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Knowledge Initiative

Dear Patrons,

Greetings from Net Brokers!

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for April 2015.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring you more educative and informative articles in the Financial Year 2015-16.

We would very much appreciate your feedback which consistently helps us in improving and upgrading the contents.

Also send us your questions or queries related to any financial product.

The Issue includes:

1. Over Diversification: A Problem Faced By Many
2. Financial Planning For Children with Special Needs
3. Ways to Jump Start your Retirement Savings in 2015
4. Year 2015 Brings Some Good News for Home Buyers
5. Investment Opportunities in Real Estate

Akhil Chugh

Warm Regards,

Akhil Chugh
Director

Over Diversification: A Problem Faced by Many

Over diversification is a common problem faced by many investors. They believe having more number of stocks or mutual funds will increase their chances of making good returns and will protect the portfolio from downside risk.

Over diversification is nothing but a false sense of security. When you own too many stocks and mutual funds, it becomes difficult to monitor each holding. As a result, you lose focus and the competitive advantage as an investor. Other problems you face are figuring out the right asset allocation and how to rebalance the portfolio. Selection of stocks or mutual funds should be based entirely on the financial goals of the investor. One should not simply clutter the portfolio by adding new ones. This will worsen returns and increase the risk.

If you are victim of over diversification, we advise you to do the following:

Diversify Smartly: Diversification has to be done smartly. Often a portfolio is cluttered with too many funds. Most of them are overlapping and belong to same category. For example, a portfolio may consists of 3 large cap funds, 3 mid cap funds, 3 multi cap funds and 1 balanced fund. Having 1 or 2 funds from same category may be sufficient rather than having 3 funds. Having the right mix of equity and debt is very important. The allocation will depend upon the financial goals like retirement, children education and marriage, etc. An ideal portfolio should have maximum 5 – 7 mutual funds.

Trailing Returns: Before investing, carefully analyze the risk factor of mutual fund whether it is aggressive, moderate or conservative. Returns should not be the sole criteria for selection. You may get excited with the trailing returns of 1 – 3 years and ignore the risk factor. Consult your financial adviser and make investments based on the financial goals.

Take the Mutual Fund Route: Direct investments in stocks require study of fundamental and technical research. You also need to keep yourself updated with domestic and global happenings. Investors usually find the whole process difficult due to lack of time and knowledge. They land up with too many stocks in their portfolio leading to over diversification. Mutual Funds are the solution to their problems. They have a qualified team of financial experts led by a fund manager looking after the portfolio. They have access to all the research and are in constant touch with the management of the companies. Mutual funds are very well diversified. For example, an equity diversified mutual fund will have investments in 18-22 sectors consisting of 60 – 80 stocks. In case 2 - 3 sectors are not doing well, the rest of the portfolio will take care of the losses.

Financial Planning for Children with Special Needs

Every child is special. In a normal circumstance, a parent chalks out a plan for a child's education and marriage. In case of a special child, there is much more to it. They not only have to plan for college expenses but for their life-long medical expenses as well.

Besides this, the parents have to put together a system where the child is taken care of, after their death and he/she continues to get a particular amount every month. In this article, we bring to you various insights and issues a parent of a special child has to take care of and act on from time to time, to ensure a secured life for his child:

Legal Guardian: A guardian is the person who will care for your child if you were to die before he or she becomes an adult. In choosing this person, consider how much time you now spend tending to your child's needs. Who can handle that type of commitment? Who has bonded with your child? Who has the patience, understanding, and other personality traits necessary to deal with the day-to-day responsibilities of raising your child? Once you pick someone, ask the person if he or she can and will accept that responsibility (even though you hope it will never be necessary). And talk about how this commitment will likely stretch beyond when your child turns 18.

Will: A will specifies what will be done with your assets after your death. By writing a will, you make sure that your assets are left to the special needs trust and not to your child. When you have a child with special needs, a will should not be a do-it-yourself endeavor. A lawyer should be hired, who works specifically for people with special needs and is aware of your state's disability laws. Once the documents are drafted, your lawyer keeps one copy of the will and gives copies to any executors or guardians named in the will.

Special Needs Trust: A special needs trust is the most important part of your child's long-term financial plan. This is where you can put money that you save, that others give your child as gifts, or that you receive from an insurance settlement without worrying that these funds will interfere with your child's eligibility. Even if you're unable to pay into a trust right now, set one up anyway. This way, you can make the trust the beneficiary of your life insurance policy and your estate, ensuring that those assets don't get passed to your child when you die.

Trust: A trustee is the person who will be responsible for managing the special needs trust after your death. It can be a family member, a friend, or even a bank or lawyer. The trustee ensures that the money in the trust is spent only on your child with special needs and only on services that you've specified or that are appropriate to your child's needs. The trustee also supervises how the money in the trust is invested. The person who is caring for your son or daughter (the guardian) cannot spend any money in the trust without the trustee's approval.

