M4MONEY

JOURNEY TOWARDS FINANCIAL BLISS

Everyone earns and spends money.

Most of us save a part of it and invest it depending on one's understanding of the available saving options.

Does everyone invest his/her savings wisely?

Unfortunately the answer is **NO**.

Why is it so?

Simply put, Investors need to know basic finance before they start investing.

And most of the investors do not have the time or inclination to learn finance.

To a common man, finance is boring and numbers are confusing.

Not everyone is interested in financial calculations, magical compounding, complex interest rates, or the jargon in product documents. Finance is as complex as any other technical subject could be.

There is no need for a common investor to understand these financial intricacies.

What is needed to know is the basic understanding of investments, in simple clear terms, before taking simple investment decisions.

Unfortunately, there is dearth of simply understandable financial literacy avenues in the market. Even the most reputed, established and capable financial intermediaries (Banks, Insurance Companies, Mutual Funds, Brokers, etc.) indulge into jargon pedalling when it comes to financial literacy. Most of these financial market players hawk their financial literacy efforts, more to gain on their social responsibility image and to look positive. Their financial literacy exercise lack the desired focus on the basics, before the jargon filled literature that are full of numbers, charts and tables.

Investors need simple products and easy rules to decide. The proof is amply demonstrated that a vast majority of investors still prefer Bank deposits.

Why?

Bank deposits are simplest among various products available to investors. Bank deposits are easy to understand, considered safe and dependable, whenever needed. These are preferred by large numbers, disregarding even the lower rate of return.

As one graduates from Bank to other financial markets, the scenario changes drastically. Whether it is Insurance or Mutual Funds, products varies vastly in range, product features, objectives, risk and return, service standards, etc. Most of these players are basically focused on volumes and sales oriented, driven by their fee based models. Mis-selling by Insurance brokers/agents and Mutual Fund distributors is rampant. **While higher 'returns' are projected very enthusiastically, return of the principal itself is shrouded.**

It is where the knowledge of investment basics becomes substantially importance. Investor need to choose a product, if he/she can understand the product's features and parameters, comparatively among other options. Most of the investors fail to grasp this because they are unable to separate the basic fundamentals in finance from the complexities. Financial literacy ought to begin with the basics to facilitate understanding the differentiation of one market/product to another.

There is marked reluctance on the part of common investors also to go out and acquire even the most basic financial literacy. It primarily comes from one's past where investment decisions were taken based on own or family experience in managing finance. Knowledge of finance available within the family in those times and/or that level could have proved right. However, it needs to be updated and upgraded to fully exploit the potential offered by varied options with multiple complex products available now.

Whatever profession or business, we finally choose for ourselves, the essential part of earning and saving remains common to all vocations**.**

How well are we equipped to do it will determine how well we are placed at the time of our retirement. At the end of the day, money matters a lot.

Is it not ironical that while elementary knowledge of all academic subjects is considered essential to learn for a child, basic knowledge of a practical subject having life long utility i.e. finance is not part of our school education?

Financial Literacy is all about understanding
how the money works and how to manage it