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51 Things They Won't Tell You...

...And what you should be watching out for in your everyday financial transactions with agents, brokers, banks, employers and even your *kirana* store

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There is hardly a day in our lives that passes without taking a decision that affects our finances—whether it is swiping a credit card, buying an insurance policy or even deciding whether to take up a new job that is paying more.

Though there are mandatory disclosure guidelines in most cases, certain things that might affect your decision may not be visible upfront. Or, even if they are, they might be worded in complex jargon or expressed in fine print, hidden somewhere in a boring document that you might not have the patience to read through. Either way you will end up making an uninformed decision, which you may regret later. This is not to say that everyone out there is out to get you. But, it pays to be careful. Literally.

We tell you "51 Things They Won't Tell You" so that you know what you are getting into.

Employers

1 The take-home will be less than you think

The quoted cost-to-company (CTC) includes every single penny the company will be spending on you—allowances, incentives, medical reimbursements, employer's contribution to your provident fund, variable pay and, for some companies, even office space! Some of these components, such as house rent allowance and conveyance allowance are taxable after a certain limit. Before taking up an offer, work out and confirm what your in-hand salary will be.

2 Your career comes after company targets

Review your resume at six-month or one-year intervals and see if it shows any noticeable improvement. If not, it is time to get up and do something about it. Even if you are meeting or exceeding the company-set targets, you may be deviating from your own career goals. Make it a point to discuss your career prospects with your boss to know where you are heading.

3 You can be fired at any time



The pink slip could come without any prior warning leaving you with no time to prepare. Be on the lookout for clues that your time is running out. Some things like being left out of the loop in projects or pointed emails and avoidance from your boss could be danger signals.

Educational Institutes

4 Our placement stats hide more than they reveal

These are mostly about juggling numbers and playing up the best cases. A claim of 100 per cent placement could be dubious as it does not specify the quality of placement. An engineering college may claim to have placed a student, but the job could be at a call centre. Data on average salaries are also skewed to get an impressive figure.



5 Media rankings are never enough

Rankings in the media are not based on all possible quantitative and qualitative factors. Joining based on just the institution's rank in a survey can be a mistake. Before taking a decision check for details and feedback from the institution's alumni, visit the campus if possible, check the faculty's reputation and competence, and make sure the course matches your own career objectives.

6 There are numerous hidden fees and charges

Tuition fees are not the only thing you pay for. You will be charged for the 'free' laptop and the foreign trip. It may be compulsory to buy books and other academic materials from the institute itself.

Credit Card Companies

7 Global cards have hidden charges

When you use your card to pay in foreign currency, you need to factor in more than just the exchange rate. For instance, you pay 3.5 per cent of the total amount as cross currency markup, a service tax of 10.35 per cent on the chargeable amount and a further 3 per cent education cess on the service tax. More than you thought, isn't it?



8 There is an upper limit on cashback cards

It's not as if the more you buy the more money you get back. Well, it's true up to a point—Rs 500 a month—that's it. Some cards may even require you to have a minimum statement amount to avail the facility. The amount may also be subject to a maximum of Rs 250 per eligible transaction (this excludes loans and cash advance).

9 The "due date" is not the last date of payment

If you think that the "due date" is the latest you can pay, you are mistaken. Actually, the payment needs to be credited to your card account by that date; otherwise it is treated as a default. Fund transfers through ATMs, net banking and cash deposited at a bank branch of another bank may take at least 24 hours to credit the amount to your account but the payment is recorded immediately. Cheque payments,

however, need to be made at least four working days in advance to avoid a default.

10 You'd better monitor recurring payments

Say, you want to pay your insurance premiums this year using your credit card. But, the next year you don't. Your card, however, is still getting billed. You need to make a specific request if you want to stop the billing. Usually, transactions through telemarketing are susceptible to this.

