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MadAbout Money

Stop trading time for money and **start trading value for money**

Someone can get rich without **taking money away from others**

BANKS WILL NEVER **MAKE YOU RICH**

Cover story:

DEBUNKING MYTHS ABOUT BUYING A HOUSE

Editor's Note

Talking about money is still a forbidden subject even in this present age of clearness and frankness between coworkers and friends.

I think there is hesitation in sharing information honestly. However, I don't understand it all. It might be possible that I came from a family where talking about money matters like "about my current salary", "about my expenditure" and "about my plans to save money" are just normal and absolutely ready for discussion topics between my family and friends.

Somewhere or the other, we all really want to know how much money everyone else is making and spending, however we can never go upfront and ask.

Hence, why cannot we be more candid and honest in our money talks with best friends?

It will feel uncomfortable to mention the topic of salary, but it will be well worth it. For some people, talking to your friends about money could be even more awkward than speaking with your professional counterparts.

However, if the topic is forbidden out of jealousy or comparison, then it is best to stay away. Nevertheless, if you have such people in your life with whom you can talk about money then it is so favorable.

Here is best example explaining why communication between friends about money is favorable: Say for an instance, you and your friend usually hang out by going out to bars and restaurants. Or if you have a friend who consistently proposes vacations that you cannot afford. But you have decided to get on the way to save money and get debt free, thus you are spending less everywhere you can. Your friend invites you everywhere and you give a polite but firm negative response. If you will ignore him often, eventually, he will stop inviting you.

However, if you would have mentioned your problem to your friend, your objective to pay off your loan, he would have understood and might have supported you by some cost-cutting social alternatives. You must have a calm and open-minded talk with him.

He might get inspired by your dedication and follow your money saving decision. With your revelation with money related talks, another friend dealing with debt may now feel comfortable in talking about money with you. He can find relief in this shared journey of saving money.

Your friend is your support system, hence he can help you in staying committed towards your aims, and sequentially, you can help him.

One of the most important factors of money discussions is to be tolerant with each other. You must share opinions as per your budget or financial goals.

You must always keep in mind that discussion about your money should not become a game of comparison or a source of argument. You can also share your money allied problems and learn from those who are handling their finances better.

Sachin Mittal

MadAbout Money

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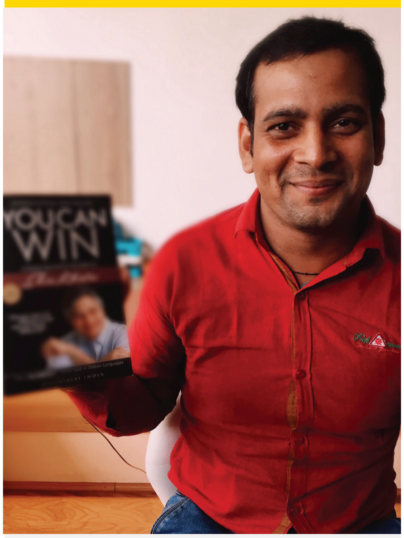

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An idea for a song...

Ahmed Ansari,
Lord of the Ledgers

Tight fisted...always

Dillip Rout,
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DEBUNKING MYTHS ABOUT BUYING A HOUSE

A HOME IS CONSIDERED AS 'LIFE'S BIGGEST PUNJI' (PRIME INVESTMENT) BY MOST ELDERS IN OUR SOCIETY. TRADITIONAL WISDOM SAYS THAT OWNING A HOME IS A SIGN OF UPWARD SOCIAL GROWTH AND CLASS-STATUS. THE EYEBROWS OF JEALOUS RELATIVES ARE RAISED WHENEVER A YOUNGSTER OF ANOTHER FAMILY ENDS UP BUYING A HOUSE. SAME TRADITIONAL BELIEFS HAVE GIVEN BIRTH TO TODAY'S ADAGE OF 'IF YOU ARE A RENTER, YOU'RE THROWING MONEY AWAY

Is this true? Do these assumptions hold till date? Is the dilemma of owning a home or living on rent, is no dilemma at all?
Since time immemorial, there has been a huge emotional connect and psychological boost associated with owning a home. People say- 'Bear the pain now, so you can rest later', 'These are the only times you can take risks', etc. etc. But will buying a house, prove to be a smart financial decision or is it smarter to continue to live in a rented apartment?

TRADITIONAL ASSUMPTIONS OF OUR ELDERS

Times have changed- the world has become a highly competitive place to be in, private job market is very unstable, prices are skyrocketing, new generation likes the freedom and lack of commitment that comes with living in a rented home, and most of all, it's not easy to get through the pressure which comes with mortgage period.. Let's investigate if traditional assumptions of our elders have any solid grounding as such. Before continuing with deeper discussions in coming chapters, I want to level the dice between buying a house and living on rent by subjecting our stereotypes to acid test. This chapter will burst age-old myths which downgrade the decision of living on rent and over-hype the decision of buying a house.

My motive is not to persuade or dissuade anyone from buying/ renting a house. I want to disseminate unbiased financial knowledge in the simplest language possible to prevent this generation from becoming a prisoner of wrong financial decisions.

Myth #1

Rent goes towards expense, while buying a house builds equity (investment)

It is a most commonly used argument by real estate companies. According to the argument, the entire rent goes in the landlord's pockets and contributes nothing to one's equity (asset); instead owning a home contributes to equity which makes paying mortgage EMIs totally worth it.

Does it? Let's see why the logic is flawed.

Things you OWN – Things you OWE = EQUITY

Have you ever wondered how much of loan repayment goes towards your property you own (principal) and how much of it goes towards paying what you owe (interest, insurance and tax)? The reality is, only a small chunk of your EMI contributes to equity, all else goes towards paying interest, taxes and insurance, especially in initial repayment phase. It is called amortization of loan. The picture below portrays it well. Please note that, the interest component in green is about multiple times that of the principal component in orange for more than a decade.