Power of Attorney: Once your child is 18, he is considered an adult in the eyes of law. This gives him right to make medical and financial decisions. Hence, applying for a power of attorney to take supervision and maintenance in parents' hands is the right thing. A lawyer can guide the parents' in preparing one and proceeding ahead with the formalities.

Portfolio with Equity Allocation: In case of a special child, you may have to provide for income for the entire life. Even if the child could eventually generate income based on his abilities and skill sets, retirement planning should be done in a manner that the child has sufficient means of income through alternative sources. The investment plan will vary from family to family based on their financial realities. Asset allocation is the key and knowing the kind of corpus and returns that you would need for your goals is paramount. As a general rule, a portion of the portfolio should be allocated to equities and this portion could be higher considering the time horizon in such cases (for retirement goal: parents as well as child's) is more than 30-plus years. Parents should also have exposure to real estate (not as an investment, but as a residence), which can come in handy to the child.

High Sum Assured Term Plan: A high sum assured plan factors in the uncertainty risk, if something were to happen to the parents. Today, the term plans are very reasonably priced. Parents can choose the child as beneficiary and nominate the special needs trust to ensure that the beneficiary gets share of proceeds.

Educate Family Members: Having a family meeting with grandparents, aunts, uncles and loved ones is a great idea. This is because assigning or putting something for the child is no solution. If they wish to - say gift bonds, cash or life insurance policy etc, they can assign the special needs trust as the beneficiary to ensure that the child holds no assets in his or her name.

Letter of Intent: A letter of intent talks about your child's day-to-day needs in detail - child's daily, weekly, and monthly schedules. A list of contact information for your child's physicians, therapists, and other medical support people as well as current medications and their dosages and schedules is created. The people you don't want around your child or activities to be avoided are mentioned in this. The copy of LOI is kept along with the will and brought to the guardian's notice too.

Financial Adviser: A financial adviser can guide you on the right way about how you can invest long term in a bouquet of investment products for your child - what is the kind of term plan suitable, how much equity and debt allocation your portfolio should have for the child and other important issues you need to be educated on.

Special children have special needs which should be understood and taken care of. If not planned, it can severely impact their lives along with that of other family members. Financial planning helps in identifying those needs and through it parents can make appropriate decisions for achieving their financial goals.

Ways to Jump Start your Retirement Savings in 2015

Gone are those days where variety in everyday things was less, and savings could be more. In today's time, outings are more and all the more expensive, and people don't have the time to think. In such scenario, it becomes extremely crucial to build a retirement corpus for oneself. Let's understand some ways to do so:

1. **START WITH A PLAN**: Saving and investing becomes our every year New Year resolution, but how many of us really follow it through? I guess we all know the answer to this is our minds. Hence, it becomes extremely important to jot down our financial goals and discuss them in details with a Financial Planner. A financial planner can help us achieve the goals by chalking out a plan, taking into account our monthly income and expenses.

2. **SAVE AUTOMATICALLY:** Have part of your salary invested in mutual funds via systematic investment plan (SIP) and a specific amount gets debited on the date chosen by you.

3. **SAVE WINDFALLS:** Save part of your raise, bonuses, tax refund or cash windfall and divert towards your retirement savings. This will give a boost to the portfolio and help in diversification.

4. **ANALYSE YOUR EXPENSES:** Open your last year's credit card statement and understand the unnecessary expenses that could be slashed down for this year.

5. **STAY ON TRACK:** Keep your investments going till you reach your retirement age of 60 years. The earlier one starts saving and investing, the more time your money will have to grow. If you delay, you may have to invest much more to achieve a similar corpus.

Let's understand this through an example: Return assumed 12% p.a.

	Ajay	Vijay
Start investing at age of	25 years	30 years
Invests till age of	45 years	45 years
Number of years SIP done	20 years	15 years
Monthly SIP amount	10000	10000
SIP date	1st of every month	1st of every month
Cost of Investment	2400000	1800000
Value of Investment	9991480	5045761

A five year gap lets Ajay lead by almost double. This is how Power of Compounding works in Mutual Fund SIPs.

For more information on Retirement Planning, contact us on mail@netbrokers.co.in

Year 2015 Brings Good News for Home Buyers

The Year 2015 brings in some good news for the home buyers. The Cabinet has approved amendments to the Real Estate (Regulation & Development) Bill, 2013.

The bill contains provisions of registration of real estate projects and registration of agents with the Real Estate Regulatory Authority, function and duties of promoters and allottees, establishment of fast track resolution mechanism through adjudication, establishment of a Real Estate Appellate Tribunal, offences and penalties.

This Bill is currently pending in Rajya Sabha and covers both residential as well as commercial projects. The Bill aims to protect the interest of the consumers and to promote fair practice in real estate transactions. Till date, the real estate transactions are unregulated and various complaints of cheating and project delays are regularly heard off.

