Contents

Who Says Money Doesn't Grow on Trees?

Foreword

Imagine, you wake up in the morning and walk to the massive tree standing in your backyard. You stretch your hand up to the low-hanging branches and … pluck a bundle of crisp currency notes!

Just picture a self-replenishing money-bearing tree that allows you to pluck as much money as you want for your expenses, and in due course of time, it grows back on the tree!

Consider having a tree that bears money, in all denominations, throughout the year. All your financial problems would vanish, wouldn't they? Your parents will not have to slog long hours at work, and you would always have plenty of funds to fulfil any dream that you cherished.

Think about a future where you don't have to take a gruelling, uninteresting job, just to meet your monthly expenses! Imagine a golden future where your decisions are not governed by the lack of money. Think of a life where there is no financial struggle, and you live free and happy!

Well, cynics would say that this could happen only in a fairy tale, but let me tell you this today, the money-bearing tree is real. And you can have one in your backyard, too!

With this book, I will take you through various steps and concepts to teach you how to plant your money plant, and nurture it with persistence, discipline and time, till it grows into a blossoming, self-replenishing tree. Come, let's begin with my story first.

MY Journey to the Riches

Growing rich was never so easy!

Who doesn't want to be rich? Those who say they don't want to be rich are either lying or already wealthy.

Like many young, ambitious professionals, I also harboured a dream of excelling in my profession and creating substantial wealth for my family and myself.

After completing my education from the esteemed Goa Dental College & Hospital, I started my dental practice in the year 1991. Soon, I found myself working hard to give happy smiles to my patients. My zeal towards my profession and the affection of my peers saw me rising to the coveted post of the President of the Indian Dental Association (Goa State) in the year 1996.

I distinctly remember the installation ceremony at Cidade de Goa, not just because I was taking up a highly responsible role at the IDA, but also because of the inspiring speech *'How to Grow Rich'* delivered by Ganesh Daivajna (Goa's leading Chartered Accountant) at the event.

Always keen on creating wealth, I imbibed many insights from his speech on attaining financial freedom. The best advice that stayed with me, however, was that one should not rely solely on a single source of income. You must have at least two cakes so that you may not only meet your financial obligations effectively, but also set aside some earnings for wealth creation.

Quest for Wealth Creation

“The first requisite for making a lot of money is to have a strong WILL to make a lot of money.”

Powered by the idea of having more than just one source of income, I committed myself to my practice with renewed zeal and aggression. Soon, I seized the opportunity to open another clinic at Navelim in the year 1998. Within two years, I was able to clear all loans borrowed for the new clinic. I had my two ‘cakes,’ both running profitably.

“So, what's next?” I asked myself. The answer was yet another clinic in Margao, which was inaugurated in the year 2002. Now, I had three *‘cakes’* instead of one!

A few years down the line, owing to my association with colleagues and officials at the IDA Head Office, I received an offer to start a dental lab, which I accepted.

So, in the year 2006, we opened a dental lab at Navelim where we moulded crowns and bridges for our patients. By now, my practice was roaring, and I had four proverbial cakes instead of the suggested two. I was generating income from four initiatives. To expand my dentistry footprint further, I was all set to open my fourth clinic in Betalbatim, in the year 2008.

However, before I could commit to the fifth cake, I came across the revolutionary book *“Rich Dad, Poor Dad”* written by the American author and investor, Robert Kiyosaki, that led to the greatest learning of my life.

The Greatest Learning of My Life

Reading the book made me realise how wrong I was in interpreting the meaning of building more than one source of income. The author, Robert Kiyosaki, has clearly classified three ways of earning money in the book.

One, you work for money; the second, you earn from your assets and the third, your portfolio (securities) earns money for you.

Analysing my four cakes under this light, I found that all of them fell in the same category - working for money! Although I was running four successful establishments, they couldn't work without me slogging, day in and day out.

It was true, in order to keep all the three clinics and the lab running, I had to personally drive things around, continually engage with my clients and suppliers. Even if I took a day off out of my schedule, I risked losing my patients to competition.