11 Cash withdrawals attract daily interest

You can use your credit card to withdraw cash from the bank or the ATM up to the card's cash limits. There will be a one-time fee which will be a percentage of the amount withdrawn or it could be a minimum amount. On top of this, a daily interest is charged on the amount withdrawn which starts accruing from that very day till the amount is paid back. Moreover, with many cards there is no interest-free period unlike purchases made using the cards.

Insurance Agent

12 We'll explain policy details when asked

The insurance product's charges, disclaimers and other features are always a part of its literature that one is supposed to read and understand before buying. But, when you ask the salesperson to explain the product, he may explain only the point you asked leaving other important and relevant things disguised or unexplained. Read the literature fully and ask questions till you are satisfied.



13 A Ulip gives us a bigger commission than a term plan

Term plans are the cheapest life insurance product. They come at the lowest costs while providing the highest coverage. A lower premium means lesser agent commission. Term plans, especially pure term plans, are more difficult to sell too. This is because they don't return premiums or provide any returns at the end of the tenure, which makes it difficult for many to fathom it since most investors are used to getting money back in insurance-cum-investment products. So, agents prefer to sell the high premium unit-linked insurance plans (Ulips).

14 Ulips can be costly if you pull out early

If you are asked to exit from a Ulip anytime before 10 years, the costing goes against you. Due to upfront charges, which are typically high in the initial years, a lesser part of the

premium gets invested. If you have been investing in a growth option, that is, it has high equity exposure, an early exit, especially at a time when the markets are low, as was in 2008, your misery only compounds. You may be asked to buy a new Ulip after three or five years at a lower NAV or a new Ulip with some additional feature. Stay away. Run the existing Ulip using the top-up feature to maximize the value over the long term. Tax benefits on Ulips may also be withdrawn if not run till at least five years.

15 Capital and return guarantees come at a cost

Ulips that guarantee either the principal or returns have to make provisions to deliver the promise. For this there's an additional cost which the customer has to bear. Also, with most guarantee plans the insurer can invest zero to 100 per cent in equity markets. There is no choice of fund options for you. This allows the fund manager to remain majorly in debt assets and deliver the returns which might not be as high as equity asset class. The lower returns minus the plan charges don't work over the long run. Not for nothing do they say there isn't a free lunch.

16 Your Ulip fund option may be underperforming

Looking at the fund's performance over just, say, a one-year or three-year period is not enough. First, look at the fund's mandate. It's not correct to compare Fund A that invests 40-85 per cent in equities to Fund B with 75-100 per cent in equity. Fund performance should be judged in context of, first, its benchmark and then peer funds. Second, look at the performance over a longer horizon and not just over three or six months.

17 Entry cost is zero, but there are other monthly charges

Many Ulips do not have any front-end cost, also called the premium allocation charge, and the entire premium of each year is said to be invested. But, all such plans have provisions to deduct charges from your

fund rather from the premiums. Even though this may be a small percentage of the fund value, over time, the effect is largely the same as the fund value keeps increasing.

Stock Broker

18 Our tips help us more than they help you

A stock broker's commission depends on the value of the shares that you buy or sell. So, the promptness shown by him in giving you tips is not to increase your wealth but to generate income for him by convincing you to trade frequently.



19 Short-term trends dictate our price recommendations

A stock should only be bought at its correct price. A broker's advice is mostly based on noticeable short-term trends, which could reverse anytime. For them every dip is a buy opportunity and every quick rise a sell opportunity.

20 Recommendations may not factor in your risk profile

A broker circulates the same recommendation to all its clients. A stock however good may not match every client's risk profile. For example, fast-growing small companies fit young investors' portfolio but may not be appropriate for older investors.

21 Don't invest too much in our recommended stock

A broker never gives attention to your existing portfolio of stocks and recommends any stock that he feels is good. Buying the same stock (the one already in your portfolio) aggressively or putting all your money in one company can increase your portfolio risk.

22 You should sell XYZ stock now

The success of your stock investments hinges on your selling them at the right time. Otherwise, all the gains are notional. When you buy a stock, you should know the price at which you want to sell it. This is the point beyond which the stock gets overpriced and the chances of a drop increase. But don't trust your broker to tell you that.