For example, if you buy a house worth INR 70 lacs by taking a home loan of INR 56 Lac @ 9.35% p.a. for 20 years, the interest and principal components will not come equal until at least 12.5 years of your mortgage period. So for more than a decade, you will not be investing a major part of your income towards building home equity rather you will be paying back what you owe.

In nutshell, your EMIs do not count towards equity until a long time in mortgage period.

Before taking any decision on buying or renting, consider once again, could you be invested in saving up resources in other investment sources with better returns?

Takeaway:

Don't oversimplify the big decision of your life of buying a house by claiming that it will build equity and thus buying a home is superior to renting or any other source of investment.

Myth #2

Rent is forever while mortgage stops one day

It is a hook statement. The statement is not a myth but the ultimate aim which it aims to attain. It argues that a tenant will continue to pay monthly rent forever while monthly installments which go towards home equity will end one day. It is based on the arguments widely used by real estate advertising agencies. They say- 'It's high time to take risk and a little pain so he/she can rest later'. I ask two questions to them:

1. Doesn't a home require investments once mortgage period ends? What about maintenance costs, property taxes, utility bills, etc.?

2. What if you are too old or boring to have fun after 20 years from now?

Certainly, the EMIs will stop, but there are lots of additional overheads which go in maintaining a property. I am not suggesting that be locked up in a rental loop for the rest of your life. I just want to burst this false argument and reiterate that don't make a falsified premise the basis of your buying versus renting decision.

Takeaway:

Weigh your priorities well and explore other investment avenues before jumping into anything based on hyped social sentiments.

Myth #3

Tenants do not benefit from rising real estate market prices while homeowners do

This myth is often argued in social settings. Statistics suggest that long term real-estate returns are extremely overhyped. A property can appreciate in two ways- via forced appreciation and market gains. Forced appreciation is upgrading your house condition and renovating significant portions of your house so as to enhance its market value. But remember it is not about your personal whims and fancies. It is not limited to 'having a beautiful marble floor' or 'expensive wooden doors'. It's more than that. It takes a lot of skills and strategy to appreciate property value via forced appreciation.

MARKET GAINS ARE OUTSIDE HUMAN CONTROL

Market gains are comparatively slow and outside human control. According to housing statistics, property prices do not increase substantially in value, they only keep pace with inflation. Real-estate market significantly underperforms the stock market most times. So, a house that you bought in 50 Lac in 2009 may appreciate to 1 cr. till 2016. Yes, the initial amount has got doubled but due to appreciation in property prices, naturally the new property you wanted to buy would have increased in prices as well. Rise in your property prices may not even be adequate enough to be called a 'benefit' or 'profit'. One may argue that however less, at least buyers get some home equity at the end. Comparatively, renters have nothing. Renters may not get any equity gains from appreciating property values, but remember they are neither paying for the 'opportunity costs' that comes with buying a house, i.e.

- They do not tie their cash to EMIs,
- They do not have to pay for maintenance charges, and
- It is highly likely that they are paying less monthly rent than your EMIs.

So, with right financial knowledge, a tenant may invest the extra cash towards better investment opportunities. Not to mention that your lifetime cash tied up in home equity may just merely be keeping-up with inflation rather than giving you an upper hand over renting option.

Takeaway:

Do your math before taking the rise in real-estate market for granted, especially if you are looking to sell your property after some years.

Myth #4:

A house is the biggest investment.

For people in India and elsewhere, real estate investment is more of an emotionally driven decision than financially, especially if one buys with an aim to reside in it. Unsurprisingly, it leads to a great emphasis on buying a house and creates an impression that it's the biggest investment. I hate to break it to you, but it is mere illusion, the ground reality is very different.

Experts say that your home should only be about 20-40% of your net investment worth. It's not a good picture to end up with your house as your only biggest investment. People counter-argue that it is better to own something than to own nothing. Well, it mostly depends upon:

Rent cost: if the rental costs are cheaper than EMIs, then you may consider investing your extra money towards better opportunities which can generate higher long-term returns;

House Down payment and Interest rate: Similarly to rental cost, you should weigh all pros-cons and opportunity costs (the loss of other alternatives) of investing this money in real estate market. Consider if property investment will generate better returns or something else?

Location: The place where you buy a property makes a big difference to highs and lows in housing prices. Some places are more sensitive to real estate changes and some are not.
Ultimately, do not forget even a small increase in disposable income significantly enhances the quality of life. It's not an intelligent idea at all to live in a 'hand to mouth' situation and be left with nothing to enjoy life or exigency funds, just in order to acquire the so-called 'biggest investment'.

Takeaway:

Take a sound minded decision rather than emotionally drive decision while buying a house. Otherwise, it may lead to grave consequences and huge losses of your standard of life.

These assumptions are not based on mathematical calculations or sound financial knowledge rather the underlying sentiment of these myths is simply that it is beautiful to own a house because it's an indicator of peace and a settled life. The tradeoff between buying a home and living on rent is not an easy one. And to be blunt, it shouldn't be. For a salaried person living in India, owning a home seems wonderful but wait until honeymoon period ends and the reality of EMIs, maintenance charges and home insurance hits you. Similarly there are qualms about staying on rent; mainly, managing landlord's expectations, living with the skepticism that the landlord may ask you to vacate anytime; or the fact that you cannot entirely consume the utility of the space as per your ideas.

There are compromises in both, but it is important to make a fianncially literate decision absent of these stereotypes and with least risks involved. The question is which option will be optimum and allow you to live on your terms with happiness. The dilemma of renting or buying a home is worth pondering upon. Let's see how we can make an informed choice backed with strong financial reasons.

Debt is a two -way bridge that connects poverty to wealth

Generally people think that debt can lead to poverty and there is no way out of it. However, such people are wrong. You can definitely convert your debt into wealth by following the right techniques. If you are in a lot of debt, then you can create wealth from it.

