Maitra Commodities Pvt Ltd

CHEATSHEET
for
SMARTER INVESTING

044-45630555 www.maitracommodities.com

Table of Contents

Section B: Compound interest can have a big effect on the value of your investments.

- What is compound interest?
- Rule of 72
- How to Use Compound Interest Effectively With Stocks?
- How to Use Compound Interest Effectively With Mutual Funds?

Section C: 5 investing hazards one must avoid at all times.

01 Blindly following bad advice from social media platforms.

02 Trying to keep up with the trends.

03 Not allowing enough time for your investments to grow.

04 Putting money into investments that you will require in the near future.

05 Having unclear investment objectives.

Introduction

The financial world is a fluctuating and ever-changing environment. This is because there are so many factors that go into it, including politics, economics, and the economy. All of these factors can change the way the financial world works and the way you are able to gain a profit.

Before you invest, you should have a plan that you have created. This plan should have three components: goals, risk tolerance, and asset allocation. Goals are the things that you want to achieve with your money. Risk tolerance is how much risk you are willing to take when investing. Asset allocation is how you will invest your money.

There are so many options, so many different asset classes, so many different investment strategies and so many things you need to be aware of to make sure you do the best job possible. A wise approach to investing is to hold a diverse collection of different assets that are not well-correlated with each other, and invest into them when they become undervalued.

In every investment portfolio, it is necessary to have some diversification. Diversification is necessary to reduce risk. The more different types of investments you have, the less risk you have in any one particular investment.

You should diversify your investments by investing in different types of stocks, bonds, and mutual funds. You should also invest in different types of companies such as technology, healthcare, and finance. This can help you to have a more stable portfolio.

This Ebook is a cheat sheet that will look into the basics of investment, the smart strategies for investing, and the best assets to invest in.

Section A: 12 steps you should take to make smarter investing decisions.

01 Make sure your financial affairs are in order.

The first step to smart investing is to have your financial affairs in order. Start by figuring out your net worth and your cash flow. Keep in mind that these numbers can fluctuate, so you will need to keep them updated.

Make sure to determine your spending priorities and make a plan to keep those expenses in control. When you are ready to invest, consider what investments you should make. You should also consider your time horizon and risk tolerance. It is important to start investing early. If you wait too long, you may not have the money to invest.

02 Know your goals.

"Rich people believe 'I create my life.' Poor people believe 'Life happens to me.' "— T Harv Eker, *Secrets of the Millionaire Mind: Mastering the Inner Game of Wealth*

To start investing, you'll need to know your goals. For most people, their goal is the financial freedom that investing can provide. There are many different goals that people set when they invest their money. Some people want to save for retirement or for a big purchase. Others want to invest in their own business. Some others want to invest in other people.

Each goal has its own unique set of benefits and drawbacks. For example, investing in your own business can be a great way to make money and have a personal investment, but it can also be incredibly risky. It is important to think about your goals and choose the appropriate type of investment for them.

03 Know where to find information.

Smart Investing is about making sound decisions, not about knowing how to play the stock market. To make smarter investing decisions, you need to know where to find information. There are a variety of resources available to you to assist you in making the best decisions possible. The first step is figuring out where to look for it and what type of information you need.

- When you learn about the perspectives of successful investors, you may gain an understanding of their trading inspirations, as well as the techniques they used to achieve their financial goals.

  If you need investing tips, you can search for successful investors on Google. Blogs are a great place to find unbiased information and advice about any topic related to investing.

- Investing in the market is always an important topic to discuss. The market is constantly changing, and it's important to know all about it. One way to make smarter investing decisions is to know what's going on with the market.

  For instance, if you wanted to invest in a certain sector like technology, you may want to first look into what the market is doing. There are several websites that you can use to make sure that you are as informed as you can be about the market. Educate yourself on the market with the help of resources like Value Research Online and Morningstar. Check out the websites to obtain a better understanding of the global and Indian markets, as well as what is going on in them.