Mutual Fund Agent

23 I keep earning as long as you stay invested

Trail commission is a fee the fund house pays the mutual fund distributor on the investment value remaining with the fund. The commission is generally 0.25-0.75 per cent per annum. As long as your distributor and, consequently, your agent gets the commission, you are entitled to the service. So don't hesitate to demand services from your mutual fund agent since you are paying for it.



24 NFOs are not cheaper than an existing fund

The returns from funds depend on the stock they invest in and not the net asset value (NAV). A Rs 10-fund could go down to Rs 7. It's equally possible that a Rs 100-fund rises to Rs 200. With no track records, new fund offers (NFOs) can be risky.

25 I gain a lot if I sell this NFO

In order to mobilise funds for an NFO, fund houses offer incentives like foreign trips to distributors. So the agent may recommend NFOs to you even if they don't suit your risk profile.

26 This isn't quite the index to benchmark the fund

Your agent may say the fund is doing better than a popular index, even if the two aren't related in any way. For example,

comparing a small-cap fund with a large cap index. Make an informed decision when an agent recommends funds on this basis.

27 I'm comparing apples to oranges

While making recommendations, mutual fund agents may compare funds that are different in their investments or objectives. For example, they may compare a diversified fund with a sector fund. Going by his advice, you may end up buying a fund that doesn't suit you.

Builders And Brokers

28 You get a smaller space than you thought

The area mentioned in advertisements and for calculation purposes is the super built-up area, while the area that you really get is the carpet area, which could be lesser by up to 30 per cent or more depending on the building's design.



29 All-inclusive price is not always 'all' inclusive

In most cases the price advertised will be the cost of the house. But there are other charges you would need to pay. Mostly, the extra costs, like charges for things like a car park, club membership, power and water connections, will add up to a substantial bit. Don't be surprised if what you finally end up paying is more than the advertised price.

30 Prices of units vary according to position

This holds true for units even in the same building. A ground floor unit may cost more than one on the first floor. For a corner house, or for one that has a lake or a sea facing view, rates could be higher by as much as 10-15 per cent.

31 I'm trying to hurry your buying decision

One of the primary objectives of a real estate broker when dealing with a prospective buyer is to play with the buyer's desperation and instill in him the fear that if he does not strike the deal at the earliest, he may miss the bus.

32 There is compensation for project delays

Usually, this is not mentioned upfront but builders do mention it in the sale agreement. In most cases, the amount of compensation is very small (about Rs 5 per sq. ft per month). However, the deadline and the mode of handing over the compensation are not mentioned.

33 The brokerage fee you pay is negotiable

In north India, the broker fee is typically one month's rent for arranging rented accommodation and 1 per cent of sale price for apartment sales. During the boom period, brokerage fee was non-negotiable in most cases. But, with the real estate sector doing badly, especially since January 2008, brokers are ready to take a cut in their fees.

34 I do not have key information on the property

What do you do? Where do you work? Who will stay with you? These are the questions that a broker will ask you even before he shows you a house for rent. Ask him about the landlord and he won't even know the name. The same applies if you are trying to buy a house. In most cases the broker himself will have zero to little information about the history of the house or past owners but will be more than interested in knowing your details.

Financial Advisor

35 Commissions beget recommendations

The financial planner's code of ethics decrees that he or she give you full disclosure in writing about any benefits received that may influence his or her recommendations. Whenever he recommends a product he sells, he should suitably justify how it suits your financial planning needs.



36 You are supposed to get continuous service and advice

The client-planner relationship is an ongoing process that should continue even after the plan has been presented. It is the planner's duty to update you of the changes in stockmarkets and other developments, besides changes in your personal circumstances, that could influence your financial decisions.

37 You may not get advice on all areas of personal finance

If a planner is not professionally competent to give you advice on all areas or products, he has to make a clear disclosure. In this case, he can either consult with some who is qualified or refer them to you.