I also realised that I had zero passive income and zero portfolio income. All of my four cakes fell in the same category, and I was running after money at the cost of my health, family life and leisure.

Eager to undo the damage done by the lost time and to get back on the track to my financial goals, I evaluated the other two options.

The first being your assets earning for you – an interesting concept but building assets requires huge investments. For example, while real estate is really expensive to buy, the returns are often meagre and not even guaranteed.

This left me with the final way of earning money - “Let the money work for you.”

The stock market caught my fancy and I diverted all my energies and resources towards a portfolio driven income. So, in the year 2008, instead of going for another clinic, I started investing in equities and mutual funds systematically and at an incremental rate. Starting from INR 8,000 a month, I gradually increased my monthly investments to INR 25,000.

In a matter of five years, I created a portfolio of INR 10 lakhs. I was lucky to enter the market when it was at a low point but had been wise enough to stay invested for over 12 years, in spite of various market fluctuations. Of course, it was not possible without proper guidance and a thorough study of stocks, corporates and markets. Even today, the portfolio is growing at an average of 18% per annum – all on its own!

Left on autopilot, my portfolio crossed the INR 1 crore mark before I turned 50. But do you know what is the most fascinating thing? Now that my portfolio is significantly large, it grows at a phenomenal rate and is expected to touch INR 10 crore in the next five years, by the time I turn 55 years old! Even if I choose to retire now, my portfolio will keep increasing by INR 1.5 lakh each month, that too, tax-free! A handsome pension, I must say!

From a daily wage earner, I traversed to become a passive income earner – and that sums up my story to riches.

On this journey, I not only gained immense knowledge of financial products, but I was also able to dispense sound advice to fellow Goans, with an aim to turn around their lives from being daily wage earners to passive income earners. Guiding young and seasoned investors through “Young Achievers Club” with investors between 18 to 27 years of age and “Millionaire Club” with investors between 28 to 35 years of age, I have a dream of creating 100 crorepatis (or millionaires) in Margao, Goa by the year 2020; and each day, I am inching towards my goal.

Nave Marg Foundation

“Earning more and more money sounds fascinating, but what to do with much more money than one could spend, where does it end?” some of you might be thinking.

Well, when you have more than you need, you share your fortune with the less fortunate ones. If you look at some of the richest people in the world, for instance, Bill Gates, Warren Buffet and others like them, they have created self-replenishing, ever-growing wealth, and they generously help the world by giving significant charities to various causes around the world.

***"Rich is not how much you have,
Rich is how much you give."***

Inspired by the idea of giving back to society, I set up the Nave Marg Foundation, a charitable trust that donates funds towards social causes. Aligned to the idea behind nation-wide 'Swachh Bharat' mission, Nave Marg Foundation is actively engaged in the maintenance and improvement of school toilets. The Foundation is fully funded by my firm, Nave Marg Financial Consultants.

Drawing from my dream to create 1000 crorepatis (people with a portfolio of INR 10 million), the Foundation aims to spend over a crore annually towards social causes by the year 2020. Today, when I look back, I realise that the road to being rich is not a selfish one. It is through this incredible journey that I was able to achieve financial freedom and create wealth, which enables me to undertake social causes and give back to society.

Well, this was my brief story.

But before we venture further on the topic of attaining financial freedom, let's understand why do we need it in the first place?

Financial Independence

Financial independence is a state where your key decisions in life are not dependent on the availability of money. So, suppose that you play the guitar very well and want to become a professional musician later in life. When you share this dream with your teachers or parents, they do encourage you, but also point out that you may not earn enough to live a comfortable life as a musician. Their doubts are genuine. You may become a terrific guitarist, but fail to collaborate with leading bands or may not find enough gigs to pay for your expenses.

Would you like these doubts, however probable they may be, to be an obstacle in achieving your dream? Now, consider that whatever profession you choose, you are not dependent on it to pay your bills! A parallel income that takes care of your expenses while you do what you are truly passionate about. That would be wonderful, isn't it?