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You just need to get disciplined and concentrate on your priorities. We have jotted down some tips that can help you transform your debt into wealth. Follow these proven techniques and see how investing and saving money can actually be more enjoyable than spending it.

01 ASSESS YOUR CURRENT FINANCIAL SITUATION

You need to take out some time in order to assess your present financial situation. You need to check how much debt you are into by evaluating all your debts, whether credit card debt or loans. Then, check your savings and see how much money you pay every month in standard bills. With all these details, you must work out what amount of money you need each month to pay your bills.

For this, you need to add up all your monthly bills. The amount that you get is what you have to put aside from your income in order to pay off your monthly bills. In case you see that your expenses are far more than your earnings, then this means that you seriously need to make some changes to your lifestyle, which outweighs your earnings.

02 CHECK YOUR SPENDING HABITS

Your needs include things that you need to survive, which include necessary foods and utilities. You should be realistic about your needs. And, if you still think that you are spending the minimum amount of money and still the price of your necessities is more than your earnings, then you should consider taking up a second job. But, if you are spending more money than the minimum, then you should cut back by limiting your wants and just following your needs.

03 USE CASH TO PAY

Avoid using a credit card and use cash in place of it, particularly if you tend to make random purchases from your credit card and do not pay off your entire credit card bill on time. Your aim should be to throw away your debt, so that the amount of money that you use to pay off your debt can be used to build your nest egg.

04 START SAVING MONEY WHILE PAYING YOUR DEBT

When you start paying off each of your loan and credit card, you need to take that amount of money that you used to pay off your debt, which you have already paid now. Divide that money into two parts. Save one part of it and pay off your next debt from the other half.

Once you pay all your debts, save all of that money. Make sure that you have an emergency fund in your savings, which must be atleast 6 times the amount of all your monthly bills. Plus, you should also begin investing in your retirement fund from a part of your actual cash flow.

This is how you can convert your debt into wealth. If you follow these tips in a serious way, then you will be able to pay off all your debts, invest your money in a better way, and thus build your savings and transform your debt into wealth.

Making money by selling time vs. making money work for you

Plus, it is not even necessary that you will get that promotion, even after you devote a lot of time working to your best. Taxes also cut down your income and you are even unable to make an impact on the world by giving back to the community. Due to all these reasons you should not make money by selling your time. Instead, you should make money work for you. But, the question here is how you can stop trading your time for money and make money work for you. In order to do so, you just need to follow the below mentioned tips

Change your mindset

The first and foremost thing to do is to change your belief and mindset that you have to trade your time in order to earn money. This way you can open up your mind to a lot of possibilities. There is no rule that says you have to work for x hours in order to make x amount of money.

Therefore, you must consider trading value for money and not your time. For this, you need to identify your competency and strength. Find out

> MANY PEOPLE ARE CONFUSED ABOUT WHETHER THEY SHOULD MAKE MONEY BY SELLING THEIR TIME OR SHOULD THEY MAKE MONEY WORK FOR THEM. THE LATTER IS NONETHELESS TRUE. THIS IS BECAUSE YOU HAVE GOT ONLY LIMITED TIME AND YOU CANNOT INCREASE YOUR EARNINGS AFTER A CERTAIN LEVEL.

what assets, knowledge, connections, ideas, or skills you possess that people will value. Plus, you should contemplate the value you can make for other people and the way in which you can deliver it.

Increase your time's value

You must consider providing professional or freelancing services for your time in order to increase the value of your time. Rather than working with ten clients, who will pay you Rs. 200 for an hour, you should find two clients who will pay you Rs. 2,000.
The important thing here that you need to learn is that you should focus on a few things that can deliver a good number of results. This way you will work for a few hours for the same amount of income, which in turn will save your time and allow you to focus on other important things too.

Build your expertise and influence

Once you know the value and strengths that you can give to other people, you need to build your expertise around it. By developing your expertise, you can create larger value for yourself as well as others, since now you can solve problems that not many people can solve. However, it takes work and time to become renowned as a professional. This is why it is important to build your authority or influence. By building your authority around your proficiency, you can aid people discover your ability. Through this, people will hear about you and your expertise.
After all, if no one knows you, what's the use of your expertise? You can build your authority with the help of influencer associations, press and media, case studies, and testimonials. By developing expertise and authority, you can trade value for money, improve your time's value, and get lots of opportunities.

Through these three tips, you can make money work for you, instead of making money by trading your time. Make use of them and save your time.

Is investment in assured returns the right thing to do?

MANY PEOPLE GET LURED BY ASSURED RETURN SCHEMES THAT PROMISE A JUICY 12% "ASSURED" RETURN EVERY YEAR ON AN UPCOMING COMMERCIAL OR RESIDENTIAL PROJECT. YOU GET TO SEE THESE OFFERS EVERYWHERE, ON TELEVISION COMMERCIALS, PRINT ADVERTISEMENTS, AND BILLBOARDS

Today, when high inflation is diminishing the actual return on deposits and equity is unstable, the offer of getting a 12% return on an appreciating long-term asset such as real estate sounds so great that you cannot ignore it. However, the golden rule when investing your money in something is to inquire about a deal that looks unbelievable, since it is actually not true.

WORKING OF ASSURED RETURNS SCHEMES

Before we tell you whether investing in assured returns is right for you or not, let us elucidate how such schemes work. They begin when you purchase a property entirely, even if its construction is not completed and still has 2 or 3 years to go. You purchase the property either through a bank loan or your own finances. For instance, you pay a certain amount for a flat and during the period of construction you get certain amount per month which is part of the 12% per year. This money is given by the builder to you in the form of post-dated checks. When the construction of your flat is completed and you get its possession, you have two choices. One is that you can go on with the assured returns agreement or else you can choose to opt out of this project. However, the terms of the agreement can change, since the flat will be given on rent to a tenant and the builder will share the rental fee with you.