Supermarkets

38 The discounts are on jacked-up prices

If you are a sucker for discounts, this is bad news for you. A common trend with unbranded products, especially clothes. Don't fall for it, especially if you don't know what the actual pre-discount price was. More the discount percentage, the more suspicious you should be.

39 No ad costs keeps in-house brands cheaper

All brands are equal, but some brands are more equal than others. Items carrying in-house brands are sourced locally and have no advertising spends. So they cost considerably less than the known brands and you are sold these under attractive money-saving deals. These brands may not have the same product quality as reputed brands.



40 A 'too good to be true' offer is probably so

Full-page newspaper ads with incredible offers are meant to lure you. You queue up at the store only to find that the most enticing 'offers' have just run out of stock. This is hardly surprising. That ad was a ploy to bring you to the store and it has succeeded in doing its job.

41 The products nearing expiry date are placed in front

We all tend to look for a product's expiry date but not the manufacturing date. Fresh products are always placed behind on the counters so that the ones that are likely to expire sooner get sold first. So if you plan to use a product for a long time, make sure you look for the fresher stock.

42 You can buy a product for less than the MRP

MRP is the maximum price a retailer is allowed to charge. But no rule stops him from charging less. So, don't hesitate to ask for a discount on the MRP. You might just get a lower price. This works particularly well for big ticket purchases such as television sets and furniture, especially if you are paying cash.

Online Retailers

43 Free shipping isn't always free

Shipping costs can trip you in online purchases. True, free shipping is cool, but do not forget to read the fine print. Hidden somewhere there could be a condition that shipping is free only if the purchases are above a certain amount. This could also mean that the free shipping advertised 'on all items' is actually for items purchased after your billed amount has crossed the minimum limit.



44 We'll refund the price but you pay for shipping

Clarify turf matters. Total refund might be a valid option, but do check if it is your responsibility or the company's to ship back the defective product. By doing this you can avoid the needless headache of paying the packing and transportation charges, payments which might actually be the company's responsibility. Shipping costs can come back to haunt you even more if you made a wrong decision.

45 Fake buyers will push up auction prices

Who says rigging and manipulation can't happen in cyberspace. It's not difficult to fall for the number of online bids going for a product. Sellers often create fake buyer IDs that will be used to participate in the bidding process. In this way, the prices are made to go up and you are lured into bidding a higher amount. Often, software programs are used

to bid automatically on their behalf.

46 Positive feedback needn't be from genuine users

Flattery is the best form of deception when it comes to luring gullible online buyers. This is a similar trick as the last one. User feedback on the site, even if they are accompanied with smiling faces, are not to be taken for granted. After all, there is no way of verifying these gushing reviews. A more reliable way is to ask someone who you know is a genuine user and has the same requirements as you. Nothing beats the word of mouth.

Tour Operators

47 Our quoted price is before taxes

Taxes on airfare could be as high as 30-50 per cent of the base fare and for international flights that could burn a hole in your pocket. Clarify the inclusions and exclusions especially for 'supersaver' offers.

48 Your hotel is in the boondocks

Do confirm the location of the hotel and its distance from the city centre. If it's on the outskirts you might miss the atmosphere of the city when you step out for a walk after dinner.



49 The part of the tour price in dollars remains flexible

The tour operator wants to pass on to you any unfavourable change in exchange rates. So, if the rupee falls against the dollar, you pay more. But the opposite may not be true.

50 'Optional' tours are cheaper if you arrange them

Optional trips often come at exorbitant prices. Combo tour packages to these destinations, if booked locally, could cost a lot less. Therefore, it might make sense to do them yourself because it may cost lesser even after factoring in food and travel expenses.

51 Oops! We've run out of ideas

"Fifty things they won't tell you" was all that Team *Outlook Money* could come up with, not 51 as we wrote on the cover. But then, you, our readers, are as much a part of our team as those formally employed by the magazine. We are sure you will not let us lose face on a promise. So write in to feedback@outlookmoney.com with your picks for No. 51. We are looking forward to hearing from you.

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