Football lovers, budding magicians and aspiring actors – you all have the chance to be financially independent and pursue your dreams without being a liability to your families.

Now that you know why financial independence is so important in life, let's continue to read how to attain it. But first, let's understand what do we mean by the terms 'Investments' and 'mutual funds' and 'asset class', used frequently throughout the book.

What are Investments?

When you pay money to meet an expense, you are spending. When you pay money to acquire an asset with the aim of earning monetary returns or appreciation in value, you are investing. And when you put aside some money for the rainy days, you are saving.

So, when you buy pizza for dinner, you are spending money, but when you buy the share of a large pizza chain, you are investing. In the former, you get instant gratification for your money's worth. In the latter, you are prepared to wait for a period of time to sell the share for a higher price.

Wealth can only be generated through investments. If you *spend* all of your earning, you will not be able to accumulate any wealth. However, if you *invest* a portion of your earning, you will be able to create wealth over a period of time.

You must have heard about the traditional forms of investments such as fixed deposits in the bank, Provident Fund account, buying of gold and real estate property, these are various types of investments, also called asset classes. There is another kind of investment, or asset class, that not many people are aware of, or are misinformed about - investments in the stock/share market.

What are stocks or shares, and how can one invest in them?

As the name suggests, a share of a company is a unit of ownership in the company. Many large companies offer their shares (or a part of ownership) to the public.

For instance, Reliance Industries Limited is a large Indian corporate, and its shares are available on the stock exchanges to be bought by the general public. Say, you purchased 100 Reliance shares in 2009. As the company keeps growing, earning profits each year, expanding its operations and adding new businesses, it creates real value in terms of money, which is reflected in the company's share price. In March 2009, the company's share was priced less than INR 500, but in March 2019, the shares are traded at over INR 1350 – a growth of 170% in ten years.

In other words, your investment of INR 50,000 in 2009 would be around INR 1,35,000 in 2019!

There are two ways of buying the stock of a company; directly through stock exchanges or through mutual funds.

Since we will be showing the significant role of mutual fund investments in creating wealth at a much faster rate, let's get ourselves acquainted with the concept of **mutual funds**.

What are mutual funds?

As the name suggests, a mutual fund is a pool of money – the money coming from small investors who don't want to take a lot of risk with their money – used for buying shares of various profit-earning companies across sectors such as banking, oil & gas, metal, IT and many more. The investments are made by a qualified and highly-experienced Fund Manager.

Consider a scenario where you have INR 500 in your pocket, and you wish to invest in the stock market. You want your money to be invested in the top-performing companies in their sector. Unfortunately, in most cases, the price of a single share of any of the good companies is much greater than INR 500!

So, how would you invest in India's strong stock market?

Well, mutual funds are the answer to your question.

Suppose, you invest INR 500 each month in a mutual fund. Your monthly contribution will be added to similar or higher contributions from thousands of other small investors, creating a significant pool of money. Now, the Fund Manager carefully examines the market and invests this pool of money in various top-performing shares.

This is how you can invest in the share market even without having to buy shares directly – a financial expert with a great deal of knowledge of the market and various resources to his or her disposal, makes stock-buying decisions on your behalf.

With mutual funds, your investment is safe from scams and frauds. Also, your money is being invested by a competent person.

Which investment class is better?

Fixed Deposits or Real Estate or Mutual Funds?

Fixed Deposits and other similar traditional investments had been popular for years in our country. There is no risk to the investment, and the appreciation rates had been decent. But all is not what meets the eye.

While interest rates given on fixed deposits have been perpetually shrinking, you are also taxed on the interest earned on your Fixed Deposit. Post-tax, your returns on your Fixed Deposit is barely equal, and in many cases lower than, the inflation - the rate with which things get more expensive each year. So, you stow away your savings in a Fixed Deposit only to realise that the appreciation on your investment is lower than the increase in the inflation.

Now consider investing in real estate.