Moreover, there is no confined time period for the assured returns agreement. It is generally for the subsequent 2, 3, 5, or even 10 years after you get the ownership of the flat. This sounds all too good. However, let us see at some of the questions that you must ask yourself before signing an assured returns agreement.

FROM WHERE THE DEVELOPER PAYS THE 12% RETURN?

Due to the excess supply, some developers are seen as less creditworthy by private equity (PE) and banks that conventionally finance the business. This, in turn, forces the developers to opt for other funding choices, such as getting bank funding through the buyer, which is you, since the buyer can get the loan at lower rates through you. This step is taken in order to raise cheap money from buyers and investors. If the developer seeks a bank loan, then they would get it at a much high price, which is usually 14% to 15%, which means that they are getting cheap financing at 10% to 12% in the form of assured returns schemes.

WILL YOUR POST-DATED CHECKS SURELY GET CREDITED?

Assured return schemes are non-secure schemes that come with high risk. This means that even if the developer has a lot of credibility in the market, they will not hesitate even once to not pay the returns to the buyer during a financial trouble.

WHAT SHOULD YOU DO?

Now, the big question is what you should do, should you go for it or not? We advise you to steer clear of such assured return offers. Even if you consider it, you must get some legal help and have a lot of capital. Make sure that you get the agreement scrutinized by a legal expert before you enter it, so that you can minimize risks in your investment.

IS IT OKAY TO SELL YOUR HOME TO PAY OFF YOUR DEBTS?

What do you do to pay back your debts? How do you repay the money you have borrowed at different times for your various needs?

1.

One way is to work harder and earn more – this could mean taking on another job, or working longer hours in jobs that pay overtime wages.

2.

Another way is to spend less – on food, on travel, on clothes, on holidays and other things that are not essential.

3.

A third way is to sell things that you own which you can do without.

If your debt situation is very bad, you may even have to sell things that you need, like your car, your jewellery, furniture, air-conditioners, music-system and other household items.

WHAT ABOUT YOUR HOUSE?

Do you include that in the things that have to be sold to clear your debts? A home has a lot of emotional value for the owner. It is not very easy to sell something that you are so attached to. If you have the means to pay off your EMIs and other loans by just cutting down on expenses in a few areas, then hold on to your house – do not sell it. Find other sources of income if need be.

Though not always the best option, selling your home to make repayments on your debt makes sense in maybe two scenarios.

Scenario 1
IF THE EMI IS VERY HIGH

If the EMI's on your house-loan are very high, then you will have very little money left to pay off your other loans. Ideally your EMI on the house should not be more than 25% of your take home pay. If it is higher, then you will be left with insufficient funds to manage your monthly expenses and also pay back your other loans visa car loan, education loan, etc. In such a situation it is probably better to sell your house and use the proceeds to pay back your other loans or at least a large part of these loans. That will reduce your debt burden considerably. With what is left after paying back your loans, you can either make a down-payment on a smaller or less expensive house or you can rent a place to stay and save up to buy a house later.

What happens is that instead of taking years and years to clear off your debts, you can pay back your loans in a shorter period of time and then think of investing in real estate all over again.

Scenario 2:
IF YOU ARE THINKING OF SHIFTING

Suppose you are shifting base and going to another town/country, then you may consider renting out your house or selling it. Either way you will get funds in your hands. If your monthly rental is sufficient for your EMIs and other loans and for house-tax and maintenance, then do not sell. If not, then take a look at the value of your property and do a little calculation.
Deduct selling costs (broker fees, tax, interest admin charges etc.) from the market value of your house to get the amount you have in hand. If this is greater than your debts, then sell your house and use the money to pay off your loans. Keep aside some money for emergency and invest the rest in property such that you can afford the EMI's. Each individual's case is different so do these calculations before you take the final step of selling your home.

Someone can get rich without taking money away from others

Getting rich isn't surely an easy affair, but it isn't rocket science either. Also, for becoming wealthy, you don't have to sweep off money from others. Just open up your thoughtful mind a bit, and you will find ways that can help you achieve and maximize wealth in no time. Create and execute new business ideas that can lighten up your path in becoming wealthy and assist you in meeting your 'wealth building' goals faster. Following points will give you an insight on how to deal with such situations on wealth management.

New business opportunities open new gateways for others

Wealth may not stay long with you, but building new business opportunities to maximize your existing money will keep your boat sailing till infinity. By doing so, you will not only open a wide array of possibilities for others to work upon for gaining monetary benefits, but also leverage their hopes to become Richie rich. Thus, more you play with your wisdom in making money; fancier will be your world of wealth.

Betrayal Vs Trust

Here are some facts that will enlighten you on why it is important to retain trust amongst those who have sailed obstacles with you for transforming your poor status to a rich one?

Trust and good will go hand in hand. It is one of the important things that need to be attained no matter how and what your circumstances are in the wealth game play. You surely needn't make somebody poor to do so. All you need to do is support and give recognition to those who work with and for you. Your associates play a pivotal role in gaining wealth for your business model, and thus, it becomes your prime responsibility not to let go their trust ever.

Fortify your wealth

To become rich, you must not focus on the only possible money inflow methods. Single monetary inflows only build more liabilities that can hamper your future financial plans. Instead, invest your money in a way that can earn you steady streams of income irrespective of the income coming from the prime source that is your existing business or place of work, etc. For example, invest money coming from rentals to other businesses and see it grow in no time.

Another step to fortify wealth and become rich without making the other poor is to seek freedom and not convenience. The wealthy people do not seek comfort in the money they've earned till now; they seek abundance. Thus, they work out ways in such a manner that money no longer makes them dependent on it. Nonetheless, the art of becoming rich is simple provided you change your attitude as being an opportunist. Whether, creating opportunities or taking them the most important thing is to put all the actions in an independent environment to enjoy wealth in abundance.