- Following a mentor is one of the best methods to learn to trade and get valuable information. Mentors might be family, friends, or coworkers. When learning to invest, a good mentor will always be available to help and advise you. They will always provide you trading advice and cheer you up when the markets are down. You can also learn from their mistakes.

04 Know what you need to do to be more successful.

"You only have to do a very few things right in your life so long as you don't do too many things wrong." — Warren Buffett

Successful investing is about being prepared for the future so that you can make the most of your money. There are a lot of different ways to invest, from opening a retirement (NPS) account to buying stocks or bonds. But before you invest, it is important to think about what you want to invest in.

You should also think about how much money you want to invest in it. If you want to invest in stocks, you'll need to do your research and learn about the industry. There are websites out there that can help you learn about the future of the industry and the best stocks to buy. You should read, study and invest your money.

Investing is one of the most important things that people can do to build a better future. Those who invest early in their life have a higher chance of being financially secure later in life. You may not be thinking about investing right now, but in the long run, the little bit of effort that goes into it will make a huge difference in your personal financial situation.

If you want to be more successful, there are a few things you should keep in mind.

01. Start investing early.
02. Think about how your behavior can help you invest and save more.
03. Don't be afraid to ask for help.
04. Take charge of your investing and remember to diversify.
05. Don't be afraid to be a little bit risky.
06. Don't be afraid to invest in something you don't understand.
07. Diversify your investments.
08. Don't be afraid to change your mind.
09. Don't be afraid to change your strategy.
10. Remember that you will win.

05 Understand risk.

In order to make smarter investing decisions, it is important to understand risk. It is easy to fall into the trap of looking for the best returns and not understanding the potential risks.

When looking to make investments, it can be easy to think that you'll make the best decision by simply picking the investment that has the best chance of becoming the next big thing. But, this isn't the best way to invest. It is important to understand the risk of your investments before deciding what to do.

It is also important to consider the time frame you are investing in the investment.

- If you are looking for a short-term investment, then it is best to invest in something that will provide a quick return.
- If you are looking for a long-term investment, you should think about the potential risks that the investment may cause.

06 Understand YOUR risk tolerance.

"Successful investment is about managing risk, not avoiding it," — Benjamin Graham, the pioneer of value investing,

When you know what level of risk you can handle, you can begin to build your portfolio. Start by identifying your risk tolerance to manage it and then think about the different investments you will make over time.

Your risk tolerance is the measure of how much you are willing to lose before you stop investing. There are many different ways to determine your risk tolerance.

You can use a game like Monopoly to determine what limitations you should put on your investment. You can also use a risk-aversion scale to measure how much you are willing to lose.

Investing is supposed to be fun, but it's not always easy. There are many things to consider when investing, and you might not know what to do at first.

For example, some investors invest the same way they eat French fries, in big quantities and without thinking about the consequences. Others invest in a mutual fund without figuring out how to evaluate the fund.

If you want to make smarter investing decisions, you need to understand your risk tolerance and manage it.

- You should ask yourself: how much risk are you willing to take on?
- What's your time horizon?
- What is your investment strategy?

Once you know your risk tolerance and investment strategy, you can start to make better decisions. When you invest, you need to have a solid plan to manage your investments.

If you are investing a lot of money, it is important to have a plan in place. It is also important to know where you are going to put your money.

- If you are investing in stocks, you should consider putting your money in index funds.

- If you are investing in bonds, you should consider investing in individual bonds.

07 Understand your asset allocation.

"The difference between success and failure is not which stock you buy or which piece of real estate you buy, it's asset allocation."— Tony Robbins

The key to smarter investing is not just to invest more, but to invest smarter. The more you invest, the more you make. But the less you invest, the more you lose.

Asset allocation is the process of dividing your investments among stocks, bonds, mutual funds, and other assets.

Understanding your asset allocation strategy is critical. This is a balance between your risk tolerance, your time horizon, and your age.

For example, if you're 25 years old, you may want to allocate all your money to stocks with medium risk tolerance and a short time horizon.

If you're a 55-year-old retiree, you may want to allocate all your money to bonds with a low-risk tolerance and a long time horizon.