Investment in real estate has always been favoured in India. For emotional, social and cultural reasons, buying a house is the first priority for most Indians. Further, many of us have seen phenomenal returns on our property. Say you bought a house for 15 lakhs in the year 2000 in South Goa, today your property would almost be worth over 60 lakhs.

As far as returns are concerned, the CAGR (Compounded Annual Growth Return) earned by the property is 9.68%. Not too bad, you might say.

But consider some very important factors related to real estate investments. To begin with, there is decidedly lesser transparency in real estate dealings. Always, you would find, there would be a difference between the price of the property or land on the papers, and what the seller would demand. Also, you would need to hire a property dealer or a hefty commission to get the deal through. And in spite of your best efforts, there are still chances that you suffer unfair conduct or duping in some manner.

Even if you get a good deal, a real estate property, especially a flat or house, is very tough to sell in the market when you need funds. There are times when you need significant funds, however, you cannot sell the toilet of your house to meet your monetary requirement – the entire house would have to be put for sale!

Mutual funds, on the other hand, do not suffer from the discrepancies of the other two asset classes. Buying and selling of mutual funds is not only easy – you can transact through your Smartphone or net banking – but transparent, too; thanks to the highly-secure online systems in place and strict monitoring by SEBI (Securities and Exchange Board of India). Also, mutual funds allow you a lot of liquidity. You can sell a portion of your units in a few simple taps on your phone.

But the most remarkable aspect of mutual fund investments is the returns. Mutual funds have consistently given double-digit returns, with some good funds delivering well over 15% CAGR!

The clear-cut supremacy of mutual funds over the other asset classes is due to the deployment of advanced systems, stringent monitoring, expert knowledge, and yes, the power of compounding!

What about investing in gold?

Gold is a popular investment option across the nation. People, especially women, rush to the jewellers the moment they come by some extra cash. But have you ever wondered the true use of gold in a household? Well, for one, it is a great gifting item. On significant life events such as weddings or child birth, friends and family gift gold jewellery to the newly-weds or the new-born child. There is a humungous pressure on households to invest in gold so that they could gift it to a family member later on.

Most of us are emotionally attached to gold ornaments and keep them safe in lockers, which adds no values. Also, selling of jewellery is considered to be the manifestation of hard times, and people would avoid parting with their gold even in the toughest times.

So, what is the use of investing in gold, when we end up hoarding or gifting it? Well, it is indeed a point to ponder.

Nonetheless, some of you might argue that whatever may be the case, gold has grown significantly in the past decade; from around INR 14,500 (for 10 grams) in 2009 to over INR 33,000 (for 10 grams) in 2019.

Well, if you look at the trends closely, you will realize that the weakening of the Indian Rupee against the USD has much to do with this increase in prices rather than the play of demand and supply forces.

Now, the interesting thing is that rising inflation is primarily affecting the depreciation of Indian Rupee against the US dollars, which may seem worrisome to many; however, the same high rate of inflation is a boon for the stock market! Yes, inflation relates to rising of prices, which in turn, is the result of increasing demand. We all know that the increase in demand is good for businesses as there are customers willing to buy products and services at an increasing rate.

In nutshell, the economic conditions in India are more conducive for investments in the stock market. When you invest in mutual funds, you participate in the economic growth of the country. Unlike gold that sits heavy in a locker, mutual fund investments work hard for you to make more money each day!

Small Savings, Big Rewards

Many of you reading this book would still be in college or school. You would say, 'Well, mutual funds do seem like the highway to wealth creation, I am still studying and have no income to invest!'

Agreed. But do you know that you can start investing in mutual funds with as low as INR 500 per month? With a little discipline and patience, you can become rich within the next ten years' time.

Read the following story of Muriel and Allisha to see the power of small and steady investments in your life.

The buzzer rang loudly, announcing the end of the classes for the day. The students stormed out of the classroom with high-pitched chatter and squeals, in a fashion that resembled the freeing of a thousand birds at the same time.

But Allisha kept sitting, staring hard at nothing, her mind in a turmoil. She darted a glance at Muriel, her friend and partner in crime, who was preparing to leave the classroom. Allisha, felt a pang of jealousy as she saw the happy smile on Muriel's face. It fuelled her anguish.