"Don't Gain the World & Lose Your Soul,
Wisdom Is Better as Silver or Gold."
-Bob Marley-

Stop trading time for money and start trading VALUE FOR MONEY

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While growing up, we all were lied to. We were told the misconception that if we follow the conventional career path that requires us to work 50 hours per week, then we can get a stable salary. In other words, if we get to office early, stay till late, and even come to office on weekends, then maybe our salary will increase one day.

Plus, if we work for long hours, we would be able to save a sufficient amount of money and retire at the right age. However, you must know that all this is a fallacy. Who said that we need to trade our time to earn money? In fact, it is one of the biggest hoaxes of society.

Why you should stop trading time for money?

Time is really important and no money can replace our time. If you believe that by trading your time for money, you can lead a happy life, then let me tell you that you are wrong. Have a look at some of the reasons as to why trading your time for money is not good.

1.

You have limited time

If you trade time for money, your earning will constantly be limited. This is because each day has only 24 hours that you can devote to pursue money. And, in these 24 hours, you need 2 hours to travel to and from work, 8 hours to sleep, and 4 hours in total to eat, cook, relax, tend to hygiene, and spend time with family and friends. This means that you are left with only 10 to 12 hours to trade for money and that is it.

> **Spend your time wisely by dividing it equally between your work and personal life.**

2.

Promotion is not necessary

And, even when you devote a lot of time working, it is not necessary that you will get that promotion at all. Maybe someone is more deserving of that promotion. This means that you will wait for years to obtain that job promotion and at the end you may not even get it.

3.

You will pay more taxes

When your income increases, you have to pay more taxes on it, which limits your income. This means that the more money you make, the more you will lose it in the form of taxes.

4.

No fun time or contribution to the society

When you constantly trade your time for money throughout your life, you get limited time to pursue the things that you love to do, such as a hobby or giving back to the society. This means that you will not be able to contribute your share to the world.

How to trade value for money?

With all these reasons, you can know that it is high time that you stop trading your time for money. Instead, you should get onto a sustainable path in order to spot trading your time for money. Some of the things that you can do to trade value for money are:

- Change your mindset that you need to trade your time to make money
- Become an expert in your field
- Build your authority around your expertise, so that people can discover your proficiency.

These are some of the ways through which you can trade value for money.

Not having liability is a great asset

Piling on liabilities on yourself is an added stress and not an asset. Still, you create more liabilities unreasonably rather than investing in assets. Why? Maybe, your inability to differentiate between liabilities and assets keeps you away from gaining wealth. Those who excel in this art carry the tag of being wealthy, those who don't struggle with them as liabilities.

Following facts will give you a gist of things that will help you understand why investing money in liabilities isn't wise and how to differentiate between each of it.

An Insight – Liabilities and assets

Let's take up a simple example of a house you've purchased and stocks you've invested in enact as assets and liabilities.

If you have bought a flat as an investment and just kept it just like that, do you think this is your asset? Think again! Anything that demands maintenance and cash outflow is a liability. You might have given a lot of thought for this and invested a lot of money, but it is a sitting duck and not giving any returns. But, if you had put it on rent and the rentals were coming from that property, it becomes an asset as there is a cash inflow from a source you've invested.

Another example of assets is the investments done in stocks. The stock market fluctuates according to market trends. If the market shows positive results, it will reap monetary benefits to you and build your assets in no time. But, it can also act in reverse direction, which can be termed as liabilities.

Hence, it is you who needs to have an eye on your actions to stop piling upon liabilities.

Being observant is wise

There are times when you miss on a lucrative asset building opportunity just because you lost an important link associated with it; or probably you weren't as observant as you should have been. For example, losing your old business partners or for that matter, even employees sometimes, act as liabilities and all the wise people who are wealthy don't work on such principals and thus, stay away from being liable for anything that can minimize their money.

Hence, every opportunity coming your way might not be an asset and vice-a-versa. The only trick to keeping up your spirits high and play safe is to stay focused and let your materialistic desires rest aside to enjoy your wealth pot to the brim always.

Pile up assets, not liabilities

Free yourself from debts that have been going on for a long period. Doing so, will not only free your mind from it completely, you will be able to focus on other financial aspects related to asset building in a better manner.

> **PICTURE THIS – TAKING A LOAN JUST TO BUY A YACHT TO GIFT YOUR WIFE AND MAKE HER HAPPY, WHILE YOU SLEEP RESTLESSLY ON REPAYMENTS OF YET ANOTHER LOAN. DO YOU THINK THIS IS HAPPINESS? IS THAT YACHT AN ASSET FOR YOU?**

> The rich and the wealthy never plan their wealth maximization by single cash inflows, and debts don't have any space in their money making strategies. Instead, they make investments at places that can generate positive and 100% cash inflows. So, start building your assets today with a clear vision and a rational mind to enjoy strong financial holdings in future.

Banks will never make you rich

Although banks are seen as a means to increase your savings and get rich, they can actually never make you rich. Yes, it is so true! If you too think that by putting your money in a fixed deposit at a bank can make you rich overtime, then you are wrong.

First, let me tell you what fixed deposits offer you. Fixed deposit accounts offer fixed interest rates till the account matures. Some banks offer interest rates of over 9% on one to two years of fixed deposits. People put money in fixed deposits because they get higher returns, as these accounts compound money on a quarterly basis.

However, the yields that you receive when your fixed deposit account matures are not as higher as you deem they would be. Factors like tax and inflation may cut down the yields as your fixed deposit account matures after a specific time period. So, let us see at some of the reasons as to why fixed deposit returns are not that much high as you think them to be.