Investor's age as a rule of thumb for asset allocation.

By subtracting 100 from your present age, you may calculate your equity allocation. This means that as you become older, you should shift your asset allocation away from stock funds and toward debt funds and fixed income investment classes.

Asset allocation based on age		
Age of investor	Equity Allocation	Debt Allocation
20	80%	20%
30	70%	30%
40	60%	40%
50	50%	50%
60	40%	60%
70	30%	70%
80	20%	80%

08 Understand rupee cost averaging.

Rupee cost averaging is an investment strategy that involves investing a fixed amount on a regular basis, regardless of the prevailing market conditions and the share price for the specific period.

The idea is that by investing a regular amount at an average price, the investor will be able to buy more units of a security at a lower price and sell them later at a higher price instead of investing a lump sum at the start.

To further understand this concept, have a look at the following table:

Asset allocation based on age			
Month	Amount Invested	Price per share/ NAV price (Rs.)	Number of shares/ units bought
5-April-2021	3000	60	50
5-May-2021	3000	56	53.57
5-Jun-2021	3000	51	58.82
5-Jul-2021	3000	49	61.22
5-Aug-2021	3000	45	66.66
5-Sep-2021	3000	47	63.82
5-Oct-2021	3000	62	48.38
5-Nov-2021	3000	57	52.63
5-Dec-2021	3000	66	45.45
5-Jan-2021	3000	63	47.61
5-Feb-2021	3000	58	51.72
5-Mar-2021	3000	65	46.15

Total Investment = Rs 36000
Total number of shares bought = 646.03
Average price per share = Rs 55.72

This is a good strategy for long-term investing because the fixed amount invested is spread out over a long period of time, which will help you avoid the peaks and troughs of the market. It is also a good strategy for beginners because it helps you avoid the common mistake of investing in the market too early, which can usually lead to a loss.

It is a strategy investors should use if they are worried about losing money in a market downturn, or they are investing in a new market without a lot of historical data to guide them. Rupee cost averaging is a smart investing strategy for those who are just starting out or those who want to be more conservative.

09 Diversify your investments.

Diversifying your investments will not only help you avoid a market crash but will also keep your wealth from being canceled out by a single investment.

Diversifying your investments will help you make smarter investing decisions, which will make you more likely to achieve long-term financial stability.

Diversification is the process of spreading investments across multiple asset classes. Diversification can help to protect against market downturns, and can also protect against the risk of a company's stock price.

The best way to diversify is by investing in a balanced portfolio. Your portfolio should consist of stocks, funds, and other financial assets. You can diversify by investing in different geographical regions. You can also diversify by matching your investment options with your personal risk profile.

You could buy stocks and mutual funds, or bonds/FDs and mutual funds. Index funds are low-cost and provide a good 'all-around' investment. Invest in dividend income which is a tax-efficient way to invest.

These investments are all different, but they are all investments. When you diversify your investments, you are putting your eggs in many different baskets, so that you have a greater chance of reaching your goals.

This will ensure that you have a good amount of different investments that are not only occurring at the same time but also in different markets.

10 What are the advantages of investing in certain sectors?

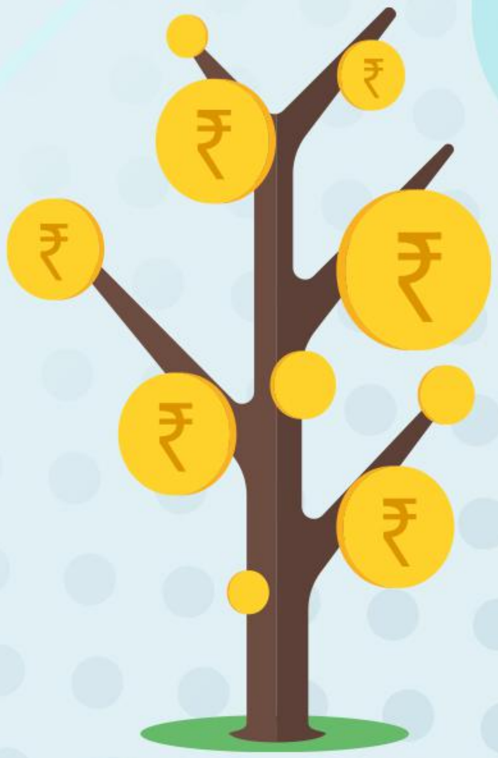
There are a lot of different ways to invest your money. One of the ways you can invest your money is by looking into the best sectors for you.

