 Lakhs from the buyer, his loan outstanding was almost Rs. 51.38 Lakhs. This is because in the initial years, his EMI had a higher component of interest and very small component of principle repayment. Thus, he was left with Rs. 45.62 Lakhs in his hand.

So he paid Rs. 47 Lakhs and received Rs. 45.62 Lakhs after 5 years.

Now, if you see, he has a net loss of Rs. 1.38 Lakh in this investment. Also, he had to pay a Capital Gain tax of Rs. 3.1 Lakhs. So the total loss was Rs. 4.48 Lakhs.

Vaibhav : What ?? Loss of Rs. 4.48 Lakhs in a property investment ?? That's unbelievable.

Niraj : Yes, that's because you understood the entire calculation. Otherwise people will flaunt the gain of Rs. 31 Lakhs in 5 years.

Vaibhav : What about the tax benefit he would have got for the interest payment and principle repayment ?

Niraj : Good question. Lets understand that as well. When he booked the flat, in the first year, his interest component was around Rs. 6,60,000, Whereas his Principle repayment was Rs. 68,400.

Out of Rs. 6.6 Lakhs interest, he got a tax break on only Rs. 1.5 Lakhs u/s 24(b).

For the principle repayment, his PF deduction anyways added upto Rs. 48,000 and he had a term plan with a premium of Rs. 10,000 p.a. So technically he got a deduction of only Rs. 42,000 from the principal repayment.

In the total 5 years, he has paid an interest of Rs. 32.37 Lakhs whereas he has got a tax deduction on only Rs. 7.5 Lakhs.

Coming to principal repayment, he has repaid Rs. 4.62 Lakhs. But he has been able to get a tax break on only Rs. 1.7 Lakhs.

Even if we assume a tax relief of 20%, he got a total tax deduction only of Rs. 1.84 Lakhs in 5 years. But that still does not compensate for his loss of Rs. 4.48 Lakhs.

Vaibhav: I am totally astonished by this case. I never looked at these factors which could affect my returns. One last question, why did he sell it off cheap then? He should have sold it at a higher rate.

Niraj : Again a very good question. He didn't sell it cheap actually. The buyer had to pay almost Rs. 1.03 Crores for the property. And Rakesh had a real tough time to find a buyer. He wanted to sell it at around Rs. 1.12 Crores, but couldn't find a buyer.

The buyer paid Rs. 97 Lakhs to Rakesh and balance Rs. 6 Lakhs in stamp duty, registration and other charges associated with the property. So even if the outgo was Rs. 1.03 Crores for the buyer, Rakesh got only Rs. 97 Lakhs, which entailed him a loss as explained above.

Vaibhav: And I thought one can never make a loss in property as prices never come down.

Niraj : That's another myth. Since real estate is an opaque market, people stick to their prices. Doesn't mean there is a buyer available at that price. It is like saying, some builders come with offers, that "Come and book the flat today. The prices will be increased by 15% from next month."

Now, any sane person will understand, if the builder is increasing the price from next month, and he is confident of people buying at that rate too, then why is he showing desperation to sell it today?? It is just a gimmick to attract people to buy today. He is facing a big problem of illiquidity. His funding cost has increased to almost 30% p.a. Thus, if he does not reduce the price and has to hold on to the property for one year, he has already lost 30%. Instead, it makes sense for him to reduce the prices by 20% today and make a gain of 10%.

But somehow, they want people to remain in the myth, that property prices can never come down so that the buying continues. If they start reducing price once, they think that people will wait even further for price reduction and sales would still not happen.

Vaibhav : Oh my God !! So do I read that one should never invest in real estate?

Niraj : I am not saying that. But I would disagree with the argument of Real Estate being the risk-free investment with highest returns. If that was the case, everyone would stop working and just keep trading in real estate to earn money.

I would suggest following points to be kept in mind while investing in real estate.

1. Real Estate investment, like any other investment, comes with its own set of risks.

2. The biggest risk in real estate is of illiquidity. Suppose you have a real estate of Rs. 1 Crore and you want to sell it urgently, it will be very difficult for you to convert it into cash immediately.

3. Non-Divisibility is another substantial risk of Real estate. Suppose you have a 2 BHK flat of Rs. 75 Lakhs, and you are in need of Rs. 25 Lakhs, you cannot sell 1/3rd of it. Another option is mortgage it, but it will come at an interest cost. Moreover, if the property is already taken on loan, then you can't even mortgage further.

4. If you have surplus funds to invest in real estate, you may do so. But if you are borrowing to invest in real estate, you need to do your calculations right. A visible profit of Rs. 31 lakhs could actually be a loss of Rs. 4.48 lakhs as seen in the above case.

5. Diversification will always remain the mantra of investment. You should diversify across asset classes with real estate being only one of them, not the only investment.

We look forward to your feedback and comments on the above article. Please feel free to contact us on saurabh@nidhiinvestments.com if you have any questions.

