

THE AUTHORS SHOW – Business/Finance

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In the year 2003, I had 14 years of work experience but I feared the word “finance”. No wonder my bank balance was almost NIL though I owned the best of gadgets, best of vehicles and best of clothes. You can say I was a ‘king with no wealth’. I did only one thing correct – with motivation from my parents and my then boss Dr. Srivastava and Dr. Chande, I invested in the best education. I was a Masters in Computer Engineering from one of the premium most institutes of the world. This asset yielded an enviable job with a good income.

You can say I had the requisite raw material to become rich. The only thing missing was the knowledge to put this raw material into production rather than allow it to decay. Fortunately, two of my friends in Airtel guided me on ‘personal finance’. Both were good investors and had different risk appetite. Understanding the basics of personal finance from two different perspectives opened up my mind and their explanations resulted in me liking the dreaded subject of finance.

While one of the two friends taught me strategies to invest money safely the other taught me the concepts of asset allocation to balance risks. One thing was common in both of them – a disciplined approach to wealth creation. I owe my financial knowledge and wealth to their investment in me 13 years back.

Later, I learned finance formally when doing my management studies.

This book captures the essence of what they taught me and what I practiced all through these years. I am a serious student when it comes to money. I am not an expert. I do not want to be an expert because expertise may bring arrogance to stop learning. The subject of money is ever evolving and changing.

I am not an expert but a good teacher. I start by breaking down everything down to the basics. My students tell that I am a born teacher and there are more than 2000 students to vouch for that or they will say, I have a knack of simplifying difficult concepts and explaining them in a

lucid manner. Many tell me that the concepts I have taught them have gone deep inside and have changed their behavior for life. I have done the same in this book. Along the way you will expand your vocabulary and will learn to speak the language of wealth creation. Don't be afraid to learn the new language but embrace it. It is critical that you learn in order to create wealth. Further books on more advanced concepts are in pipeline as are few workshops and online courses.

This book is written as a fictional story which is one of the best modes to learn and internalize. It is written for folks who are beginners or people who see themselves as students with scope to grow. The book will help you face the future with confidence and will be one of your best investments in financial education.

Excerpt from the Book

"Is there anything like a key to the future?" Sanjay was amused. He thought Shriya was just making fun of him.

"Yes of course there is a key to the future and everyone needs to discover it and unlock the secrets to financial success through it."

"Sir, before we start, I want to tell you that I am allergic to saving." A coy smile spread on his face. "When I started working, someone sold me an insurance policy with an annual premium. When I told my father, he opened a recurring account for me and asked me to put a thousand bucks each month, such that when the premium date arrives I can pay it from the recurring account."

"That's nice."

"But when the year ended, I found that the amount is only slightly more than twelve thousand."

"OK, I understand your dislike for savings." Shriya had a mischievous look on his face. "I am not going to lecture you regarding saving. I am going to teach you how to invest."

“What’s the difference?”

“Saving is when you want security; for example, security against illness, security against job loss; while investment is for wealth creation.”

“Pardon my knowledge Sir, but don’t you think health insurance covers illness? Why do we need to save to safeguard against illness?”

“In its basic form, health insurance only protects you from hospitalization expenses. What if someone meets with an accident and is bed ridden for six months. What happens then? How does he survive? Who feeds his family and who pays the school fees?”

“OK. So you are saying that saving is a protection against untoward circumstances. Why can’t it be used for wealth creation?”

“By definition, saving instruments give you post-tax returns; which are less than the inflation rate. So when you are saving you are; in a sense, losing money.”

“But I always thought that savings is a good habit. My father always wanted me to develop this habit even when I was a child.”

“Your father was right. But times have changed. Savings used to give about 12% return in his prime days. Now it is 8.5% returns on savings. In his time the money doubled in 5-6 years, now it doubles in 8-9 years. Now you are also taxed on these returns, making the actual returns close to 5% while the inflation rate is 8%.” He pointed his finger towards Sanjay. “Now you can see that you actually lose money in fixed deposit and other such saving instruments.”

“So Sir, are you saying that if we put our money in instruments; which yield a return less than the inflation rate, it is saving and if we do so in instruments; which yield more than inflation rate then it is investments? Have I got it right?”

“You have hit the nail on its head. This is the best way to differentiate between the two.”

Sanjay scratched his head. “Will you give me the key to the future?”

“I will just help you to discover it and guide you in the process. You will have to discover the key yourself.”

“How do I go about it?”