Investment in a specific market segment or industry is what is meant by the term "sector investing." Some few examples of common sectors are finance, health, real estate, utility, and retail.

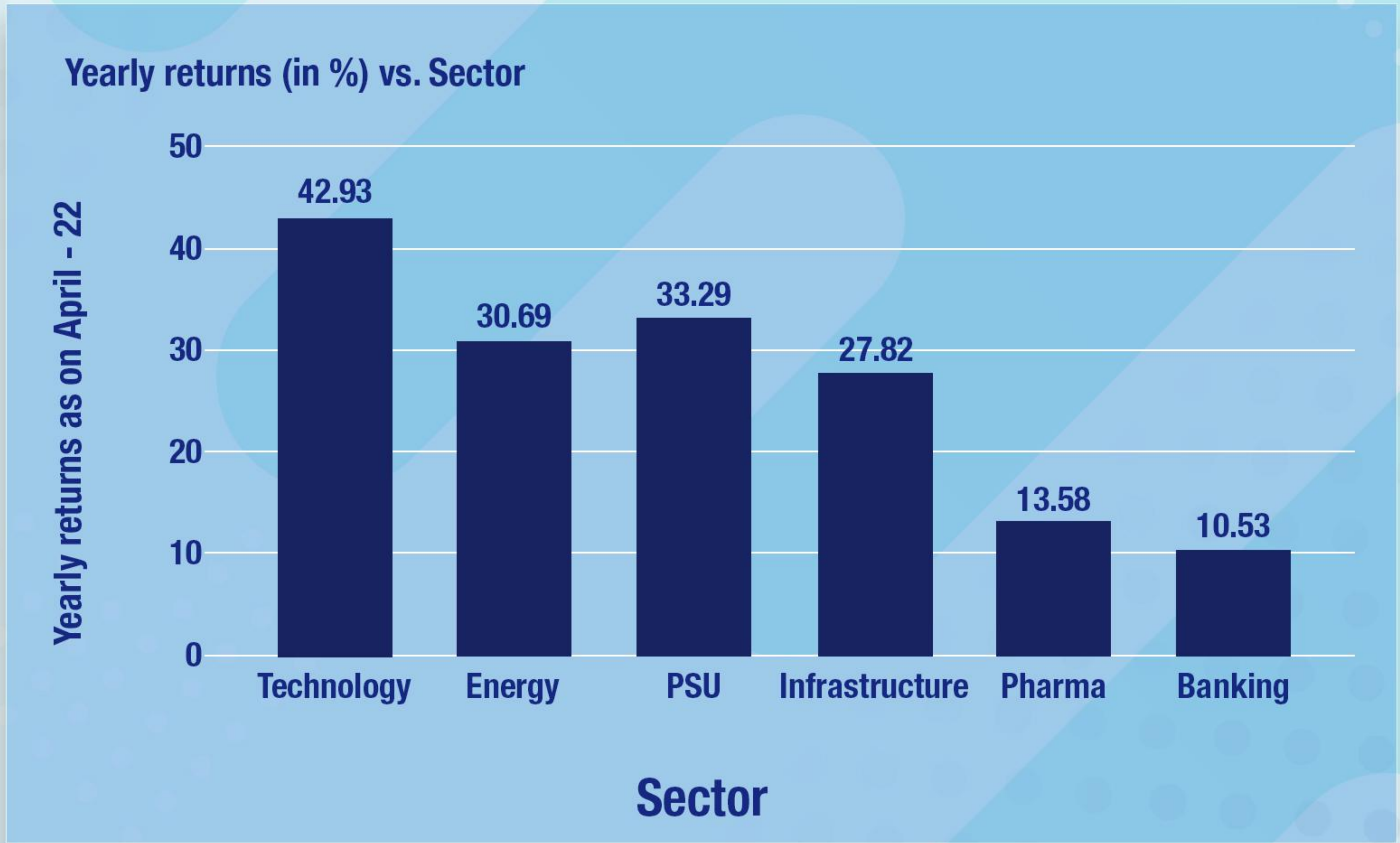
While many institutional investors employ a sector investing approach, it is one that smart retail investors may employ as well. This can be done by picking individual companies based on themes, or by focusing on different exchange-traded funds (ETFs) or mutual funds that concentrate their holdings on a specific industry.

