



Western India Regional Council of
The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)

INVESTMENT AVENUES TO MAXIMISE WEALTH

Hatching Your Nest Egg

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WHAT HAS CHANGED

- The pace of technological change has quickened: the incandescent light bulb, the internal combustion engine and the basic 'wired' telephone had good runs for close to a century – now technologies change in less than a decade
- Of course this is not a new trend: the pace quickened substantially since the dawn of the industrial age: there is hardly any major technological change from 1000 AD to 1500AD, other than the use of gunpowder. But a person born in 1500AD won't recognise the world he would see in 2000.
- Nuclear families – your children are not your pension plan any more
- By one popular estimate, 65% of children entering primary school today will ultimately end up working in completely new job types that don't yet exist. That may be an overstatement: but think of this: YouTuber, Ethical Hacker, AI Specialist, Big Data Analyst, Blockchain Developer, Molecular Geneticist, mobile phone repairman, algorithmic trader, are all professions that did not exist in 1990
- Longevity (Life expectancy) has gone up, giving people the opportunity to follow 2nd careers and sometimes compelling them to do so
- The opportunities for learning on the internet has gone up. Now I can take courses on quantum physics (or the genetic history of the Indian subcontinent, or cooking cheese pasta) on the internet

WHAT HAS CHANGED

- Increasing reliance on AI, Machine Learning, Big Data Analytics
- Digitization of services: music, news through social media, Fintech – lending, investing
- The ‘Gig’ economy: aggregation and asset light model; shared workspace; consultants working for multiple companies; shared server and data storage, P2P lending
- COVID19 forced a work from home (WFH) model on many companies, which they may continue
- Supply Chains and Services are more globally integrated than ever before
- Urbanisation, democratization of aspirations and shift from agriculture
- Bipolar Demand - for high technology skills on the one hand and for artistic, musical, writing, composing and personal care giving skills on the other – stuff that computers cannot do that well – the Swiss Watch effect

FINANCIALLY PREPARING FOR YOUR SECOND INNINGS

- For this, you will need to first ascertain what your expenses will be after you retire from your main profession
 - You will have to reduce certain expenses: with the moneysuckers (also known as 'children') hopefully on their own, no school / college fees; no movie money
 - There will (hopefully again) be no rent or housing loan expenses
 - There will be less money on travel / commuting. You can make the old workhorse work a little harder and do with your existing jalopy.
 - More for health expenses. Factor in adult diapers and nurses (not a pleasant thought)
 - **Factor in 1-2 expensive treatments not covered by health insurance**
 - Factor in Taxes
 - Factor in the occasional holiday. Though you'll probably not do whistlestop tours
 - For some this may include taking care of an invalid child, **or childrens' marriages etc.**
 - Factor in inflation

INFLATION

If your current expenses are ₹100000 per month, and inflation is at 6%, you will need ₹1.8 Lacs in 10 years to maintain the same standard of living

SAVING TO BUILD THE CORPUS

- To generate a corpus of ₹ 2.6 Crores in say, 10 years, one needs to use the PMT function to understand the saving required per annum. It comes to ₹18.8 Lacs pa or around ₹1.5 Lacs per month
- One can do these calculations at a more granular monthly level also

The screenshot shows an Excel spreadsheet with the following data:

	A	B	C	D	E	F	G	H
1								
2								
3								
4								
5		10	100000	1.06	1.790847697	179084.8		
6		5	100000	1.06	1.338225578	133822.6		
7								
8			Corpus required (PV function)		₹ -2,62,61,531.62			
9			Saving now (PMT function)		₹ 18,79,630.93			
10								

The formula bar at the top shows the formula: `=PMT(6%,10,,E8,1)`

INVESTING TO BUILD YOUR CORPUS

- “Spray and pray” (diversification) remains the core mantra of investments – none of us can really see the future
- Less equity and more debt / gilt funds as you get older and cannot recoup losses
- Invest across fund houses and asset classes (Equity, Debt, Gold, Real Estate) and if possible, across Geographies
- Aggregators help to consolidate investments across MFs
- AIFs / Equity PMS should only be allocated money that you can afford to lose

HATCHING YOUR NEST EGG

- Most people purchase an annuity from a well known insurance company
- You can also allocate to a Debt MF / Index fund and enter into a Systematic Withdrawal Plan
- Keep emergency funds for 3 months expenses in a bank / liquid MF / FD



THANK YOU

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