Laxmi Ji or Worship

Hemant Beniwal & Ashish Modani

Diwali is the most celebrated festival for Indians. People light up their homes with diyas and candles on this auspicious day. It symbolises victory of light over darkness. Besides people also do Laxmi pujan. But have you ever wondered at the time of performing puja that why Devi Saraswati Ji is always there along with Devi Laxmi?

In our view, Laxmi ji - the Goddess of Wealth, stays with the person who also worships Sarastwati ji - the Goddess of Knowledge. Wealth may come to someone who does not have knowledge but it does not stay there. As they say a fool and his money are soon parted.

We are always of this belief that investor's knowledge is of first importance in being financially well off. Indian investors save close to 30% of their income and financial instruments form 60% of their savings. It means that 15% of the income of Indian household is saved through investments in financial instruments.

If we look at the break-up of investment pattern of Indian household, it will clearly show that Indian investors lack knowledge in the field of financial instruments which form the maximum part of their financial planning. Because of lack of knowledge, we either make wrong decisions by following path which everyone else are following or land up investing where we feel most comfortable. Mind you, the most comfortable position in life is not the most successful one. Our maximum savings are in bank deposit and that is because we are not financially literate. Now despite being one of the biggest savers in the world, we the Indians, are not the richest and it proves the very fact that Goddess Laxmi blesses only those who worship Goddess Saraswati. Take a look at the graph below which gives you the breakup of our financial saving pattern:

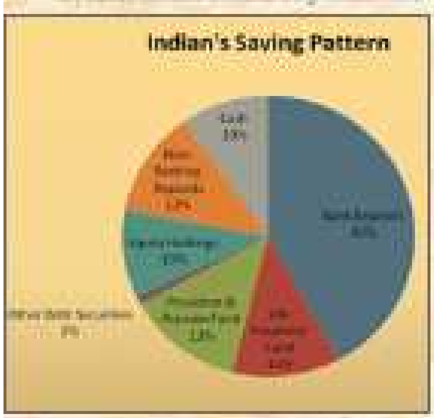
Now if you analyse it closely, 76% of our investments are in the form of bank deposits, life insurance, non-banking deposits and cash. If you look at their returns net of inflation and taxes, you will be astonished that these investments make you poorer rather than richer. We must take real return in consideration rather than the return on investment. In the last 20 years, the average rate at which prices of petrol and diesel has increased is well over 9% & 12%. The cascading effect of such rise increases the prices of almost everything that we buy and use. Just analyse your monthly budget or school fees that you used to pay and now that you are paying for your kids.

Because of lack of financial knowledge, we tend to make many mistakes. The list of a few is mentioned below:

- Ignoring the impact of inflation
- Savings ? Investment
- Following what everyone is doing
- Not understanding RISK in right approach
- Ignoring the Power of Equity in long run
- Mixing insurance with investment

Now let's touch upon a largely talked about issue The Stock Market - It was a hot matter in 2008 diwali and this diwali as well. The reason for it being so famous is totally opposite. In 2008 diwali, it was doing the role of Lord Shiva - the Destroyer and this time it is performing the role of Lord Bramha - the creator. Newspapers were full of articles in 2008 that Sensex destroyed wealth of lakhs of investors all across and crores of rupees were lost in market meltdown.

This diwali the scene is different and



SARASWATI JI WHOM?

the villain of 2008 is the hero of this year as Sensex has nearly given 150% return in the last 2 years. But mind you, the number of investors who lost money in 2008 diwali are more than the number of investors who gained this diwali.

Why does this happen:

This is because; Indians have not really understood the way to make wealth here. Investment in shares is still understood by people as speculation and not investment. Investors come here to make quick money and typically go out after losing quickly and again and again they blame the market till the Sensex is up again.

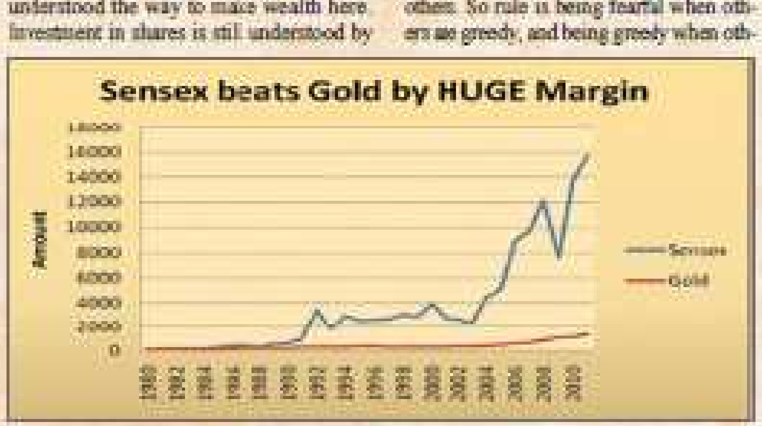
The irony of life is that we all know the way to success but only few people travel on this road. As a student we knew that if we study hard and regular, we will do well in class but despite that only few make efforts to reach there. Similarly, we all know that it is best to invest when the markets are going down but look at the graph below which will explain what exactly we do in reality.

The maximum investments in equities were made by all of us in the FY 1999-2000 when the **markets were high and touched 6000 and in the year 2002 when the markets were down at 3000 index, we were investing less in equity. Similarly, in FY 2008-09, when market were going down, we literally made 27% of the investments as compared to 2007-08.**

Why Laxmi Ji rides on an Owl carrier?

Sir John Templeton said "If you want to have a better performance than the crowd, you must do things differently from the crowd." What is peculiar about owls is that they can see more clearly at night than during the day - means doing opposite to others. So rule is being fearful when others are greedy, and being greedy when others are fearful. If you follow this simple rule of Owl, Laxmi ji will come and stay at your place. But we have seen the reality in above chart.

Sensex beats Gold by HUGE Margin



Everything that shines is not Gold

Another point that we would like to touch upon on diwali is that, normally Indians make investments in gold in some form or the other on such auspicious day, but do we make investments in shares or mutual funds during diwali? No we don't. But take a look at the long term return of gold Vs Sensex in the graph given below. We have calculated the return an investor would have got had he invested Rs. 100 in gold and in Sensex both, in the starting of year 1980 and remained invested till today. On January 1, 1980, Sensex was at 129 and gold was Rs. 1522 per tola. Today Sensex is above 20000 and gold is Rs. 20000 per tola.

In the long run, equity has done well. Indians keep gold as an investment for generations but equity as an investment is looked as a speculative item and it is hardly considered as long term investment.

We would like to urge all readers to look at equity as a wealth creating tool.

And as there is a saying, if you find your investment exciting and you are having fun, probably you are not making money. Good investments are always boring.

Make your equity investment boring and don't look at it on day to day basis. The average holding period in shares of legendary investor Warren Buffet, who is the third richest person in the world, is more than 11 years.

We are not trying to convey that you should invest everything into equity. We just want to convey that look at shares or equities with different perspective. Don't invest into shares directly unless you don't have the knowledge to do so. As said earlier, first worship Goddess Saraswati and then Laxmi ji will herself come to your doors. Investors who do not have the knowledge and experience in stock market are well advised to take the route of mutual funds.

Hemant Beniwal & Ashish Modani are CERTIFIED FINANCIAL PLANNERCM & writer for The Financial Literates (www.ffindia.in)