When you invest in the stock market or take on a new investment strategy, it is important to understand the advantages of investing in different sectors. There are certain sectors that have better long-term returns, while others have better short-term returns.

For example, the health care sector is one that has better short-term returns than long-term returns. The tech sector, on the other hand, has better long-term returns than short-term returns.



Yearly Sector-wise returns as on April 2022
(Data from Value Research Online)



11 What should you do when your portfolio is up?

"The moment you make passive income and portfolio income a part of your life, your life will change. Those words will become flesh." — Robert T. Kiyosaki

When your portfolio is up, it is important to take the time to reflect on your portfolio and make sure that it is healthy. This will help to keep you from making any changes that could cause you to lose money.

One of the best things that you can do when your portfolio is up is to take a look at your portfolio's asset allocation. If it is up (meaning that the market has gone up), it is a good idea to analyze it and make sure that the asset allocation is still appropriate. If your asset allocation has changed, it will be important to rebalance your portfolio.

To make smarter investing decisions, it's important to make sure that your portfolio is always balanced. To do this, make sure that you're not over or underweight in any asset class. To check your portfolio's balance, you can use online tools available on your broker's website.

You should take a look at your risk tolerance. If you find that your risk tolerance has changed, it will be important to adjust your asset allocation accordingly. If you are uncertain about your risk tolerance, you should ask a financial planner.

When the market is up, it is easy to be tempted to buy more stock. You should be mindful of your risk tolerance, and not just focus on whether or not your portfolio is up.

12 What should you do when your portfolio is down?

When your portfolio is down, it's natural to feel anxious. It can be difficult to know what you should do. One thing you should never do is panic and make the wrong decision.

When you find yourself in a financial bind, and you can’t find a way out, take a moment to deal with the issue.

The first step is to analyze your portfolio to see what kind of investment you have. Consider the performance of your investments over the past year, and break it down by the time period. Perhaps you have noticed that your investments have been down, and you need to make a change.

There are many ways to make changes to your portfolio. You could do a stock split, go with a different type of investment, or sell some stocks and invest in something else. But if you are unsure, then contact your financial advisor/broker.

Section B: Compound interest can have a big effect on the value of your investments.

"Time is your friend, impulse is your enemy. Take advantage of compound interest and don't be captivated by the siren song of the market."— Warren Buffett

When making financial decisions, it is critical to understand the impact that compound interest has on your investments. Compound interest is a powerful tool since it grows your money exponentially over time.

What is compound interest?

Compound interest investments are assets that grow in value over time as a result of compounding. It is the process through which the earnings from an asset (whether from capital gains or interest) are re-invested in order to create more money. In essence, assets generate income, and that income is reinvested to generate a larger long-term payout.

Rule of 72

If you're having trouble figuring out compound interest, there's a quick and easy rule of thumb you may use. It's referred to as the Rule of 72. The way it works is as follows:

In order to double your money, divide your expected interest rate by 72, and you'll get the number of years.

So, at a compound annual growth rate of 6 percent, it will take you 12 years to double your money.

It will take 24 years at a 3% return. It will only take six years at a 12% rate of growth.