(The views mentioned in the article are personal opinion of the author)

Readers Comments:

"Gud one saurabh.

Reading your blogs are always helpful. Your blogs are like the constitution of India for us, that too in brief."

- *Adarsh Rao, Dell Computers, Bangalore*

"This article is good and informative, I have bought a flat , will discuss with Saurabh on have to get profit still we have got many components which adds up to loss."

- *Shashidhar Ganarappu, CGI Infosystems, Hyderabad.*

"Good Article… Nicely elaborated. Can't agree more… One thing to note is. if you do your basics right its not a bad investment strategy as well. But as author suggested, dont put all eggs in one basket.. Have diversified portfolio."

- *Ramdas, Power Finance Corporation, Mumbai.*

About the Author

Prof. Saurabh Bajaj is an MBA from Narsee Monjee Institute of Management Studies (NMIMS) Mumbai, one of the top 10 management institutes in India. He also holds the prestigious *FRM* (Financial Risk Manager) degree awarded by Global Association of Risk Professionals (GARP), USA. Till date, there are less than 15,000 professionals in the world, who have been honored with this degree. After his MBA, he joined J P Morgan, the second largest Investment Bank in the world. He has worked with J P Morgan as Risk Analyst for more than two years.

Prof. Bajaj also holds Advisory certifications awarded by AMFI (Association of Mutual Funds of India) and IRDA (Insurance Regulatory and Development Authority). During his stint at Bombay Stock Exchange, he has handled Investment Management and Treasury operations of the BSE Corpus. He has set up his entrepreneurship venture in the field of Financial Planning and Investment Advisory under the name “Nidhi Investments” and holds the profile of Chief Investment Planner. The clientele of Nidhi Investments has already spread into 13 States of India (Including Maharashtra, Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Rajasthan, Gujarat, M.P., Uttarakhand, Goa, West Bengal and NCR) and 5 Countries overseas.

He is actively involved in investor education through his blog www.professorbajaj.wordpress.com which has readership in over 65 countries. He has written various articles like “Reality about Realty” “Things you didn’t know about PPF”, “7 Commandments of Successful Investing”, “Look Before ULIP”, “What’s there in the name” etc. uncovering the various myths prevalent in the layman investors mind.

He sits on the expert panel of CA Club India, MBA Club India and Lawyers Club India as an Investment Expert. He has been awarded the title of “Best Article Writer” from CA Club India in Jan 2012 and was selected among “Top 5 Technical Writers” from all over India in Feb 2013. He was recently selected as the “Featured member” by CA Club India in Sep 2014.

He was ranked 8th Merit at All India level NMAT which got him selected for MBA programme at NMIMS, Mumbai. He did his MBA with Capital Markets as his specialisation.

Soft Skills has become an inevitable part of every selection process, business process and teaching learning process these days. The students from small towns and tier II cities, in spite of being talented and well equipped with technical skills, are seen struggling in all these selection processes due to their lack of exposure to these soft skills. Mr. Bajaj has a zeal for training candidates to develop these skills and has been imparting the same since last three years. This zeal and passion inspired him to set up his own firm called “Knowledge Circle” which aims to train candidates for soft skills.

Till date, he has trained more than 3000 participants from over 160 organizations across various fields of soft skills.

He has been associated with MSBTE (Maharashtra State Board of Technical Education) to conduct Soft skills training workshop for the faculties of Polytechnic Colleges in Entire Maharashtra (Mumbai Region, Pune Region, Aurangabad Region and Nagpur Region) since last 4 years.

He has also been associated with ICAI (Institute of Chartered Accountants of India) for training CA Students on various topics related to Communications skills, Group Discussions etc.

He was invited by Fr. Agnel Polytechnic College, Vashi for a motivational workshop for faculties and by Vivekanad Polytechnic, Mumbai for “Effective Communication Skills” for Non-teaching staff.

Apart from these, he has conducted “Capacity Building Soft Skills workshop for Faculties” at ITI Gunj, ITI Pusad, ITI Digras and ITI Umarkhed. This was the first ever soft skills workshop for faculties in the history of ITI’s in Vidarbha. He was also invited by Shivaji Education Society to conduct similar Soft skills workshops for the faculties and office staff of Shivaji Junior College Pusad, Shivaji High School Pusad, Shivaji Vidyalaya Belora and Shivaji Vidyalaya Bhojla.

He has conducted training workshop on “Effective Presentation Skills” for the relationship managers of HDFC Mutual Fund, Andheri Branch, Mumbai.

He has also been invited at College of Management and Computer Science, Yavatmal, College of Dairy Technology, Warud, B N College of Engineering, Pusad, B D College of Engineering, Wardha, College of Engineering and Technology, Akola, Dr.N.P.Hirani Institute of Polytechnic, Pusad etc. for the Guest lecture on “Developing Interview Skills”.