7 Things You Need to Know Before You Start Investing

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R u p a n s h
A s h w a n i

1. Know your current financial situation. Know you debts level. Calculate your income and expenses by taking into account the following:

Mortgage repayments

Personal tax

Loans and overdrafts

Living expenses

Emergency funds

Car expenses

Entertainment

Holidays

School fees

Credit card debts

Family commitments

Before you start investing your money on any investment products, you should know how much you could spare each month for investment. General rule is that, you should clear your debts first, then save and invest later. That is to say the more money you put aside now, the better it will be for your future. I would say put aside 10% of your income for rainy days. 10% is a small amount that you won't feel a pinch. Save it until you have managed to build a "dam management funds".

2. Prepare funds for dam management. This goes in line with point 1. You need to keep at least 3 to 6 months of you income as dam management. After you have managed to do that then additional money that you saved can be used to invest.

3. Protect yourself and your family first. By this point, I mean you should have the basic life insurance that insure you and your family against terminal diseases and accident. This is very important as even though you might loose all your money through investment and if you or your family members need medical attention, it will be well taken care of.

4. Know your risk level. If you are not able to take big risks, short term investment and swing trading is notfor you. It's better to invest in mutual or trusts funds which will give a steady payout and have lower risk.If you are a high risk or medium risk taker, you can try invest in stocks, growth and hedge funds.

5. Diversify your investment. Expert would tell you it is a must to diversify your investment. Your investments need to have a steady mix of stocks, mutual funds and/or bonds. Beside that, you should invest in different industry and/or different regions. This will help you minimize your risk as fluctuations in the markets will not have a big impact on your investments. Your ideal mix will be 20-40% stock and the rest mutual funds and bonds.

6. Do your homework before you invest. It is good to seek expert advice. But, the money is ultimately yours. So you need to do some research and make a sound decision on what to invest even though your financial advisors might have already worked it out all for you. This is to make sure you know what you are investing and able to keep track of them. If your investments suffer loses you will be able to make a right decision whether to sell or hold if you know your stuff well.

7. Do stock take yearly if not frequently. Your investment might already be reaping in profits. But, it is good to know how well you fare at the end of the day. Reinvest the profits and celebrate if you have success. This will serve as motivations for you and will make you more determined to achieve your financial goals.

About Rupansh Ashwani

Rupansh Ashwani is the author of 'The Sojourn' and 'Pulchritude - An Eternal Love Story'. He is also the singer/composer/lyricist of 'Proud to be a CA', 'Love can go so Far, 'Show me the way' and 'You are in my dreams.'

Rupansh Ashwani is CA,MBA,CFA,MFA,DISA,B.Com Hons. He also topped CA exams in India in 2011. He is also a certified career counsellor and study abroad counsellor.