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MUKESH GUPTA
Director, Wealthcare Securities

Q I'M NEW TO MUTUAL FUND INVESTING. SOME PEOPLE WARNED ME NOT TO BE GREEDY. WHY SHOULD I DO THAT?

A You should expect average returns from the asset classes you invest in. Don't expect unrealistic return. In the last 35 years, BSE Sensex has generated around 17% average annual return and gold has been able to beat inflation over a longer period of time. Debt in India tradionally given return around 9%. You should expect similar kind of returns and not be greedy.

Q HOW DOES EMOTION PLAY A ROLE IN INVESTING DECISIONS?

A Emotions play an important role in investment decisions. One of the examples is the "anchoring" bias. Everyone develops attachment that can be irrational at times, whether to a house, a car, or for a person. People can also get overly attached to a particular investment, believing it will reach, or return, to a certain price. Another one is "recency bias" which assume events or patterns of the past will continue into the future. Recent memories of loss or prosperity are the guiding force for this type of investor's investment decisions. Loss aversion is another type of bias which can cause an investor to ignore realities and do nothing.

Q HOW TO CONTROL GREED WHILE INVESTING?

A The recipe to control greed is simple: be rational, diligent in your approach, and never try to predict market movement. Return estimation and stop-losses are a few of the strategic pillars that investors can use to conquer the market. Successful investors often learn from their past behavior. One needs to estimate the return and should also keep "stop loss" which help you keep a check on your emotions, especially fear and greed. While return estimation allows you to fix your target in advance, stop-loss estimate helps you to control risk in case the market moves against your expectations and reduces your capital.

Q HOW CAN FINANCIAL PLANNERS AND ADVISERS HELP INVESTORS BECOME A RATIONAL INVESTOR?

A Financial planner help to understand needs and help to formulate long-term investment goals and objectives. They also help to develop realistic expectations by discussing the risks and rewards of each investment, match your goals and objectives with appropriate investment. Conduct regular reviews to ensure that your strategy continues to provide optimal results for you. These entire rules make an investor rational.