Money Doubling	Age (Returns 10%) Doubling every 7.2 years	Age (Returns 12%) Doubling every 6 years	Age (Returns 15%) Doubling every 4.8 years
200000	25	25	25
400000	32.2	31	29.8
800000	39.4	37	34.6
1600000	46.6	43	39.4
3200000	53.8	49	44.2
64000000	62	55	49
128000000	69.2	61	53.8

By being disciplined and maximizing your returns on a consistent basis, you will be able to achieve financial freedom sooner. Imagine what would happen if Rs. 2 lakhs was not spent, for example, on a small car, a trip, or a mix of other smaller purchases.

Compound interest works in reverse direction too.

Remember that compounding also operates in the other direction. If you are applying compound interest on a loan rather than a deposit, the amount of money you OWE will continue to rise.

Many new college grads are confronted by this reality. Low-earners will be unable to keep up with the interest accruing on their debts because of the way credit card/personal loan repayments have been structured. And it means that the debt will continue to rise throughout the years. It shows that compound interest may have both a positive and a negative impact on your finances.

Compounded interest is a key tool for generating wealth. Start saving early and make more money over time by opening an account that pays interest or gives regular returns in the form of capital appreciation/dividends. Also important is its ability to manage wealth-eroding causes such as growing living costs, inflation, and a decrease in buying power.

How to use compound interest effectively with stocks?

- The primary method is that the firm in which you own stock is reinvesting the majority of its earnings back into the business. Only a small percentage of the company's profits are handed out in dividends. The rest of the money stays with the company. As a result, the company's own profits are being compounded.

  The dividends you get can be reinvested in the same stock, resulting in even more compounding in your account.

- Your portfolio should be seen as a single asset and managed in a way that keeps it close to its peak value. Your perspective shifts when you view your stock portfolio as a single asset.

  Focusing on managing the equities you already own rather than looking for new ones is a better strategy. Those who don't contribute to your account's growth are removed, while those who do are added. In order to get the benefits of compounding, you must do this properly.

  This strategy demands more time and effort than just selecting one outstanding stock and holding it for the long term. When things aren't going your way, it's time to cut your losses, refocus, and start over with an eye on identifying the stocks that will do better in the future.

How to use compound interest effectively with mutual Funds?

Where should an investor place his or her money in order to get the maximum advantage of compounding?

Mutual funds are the answer.

Mutual funds, as an investment vehicle, are structured in such a way that the benefits of compounding are magnified. With the help of a systematic investment plan (SIPs), this is achievable. Compound interest accrues over time when a fixed amount of money is invested on a regular basis.

The way it works is as follows:
A Systematic Investment Plan allows you to invest a predetermined amount of money in mutual funds on a regular basis (SIP). You have the option of doing this on a monthly, quarterly, or semi-annual basis. A SIP calculator may be used to estimate the return on your investment, and you can then make a SIP payment on the due date.

SIPs are great since they allow you to set up automatic payments with your bank. The money gets transferred straight from your registered bank account to the mutual fund on the day you specify. There's no need for you to stress over missed payments.

Investing through SIPs on a regular basis could help you make more money over time.

For long-term goals like retirement planning, you may wish to consider investing in equity funds through a SIP. In the long run, equities funds have the potential to provide higher returns.

Section C: 5 investing hazards one must avoid at all times.

01 Blindly following bad advice from social media platforms

One of the biggest risks is following bad advice from social media. While the media is great and full of information, it is not the best place to get investing advice.

Social media is full of opinions, not facts.

The opinions that you find on social media are more about outward appearance, not investing. When investing, make sure to conduct your own analysis and learn as much as you can about the "expert" who is providing financial advice via WhatsApp or any social-media site. Most of the time, their recommendations aren't the best ones for you, and they might lead you to make costly financial blunders.

The other risk you must avoid is following the advice of someone who is not in the industry. They might be successful in their area, but you need to make sure you are following the advice of someone with experience in the industry.

One of the most important things to remember is that the market always goes up and down. Always be ready for the market to turn, so that you can get out at the right time.

