

## EDITORIAL

Hello,

**Wish u all a HAPPY NEW YEAR!!!**

As this new year has opened with so many challenges, it's the right time to understand the various opportunities which are coming our way. It has been rightly said that every challenge comes with various opportunities. The need is that we need to keep our eyes wide open, ears completely attentive and must do so, so that our mind and intellect can help us with all this opportunities.

The most crucial challenge is the “**COVID-19**” being faced by the entire world. The most crowded and always active 24 x 7 Mumbai city came to a halt, giving all of us an opportunity to be with our family very close that even it did not allow us to go out for a movie or a restaurant. It was a house warming opportunity for all as some people also opted out for “**Work from Home**”.

The lifeline of financial market, equity share market; tumbled down merely by **30% to 40%** giving a sudden shocks to almost every investor of share market directly or indirectly through mutual fund creating fear. It's now time to understand this opportunity to invest in various performing schemes at lower prices or various blue chip stocks at 52 weeks low price.

Here, one silent factor “**fear**” may grips all over, it gives us an opportunity to become courageous and be resilient, to endorse our decisions to invest in mutual funds or equity and stay invested to meet more of some lump sum investment, if possible at this critical moment.

Last but not the least, it also underlined the importance of a guaranteed income especially to those who are retired or are on the verge of retirement or those who were counting only on their equity investment for their retirement planning, pointing out to the fundamentals of asset allocation. It also created a space for investment fetching guaranteed returns though at low levels.

At the end of the day, one thing which we can not only ignore is the happiness which is above all, which we all must learn to maintain and give to the entire universe against all challenges of life.

Let's unite together irrespective of caste and creed to pray Lord Almighty for his Grace invoking all his powers through all of us to overcome the challenges. Amen!!

**Warm regards,**  
**MILIND BANE.**



*"Let's welcome this financial year 2020 with great courage and wisdom to fight back and contribute in a far greater way to bring back our Indian economy on the path of success. Let's accept this challenge as true Indian. Let's give our best."*

## FOREWORD FROM ONE OF OUR INVESTORS FROM DOHA, QATAR.

Dear Milind,

First of all, it's a beginning of new financial year and therefore let me wish you a great financial year ahead especially on the background of the challenges thrown to the world by **Coronavirus**. I feel happy to contribute towards this Volume III of the Newsletter published by your company in larger interest of their customers and keep them updated of financial world so as to contribute to financial awareness as it's the need of the hour.

### **Following are my views as an investor:**

I am a new investor in this field of investment of Mutual Funds and equities. I have earlier invested in equities but experience was not good. This was a period of Harshad Mehta approximately in 1996. Then after many years, I again started investing in equities but that time withdrew the money for investment in real estate. This was in 2013.

When I met Milind Bane my overall portfolio was heavily invested in Real estate. My calculation was of that the return on investment is to get monthly rent for family expenses and in addition appreciation in property value. I also have kept my some investment in fixed deposits.

When my portfolio was reviewed by Friends Investments Chairman Milind Bane in 2015. He explained me the importance of liquidity and explain me the difference between the investment in financial assets and physical assets (the one I had already invested in real estate) An importance of Investing in Mutual Funds is another best way to create financial assets over a longer term by proper mix of Equity and Debt Funds.

I have understood the importance. Started investing in monthly SIP. I learned that till you have earning from your salary or business, keep investing in Monthly SIP. Once you retired which is obvious to have longer period of at least 8 to 10 years of time, and then monthly returns in the form of SWP to meet your monthly expenses.

As a proper mix of longer term debt exposure I also have my savings in life Insurance, and contingency provision for health insurance through adequate Medclaim services from Friends investments. It's my rather appeal that everyone must take the review of his or her financial investments done vis-a-vis financial goals which Milind helps to define if not defined with the help of financial tools and take advantage of Services of Friends Investments to build a proper portfolio towards one's financial success. I am personally satisfied with professional staff under the leadership of Chairman Milind Bane of Friend Financial Services. I wish them all success and happiness.

# CLASSIFICATION OF INCOME

This topic will give you more clarification as to your retirement planning and will help you to take steps, make changes to the existing plan and take appropriate actions. Your retirement planning will remain incomplete if you have not considered this classification of Income. So let's try to understand this classification of Income.

**It is divided in following 4 categories:**

## 1. ACTIVE INCOME

The income which is created out of your need to be active physically, mentally and involving your time. Eg.: Salary, profit earned out of business etc. In short it is generated from your business or service.

## 2. SEMI ACTIVE INCOME

It is created from your property and simultaneously using your some time, physical presence and mental involvement. Eg.: Rental income or income earned on your personal lending. Many a times this income is strongly considered as "**Passive income**". However the fact is that, it is not so, as it involves your time and efforts. Eg.: If a tenant vacates your house, you need to put little efforts to find another tenant, and then again entering into fresh agreement, its registration, maintenance and repairing flat at regular intervals etc. Please note that it is feasible till your age or body permits you to work actively. Therefore depending entirely on this type of income as your retirement income may be a little risky. Practically I have found people searching for an alternative tenant losing their six months of rent and then alternatively have to compromise on lower rent to save on loss of monthly rental income.

## 3. PASSIVE BUT NOT GUARANTEED

This income is generated out of your accumulated wealth and for this you need to remain active either physically or mutually. Eg.: Interest income earned on your bank deposits, Dividend income earned on shares etc. You need not be active to earn this income. However this returns usually fluctuate and therefore not guaranteed. The recent fluctuations in interest rates is good example of this. Similarly if a person has his started business since he was young and after retirement is being handled by his son/daughter or grandson and maybe eligible for 25% share in profits. Even this also cannot be considered as a guaranteed source of income as the profits of business are subjected to market risk.