High inflation rate

The inflation rate is higher than the interest rates offered by banks on their fixed deposit accounts. This is why you do not get as much returns on your fixed deposits as you think. The consumer price inflation rate on an average basis in India is nearly 9.76%.
This shows that all your returns are cut by inflation, since fixed deposit interest rates are not equal to the inflation rates. The actual amount that you get after inflation is called the 'real rate of return,' as the value of money changes after one year. Let me explain this through an example.
For instance, Rs. 100 today will be reduced to Rs. 90 next year with a 10% inflation rate. So, if the inflation today is at 9.76% and the bank offers a 9% rate of interest on fixed deposits, then the real rate of return that you get after inflation is negative with a loss of 0.76%.

And, this is what you get even without taking tax liability into consideration. This means that you have not generated any money through bank, but in fact eroded your money by putting it in a fixed deposit account. Due to this, a fixed deposit account at the bank cannot make you wealthy, till you have inflation less than 2% like in America.

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And, even if it gets lower, then also the RBI will reduce the rate of interest and put it at 2%, which means that you can never make money through banks. This is why people invest in other financial assets, such as shares, gold, and real estate.

Taxes

Other than the high inflation rate, there are taxes on bank interest rates, which further reduce your yields from banks. TDS or Tax Deducted at Source is a tax that is applied on interest that you earn from a fixed deposit account. Higher your earnings will be the lower returns you will receive, since then you will have to pay higher taxes.

Thus, banks never make you rich. And although a fixed deposit account aids you to build a lump sum amount of money over time, it does not make you rich. The key is to invest in other assets too along with a fixed deposit.

FORGIVE YOURSELF FOR YOUR FINANCIAL MISTAKES

TO ERR IS HUMAN. WHAT YOU LEARN FROM YOUR MISTAKES DEFINES YOUR SUCCESS OR FAILURE IN LIFE. AND THIS HOLDS TRUE IN THE FINANCIAL MISTAKES YOU MAKE TOO. BECOMING RICH IS NOT ALWAYS A BED OF ROSES; YOU HAVE TO DEAL WITH THE THORNS TO ENJOY THE ROSES.

Making grave financial mistakes can easily push you towards deep depression. Bounced checks, piling up dues and emergency expenses can take their toll on you. So, how do you deal with the financial mistakes in your life? Can you forgive and move past the mistakes? Here are some considerations that will help guide you.

The positive approach

One way to face the financial mistakes glaring at you is to gear up for the fall in advance. When you know what to expect you will not be overwhelmed, when things start going wrong. Here is what you can do:

Brush up your financial knowledge

When you are more informed about financial details, you will be able to deal with the financial difficulties effectively. Read books, magazines, blogs and newspapers on finance. Get advice from peers who have good financial control.

Learn from mistakes of others

Find out how people deal with common financial emergencies. With this knowledge, you can reduce the stress levels and deal fittingly, when issues arise and knowing that others have faced similar issues and found a way out.

Learn to save for emergencies

Knowledge alone is not sufficient. You need to have emergency money stashed away to be used when needed. A cash cushion will make a financial fall seem not that disastrous. Money in savings account and ensuring sufficient insurance cover are adequate measures for starters.

Minimize damage wrought by financial mistakes

Even the best preparations bite the dust when emergencies strike. So, don't be discouraged when in spite of having a proactive approach, you find yourself still in financial ruin. A positive mindset helps to undo the damage to your emotional and financial health.

HERE ARE SOME THINGS THAT YOU CAN DO:

Avoid panic

A big setback can test your stress levels dangerously. Instead of freaking out, relax and ruminate on the issue. When you give yourself some time, you are sure to get a positive outlook on the issue.

Try to reverse the damage

Some financial mistakes can be reversed such as

- Overspending on clothes or appliances, for instance, can be dealt with by returning or reselling them.
- And some mistakes need urgent attention like a debt on your credit card, which is more pressing matter than contributing to your retirement fund.
- For loan defaults, try to make regular payments or payback the money you had borrowed from a friend or relative. If repayment is difficult take on part time work. It may look an uphill task but with time and effort you can certainly heal your financial wounds.

Only when you have no debts dragging you down can you make long term positive financial plans. Try making a clean break from your damaging money habits.

Don't make things worse

Money spent will not come back. Splurging on luxury pursuits cannot be reversed. So, instead of spending more to lessen the guilt, try to curb your spending spree. Break away from destructive money spending. Treat failure as the stepping stone to success. Accept your failures, make peace with your past mistakes and focus on future.

You can adopt, if not **afford the rich** man's ways

MONEY MATTERS. AND IT MATTERS TO EVERY PERSON WORKING HARD TO EARN IT. WHETHER IT IS A MULTI-MILLION DOLLAR RICH BUSINESSMAN OR A MANAGER IN THE CORPORATE FIRM, THEY ALL DREAM OF MULTIPLYING THEIR WEALTH EACH DAY. THE RICH STILL HAVE THEIR WAY WHEN IT COMES TO GETTING WEALTHIER; IT'S THE LESS AFFLUENT WHO STRUGGLE TO MAKE IT BIG

So, if you are aiming for the lifestyle of the rich and the super rich, don't get hassled by the investment market. If you can't afford the rich man's ways now, you can definitely adopt their ways. All you require is perseverance, the right knowledge and good advisors on board. Though the rich do their homework well, they do have financial advisors who advise them to take the right investment decisions. You may definitely hire financial advisors for a thorough guidance to a successful investment strategy.

Investors also follow a rational approach to keep up their businesses moving in a smooth manner. What reasonable approach do they look for, then?

Risk avoidance made simple in few easy steps

1. Construct a Strong Financial Portfolio

Seek advisors' help to lay out a suitable investment plan for your business model, keeping your financial agenda and goals in mind. The entire process involves a bucket full of mathematical calculations that would include profits and returns on your invested money for future purposes.

On the other hand, for businesses that are already in the investment pool and wish to enjoy more monetary gains on their investments, it is time for them to get their investment plans revised to stay up-to-date with their competitors. Consult a financial advisor who would direct you in the right direction and get the ball rolling.