The Bill aims at gaining confidence of the public in the real estate sector and significantly reduces the possibility of frauds and delays. The bill provides for establishment of a Real Estate Regulatory Authority in each State or Union Territory to settle disputes and impose compensation and interest. Projects and agents will have a mandatory obligation to get registered with the authority and give details of plot, apartment or building they intend to sell.

The promoters will follow a host of guidelines and deposit 50% compulsorily of the amount realized from the allottees in a separate bank account within 15 days to cover cost of construction for the project.

Project owners will not be allowed to alter plans or make structural changes without the consent of two-third allottees after disclosure. Minor additions can be permissible due to architectural and structural reasons.

The penal provisions under the proposed law include a payment of 10% of project cost for non-registration and payment of additional 10% of project cost or three-year imprisonment or both if still not complied with.

For wrong disclosure of information or for not complying with the disclosures and requirements, payment of 5% of project cost will be imposed. The Bill provides regulatory authorities the power to cancel project registration in case of persistent violations and decide on further course of action regarding completion of such projects.

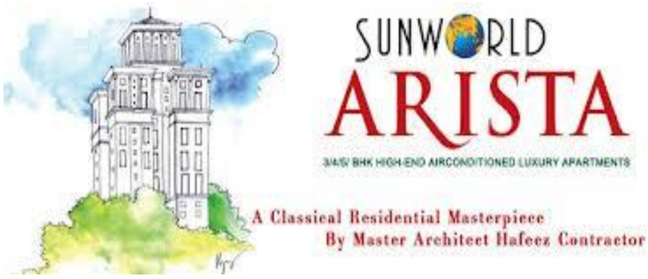
For more information on Real Estate Bill, contact us on mail@netbrokers.co.in

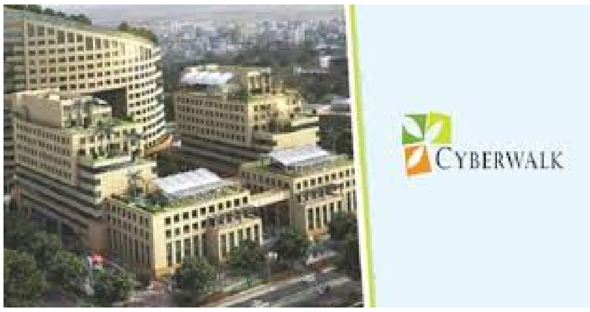
Investment Opportunities in Real Estate

The RBI will most likely cut interest rates and this will see more spending in the residential real estate segment. The Ministry of Statistics Program and Implementation and PwC Analysts predict a growth of 8 to 9 per cent. Added to this, the introduction of Real Estate Bill, REITs, improved market sentiment and more efforts by the government to reduce project loopholes and bottlenecks in transactions will go a long way in clearing the way for positive trends in 2015.

Net Brokers presents to you lucrative options in the Real Estate for April 2015:

Project	Type	BSP/Sq.ft	Cost
Spaze Privy, Gurgaon, Sector 72	Residential	7800	1.69 Cr onwards
Godrej Aria, Sector 79, Gurgaon	Residential	6849	1.35 cr onwards
Raheja Revanta, Sector 78, Gurgaon	Residential	7675	1.20 Cr onwards
Emaar MGF, Gurgaon Greens, Sector 102, Gurgaon	Residential	7250	1.19 Cr onwards
ATS Pristine, Noida,Sector-150	Residential	6000	1.05 Cr onwards
Vatika City Homes, Sector- 83, Gurgaon	Residential	6000	84 Lacs onwards
Sunworld Arista, Sector 168, Noida Expressway - Assured Buyback, Returns @ 35% p.a	Residential	-	43.50 Lacs onwards
Mahagun Mywoods III, Greater Noida West	Residential	3475	33.36 Lacs onwards
Vatika Towers, Golf Course Road, Sector 54, Gurgaon – Assured Returns @ 10% p.a	Commercial	15568	77.84 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	15 Lacs onwards





For more information on Real Estate Projects, contact us on mail@netbrokers.co.in

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S.No.	Company Name	Period			3 Years Yield	Senior Citizen	
		1 Year	2 Year	3 Year	(In %)	(additional Rate)	(Yield in %)
1	Shriram Transport Finance Unnati Deposits	9.25	9.50	9.75	10.73	0.50	11.34
2	DHFL 14 Months/ 40 Months	9.75/ 9.85			9.87/11.06	0.40	10.28/ 11.56
3	Bajaj Finance LTD	9.10	9.25	9.25	10.13	0.25	10.43
4	Mahindra & Mahindra Finance Ltd	9.00	9.25	9.25	10.13	0.25	10.43
5	HDFC LTD	9.15	9.15	9.20	10.07	0.25	10.37

* The rates of interest are applicable as on the data mentioned herein above. The rate may be revised at the sole discretion of the respective companies inviting the Fixed Deposits without Further Notice.

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