## 4. PASSIVE AND GUARANTEED INCOME

This income is created out of our accumulated wealth and for this income you need not stay active and still it provides you a guaranteed income at predefined rates. It is guaranteed for your life, that is till you are alive. This income is created only out of the following two sources only:

### A. LIFE INSURANCE ANNUITY PLANS

### B. GOVERNMENT BACKED PENSION PRODUCTS

It is time to evaluate your sources of income at your retirement considering the classification of income stated above and find out for yourself how much is in the category no 4 above. Wish you **Happy retired life.**

## MARKETS TUMBLED : BE COURAGEOUS

In **March 2020**, the **BSE Sensex tumbled down by almost 40%**. The value of the portfolios which were of 3 to 5 years age drastically reduced and almost all portfolios are showing negative returns on their investment. This caused a shock to many investors, creating fear and shook their confidence in this asset class of equity. The flow of investors to mutual funds has increased phenomenally especially in the last two to three years. Due to global recession, slow momentum in Indian economy, low GDP growth, the equity markets were not able to generate satisfactory returns from Oct 2017. All the investors entered recently are not happy with the returns generated by their respective funds barring few exceptions. The overall trend of the market was gloomy. Secondly it is important to note that the investors see the BSE index which is usually published. BSE Sensex comprises only 30 scrips of 'A' group shares whereas the mutual fund scheme comprises nearly 55 to 75 scrips. It is a diversified portfolio. Therefore BSE Sensex is not the precise indicator of your mutual funds schemes in return.

### WHAT NEXT:

According to **Mr. Nilesh Shah, M.D. Kotak Mutual Fund** and a stalwart in M.F Industry for quite a long period, the fall in the market cannot be compared with the fall of 2008, where markets failed to 8,000 level from 21,000. He said year 2008 was only a fiscal problem, but the current fall is not only fiscal but also with global halt in trade and business due to the pandemic Covid-19. Though it's precisely difficult to predict the bottom end of this fall, he said that an investor should look at this opportunity and start investing at every fall and should not wait for the bottom. He said that the large cap funds are now available at the prices of 2015 and midcap are available at year 2013 prices. Therefore it's an opportunity rather than a threat. In Feb 20 the BSE Sensex was around 40,000 level and now its below 30,000 level. He said when this global issue of Corona will get settled, the market will again start moving up taking its own time to adjust the positive as well as negative impacts on various segments. For all those who are not able to make any investment now, he advised to stay calm and wait for this panic situation to get over.

Therefore wait and watch is the best strategy. If possible you can keep on adding some sum lump sum investments to your existing schemes. Keep on investing step by step on each and every fall. We hope that with the commendable efforts taken by Indian Government , we all would be successful in overcoming all shortfalls and bring back the entire thing normalcy.



# GENERAL INSURANCE

## PERSONAL ACCIDENT POLICY:

When we think or talk of insurance we usually discuss life insurance or health insurance . May be because of the income tax benefits these two products are usually discussed and also found in the insurance portfolios of many investors. However, today I would like to draw your kind attention to another insurance which is of equal importance. It has been observed that it's not included insurance portfolios of many people. And that is the **Personal Accident Insurance**.

Just think it over, what is the foremost risk that we all could encounter first, when we leave home every day for our business or service? Yes of course. Its an accident . We also have come across various incidents which have taken place all of a sudden and till most of us are ignoring the importance of this **Personal Accident Cover**.

This **Personal Accident Policy** provides various cover under one policy.

These are:

- A) **Accidental Death**
- B) **Permanent Total Disability**
- C) **Permanent Partial Disability**
- D) **Temporary Total Disability** (Covering you for loss of income in the period of leave)
- E) **Children Education Bonus**
- F) **Accidental Hospitalization**

### WHAT IS THE COST ?

It's hardly cost you Rs.6 per day for Rs. 10,00,000 sum insured or staying their next policy amount.

## TOP UP COVER IN MEDICLAIM POLICY:

As the need of higher amount of mediclaim amount is being felt by many , in view of the rising cost of various treatments and also the need to get treated in the best hospitals by the best surgeon or doctor, the top up mediclaim can be the best solution at additional marginal cost. However , in order to have the real benefit of top up mediclaim one must ensure that the the base policy must be adequate to cover all expenses under basic mediclaim policy.

### BENEFITS:

When the hospitalization expenses exceeds the amount of cover available in basic mediclaim policy, this top up policy can help one to recover the additional expenses incurred through this policy, provided one has already secured through a top up mediclaim policy. Secondly, nowadays family floater mediclaim is preferred by many in view of the higher cover to all in the policy at a reasonable cost. This cover may get utilized in case of any hospitalization for a person cover under the policy. During that year there will not be any mediclaim cover available to persons cover under the policy. The **Top up Mediclaim Policy** is the solution which will help to claim reimbursement if the sum insured cover is exhausted under the basic policy.

### WHY ONE SHOULD OPT FOR TOP UP MEDICLAIM POLICY:

Nowadays, people are worried whether the amount of insurance cover is adequate or not and therefore enquire about increasing their mediclaim cover, which may add to the cost every year. As the age slab increases the provision also keeps on increasing, this may find one difficult to serve the policy when it is needed most. Top up policy is the solution, which is available at marginal cost. This policy is advisable provided the basic mediclaim policy cover is adequate.

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