2. Balance your Risks and Returns Well

As risks and returns come handy with any type of investment plans, go with their flow to enjoy maximum thrust to your businesses. Your advisors will not only help in scraping out the best possible investment solutions for your risks and returns well but will also help you achieve a benchmark level that will finally find you a successful financial behavior.

The first step in managing your risks well is to accept them. For example, in the health industry, the cost of developing a new drug at the price of the already existing version of it is already calculated well before its sale in the market. It means, the sale of the new product does not hamper the potential of the revenue generated from the sale of the existing one to market, and thus, the risk is accepted as a positive aspect in their business models.

3. Take No Short-Cuts to Gain Profits

If you think you can achieve your financial goals through short-cuts, then, let us break that myth as there are none. However, the way to climb the rich man's ladder is to follow their footsteps and also find a good and a steady financial advisor, who may guide you through the difficult path of the entire financial pyramid.

WHEN YOU BUY WITHOUT A PLAN, EMOTIONS DICTATE YOUR SPENDING

MOST OF THE PEOPLE OUT THERE ARE AFFECTED BY AN ILLNESS RELATED TO SPENDING MONEY. YES, THEY ARE PRONE TO IMPULSE SPENDING. THIS MEANS THAT THEY LET THEIR EMOTIONS RULE THEIR PURCHASES AND LATER ON THEY REGRET DOING SO.

The main reason why this happens is because such people do not have a budget plan for their monthly expenses. They just spend without thinking. As a result, they get unnecessary things and are unable to save any money for their future. You too can be one of these people, who make spontaneous purchases that are overcome by rational thought. According to a recent survey conducted by CreditCards.com, 5 out of 6 people confess that they have made spur of the moment purchases. Such people cannot resist the urge to purchase anything on which they see a huge discount or a pretty outfit from which they cannot take their eyes off. However, now you can stop such unplanned purchases with some of our tips listed below.

1.

HAVE A SHOPPING PLAN

Before you leave your house, you must determine the things that you want to purchase. This will keep you grounded. According to a survey, 79% of people get into impulse spending in a physical store location.

This is why it is important that you should have a shopping plan before you leave your place. And, this is more important, if you have kids. You can include anything in your shopping list, such as festival gifts, grocery items, etc. You just need to know what you will buy before you go out.

2.

TAKE ADEQUATE CASH

Just take only the amount of cash that you need for the items that you are going to buy. If you cannot control yourself, you can also leave your debit card and credit card at home in order to avoid the temptation to purchase more with plastic. Credit cards do not cause the guilt of spending extra money.

So, if you keep them at home, you will not buy anything unnecessary. Plus, if you take only sufficient amount of money according to your shopping plan, you will not make an unplanned purchase, which also indicates how cash can be really powerful.

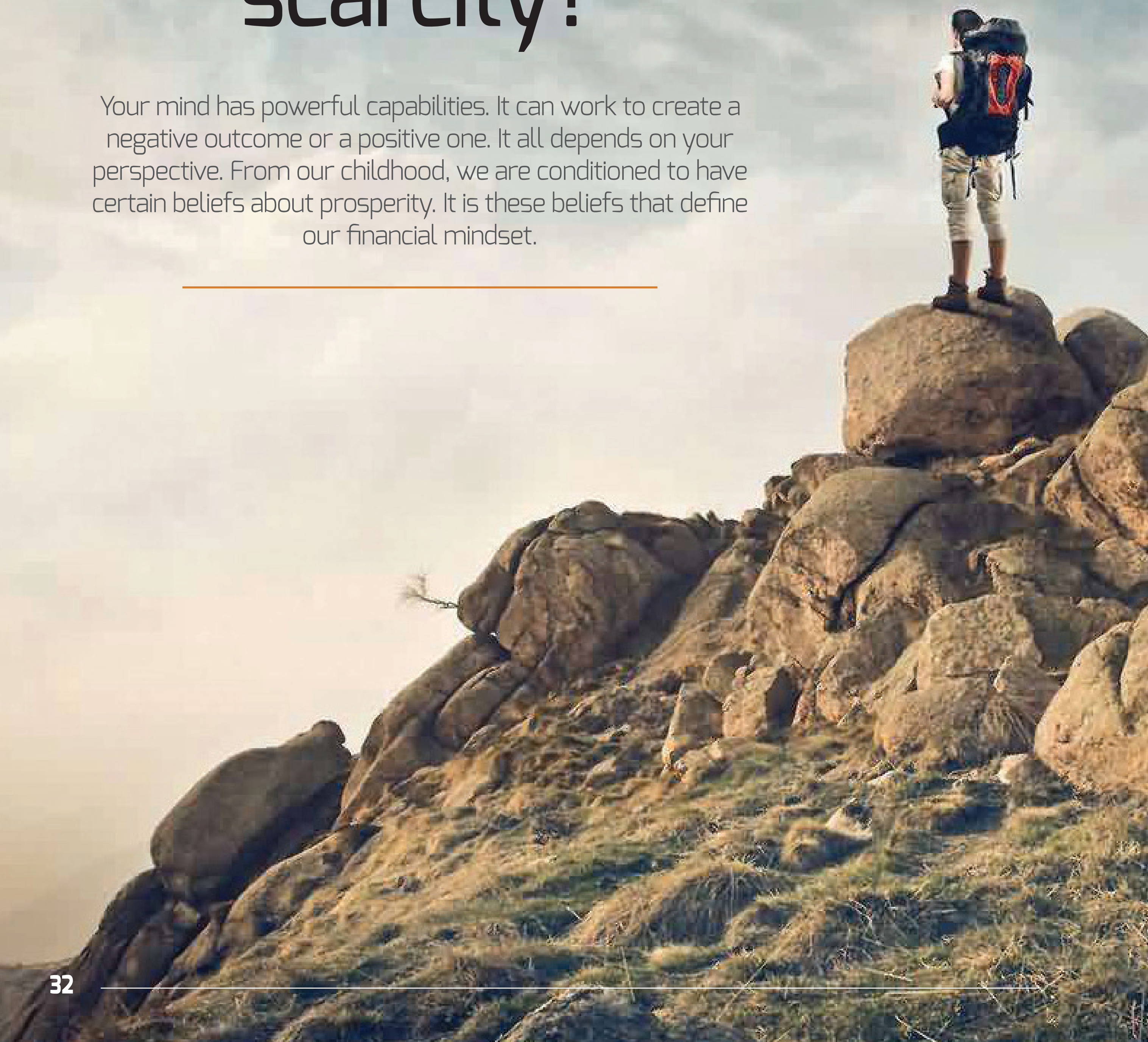
3.