02 Trying to keep up with the trends.

"The intelligent investor is likely to need considerable will power to keep from following the crowd." — Benjamin Graham

For many investors, the fear of missing out (FOMO) on a hot trend leads them to follow the herd. This may be a costly error, since hot trends come and go. Your investment portfolio will be exposed to a wide range of risks and dangers if you chase the trends.

Making money in the stock market might be challenging, and there are various ways to go about doing it. The industry, on the other hand, is replete of frauds and scams that are difficult to escape. It is quite tempting to become overwhelmed and let the buzz to take over your thinking.

It's not uncommon for investors to make the mistake of following the latest hot trend, such as buying in a penny stock or the latest cryptocurrency.

To give you an example, you could think about investing in penny stocks. Penny stocks are equities that trade for less Rs.10. Penny stocks appear like a terrific way to get into a company at a minimal cost. But, investing in penny stocks has a high level of risk, and the chances of success are limited. Consider researching the firm and its prior record before making an investment. When it comes to taking the advice of others, it's a good idea to do so cautiously.

Investing in yourself is the best way to build wealth. Always strive to learn more, improve your skills, and expand your knowledge. You're taking on too much risks if you're not improving and learning. As an investor, you have to become a student of the market, which demands consistent growth and learning.

03 Not allowing enough time for your investments to grow.

Time is of the essence when it comes to investing. To get the most out of your money, it's best to hold onto your investments for as long as possible.

If you want to make a quick buck, you should stay away from investing.

If you don't make the investment, you may miss out on the opportunity to profit.

A common pitfall for first-time investors is falling prey to get-rich-quick scams or clinging to hope that they will become wealthy overnight. The reality, on the other hand, is rather different. As an investor, you must be patient, disciplined, and calm when the market is volatile and your portfolio suffers. Markets are unpredictable, and novice investors who assume they can handle them without professional help are doomed.

04 Putting money into investments that you will require in the near future.

"If you have trouble imagining a 20% loss in the stock market, you shouldn't be in stocks." — John Bogle

The most common error investors make is to enter the market before they have established a solid financial base for themselves.

You should feel in charge of your financial situation before making any investments. In order to avoid having to dip into your investments in times of need or to make a specific purchase, it's a good idea to keep some emergency funds on hand.

A down payment for a house you want to buy could be lost if the stock market goes down. You'd rather not lose that money than have it go to waste.

To decide if you're ready to invest, check out if if you have enough money in your savings account to cover all of your short-term goals. Money required within a very short time period should not be put in equities.

05 Having unclear investment objectives.

Starting an investments journey without a clear destination in mind might be a bad idea. It has the potential to deplete all of your investing funds, rather than increasing your wealth.

Investing for the sake of making more money is rarely the aim. People should instead consider money to be a tool for achieving their other objectives like education, building a house. Making investments only based on financial gains is a typical mistake.

If you can fulfill your goals with less risky investments, you don't need to seek big returns that simultaneously have a high risk.

Consequently, if you are currently investing or preparing to begin your trip in the financial market, the first step is to set up a financial aim for the purpose that you wish to attain within a certain period of time.

It is necessary to assess your risk tolerance in the next phase. It will be easier to organize your investments in different asset classes if you have a clearer idea of what you want to accomplish.

To give an example, stocks have a lot of volatility in the short-term, but they can outperform other assets in the long run. As a result, make sure to set realistic investing objectives in order to reap the greatest possible profit.

Disclaimer

- Investment in securities markets are subjected to market risks. Please read all the scheme related documents carefully.
- The contents provided are only for informational purpose. Detailed study and research must be done by the investor before entering the market. Maitra Commodities will not be liable or responsible for any losses incurred by the client.

NSE MEMBERSHIP CODE: 90175 | MCX MEMBERSHIP CODE: 55060
SEBI REGISTRATION NO: INZ000074139 CIN NUMBER : U74999TN2012PTC084067 | GST REGISTRATION NUMBER: 33AAHCM6659B1ZJ || DEPOSITORY NAME : CDSL || DPID : 12089300 || DP SEBI REGISTRATION NO: IN-DP-430-2019 || MUTUAL FUND AMFI ARN : 164992