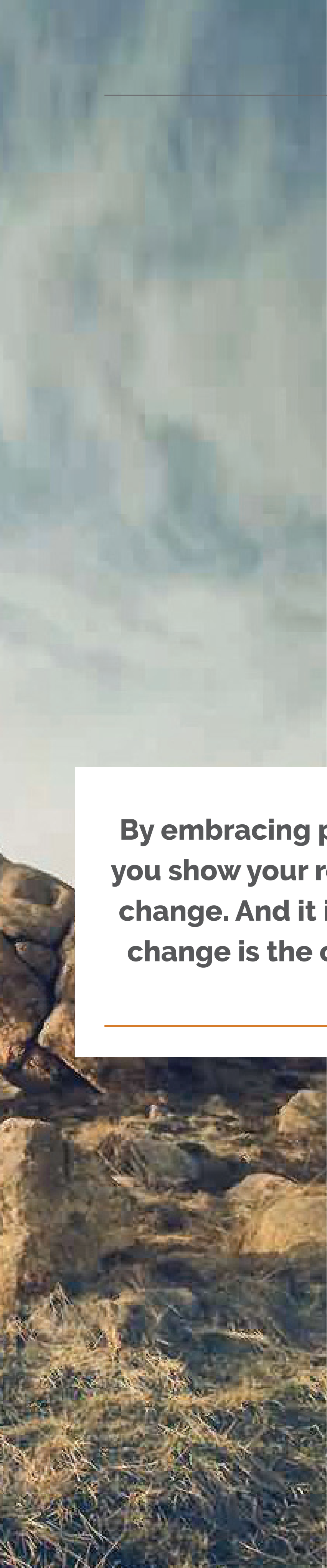
DELAY OVERNIGHT

When you put your decision of buying something on hold for a night, you put some time between the transaction and your emotions. You must give yourself atleast one day to compose yourself, when you face an unplanned spending chance.When you cool down, you can get a fresh viewpoint of the purchase. At that time, you must ask yourself whether the service or item will actually be useful to you and whether you can pay in cash for it. This way you will know whether the purchase is really important or not.If you do not feel a deal to be useful after 24 hours, then you are better off without buying it. Do not buy anything in rush. And, if you do not have money for it at present, you can always buy it later on, when any nice offer comes and you have money.These tricks will help you avoid the temptation to spend on an impulse. By following these tips, you can buy peace of mind, which is priceless and you will never regret.

Is your financial mindset about prosperity—or scarcity?

Your mind has powerful capabilities. It can work to create a negative outcome or a positive one. It all depends on your perspective. From our childhood, we are conditioned to have certain beliefs about prosperity. It is these beliefs that define our financial mindset.





To achieve financial success, you need to look into those beliefs and alter them, so they are more about prosperity and not the lack of it.

And when your mindset is about prosperity, it not only guides you towards financial freedom but also helps you succeed in your personal and professional life. In the journey of life, you are always given two choices – To have positive and prosperous thoughts or abide by the lack or scarcity mindset.

> **By embracing prosperity mindset, you show your readiness to accept change. And it is a sound fact that change is the only constant thing in our lives.**

POVERTY AS A MINDSET

Poverty is not just lack of money. It attracts all things negative with it like fear, discontent and distress. To move your focus to a world of generosity, joy, creativity, success and enriching experience, you need to embrace the prosperity mindset.

HOW TO EMBRACE PROSPERITY MINDSET

Believe in self power

Knowing your true identity is important to gaining prosperity mindset. Most often we are misguided by false ideas on material wealth and statues. While you feel positive and powerful about what you possess and what you do, when your wealth is taken away, you feel ruined.

On the other hand, the power within you will retain the confidence and faith in your abilities no matter what ills befall you.

Money is never a solution. To have real success in your financial and personal life, you need to hold onto the power within you and not depend on the outside forces, which you have no control over.

Be grateful

When you learn to be grateful for the things you have, you will not have the time to compare with what others possess. With a prosperity mindset, you can be free of the ingrained (and negative) beliefs on lack of resources and limitations.

Be proactive

To start developing a financial mindset on prosperity, you should stop feeling helpless and take a proactive approach to your life instead of reacting to the circumstances, which is what a mindset focused on lack would do. When you hold on to your future goals and remain undeterred, no matter how difficult life is you will succeed in achieving true prosperity.

LEARNING IS AN ONGOING PROCESS

To evolve into better individuals, it is important that we continue to crave for knowledge, progress and expansion. When you learn, develop new talents and seek growth, you are on the path to prosperity. A mindset glued to lack on the other hand is set in its beliefs and knowledge leading to stunted growth.

By embracing prosperity mindset, you show your readiness to accept change. And it is a sound fact that change is the only constant thing in our lives. Positive outcomes result when change occurs in individuals with the appropriate mindset, in spite of being riddled with hardships and challenges.

When you think of purchasing a costly item instead of dwelling on how you cannot buy it, you can take on prosperity mindset by assuring yourself that you will purchase it soon. When you gain control over money and not let it control you, your financial mindset will be all about prosperity and never about lack.

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