The reason for Allisha's sullen mood was her inability to register for an exchange program to a top university in France. It was an expensive program, but she was sure that her father would fund it, just the way he paid for all her expensive indulgences. However, he expressed his inability to pay for the costly program as he was experiencing some financial trouble in his business.

Allisha hated the idea of missing out on all the fun she had planned for her French trip. However, what added to her irritation was the fact that Muriel, who hails from a family with limited financial means, signed up for the program.

Allisha came from a well-off family. Her father was a successful businessman, and their family led a plush lifestyle. Muriel, on the other hand, had a modest lifestyle. Her father owned a little grocery store, behind which stood her old mud house. It was nobody's guess that Muriel's family managed just a little better than merely surviving.

Yet, Muriel never felt at unease owing to her financial background. She was confident, intelligent and full of life. A calm certainty of wellbeing sparkled in her eyes.

"Muriel, I need to talk to you," said Allisha as her friend reached the classroom door.

Allisha tried to circumnavigate the topic, but couldn't restrain herself from blurting out the thoughts that were troubling her.

"How can you … I mean … this expensive program?" asked Allisha hesitantly.

"You mean how can I, a poor girl, could afford such an expensive exchange program?" Muriel teased her friend good-naturedly. She could imagine how Allisha felt; in spite of being from a wealthy family, she was unable to pay the hefty program fee, while a girl from a family with a meagre income could.

"Hmm, it's a long story," said Muriel, "that starts precisely ten years ago …"

Both the girls sauntered towards the cafeteria, and over a hot cup of tea, Muriel shared her story with Allisha.

"The 2008 market meltdown is a very significant turning point in my family's life," began Muriel.

"Oh, the infamous financial crisis in the US that affected all economies around the world? A lot of people lost money," interjected Allisha.

Muriel nodded to confirm the story but added, "Only those who panicked and sold their investments lost their money. The markets have boomed since then; especially the Indian stock market, that has achieved much higher levels since 2008."

Muriel recounted how her father met a financial expert at a wedding. A group of people discussed the market meltdown and cursed the stock market. However, one person, who talked facts and figures, reasoned that market volatility is normal and a major market crash is a time to rejoice for serious investors as they can buy good stocks at a low cost.

Muriel's father was quite impressed by the financial expert's reasoning and knowledge. He met him after a few days to discuss the possibility of investing in a few shares.

"I remember accompanying my father to the financial expert's office," beamed Muriel.

The financial expert asked Muriel's father about his financial goals and aspirations and chalked out an investment plan.

"He suggested that since my father wanted to invest in my higher education, he must make small, yet regular investments in mutual funds through SIPs (Systematic Investment Plan)," said Muriel to a slightly confused Allisha. She was having a tough time comprehending the story narrated by her friend.

Muriel explained to Allisha that mutual funds are a collection of money belonging to a large number of investors. A qualified financial expert, called Fund Manager, invests this pool of money in various stocks and bonds and other instruments.

"A fund manager is a smart person who keeps a tab on the market and makes educated decisions in response to the fluctuations in the market," explained Muriel.

She concluded the story by revealing that her father had been investing in mutual funds on her behalf from the past ten years. The initial investments were as low as Rs 500, but he increased the amount gradually with time.

"The expert handling of the Fund Manager and the power of compounding in mutual funds has grown my portfolio significantly," revealed Muriel.

As both the friends parted to go to their respective homes, Allisha couldn't help but marvel at the ingenious plan of investing regularly to grow a large corpus. She realised that though her father earned a lot of money, their lifestyle was equally expensive to maintain. The idea of small, consistent savings escaped him entirely. Looking things into a new perspective, it dawned on Allisha that her extravagant lifestyle was a mere imitation of her family's spendthrift ways. Muriel, on the other hand, spent only on things that she needed and avoided expenses that were borne out of an impulsive desire.

****

By the time Allisha reached her plush house, she had resolved to change the way she had been living her life. She was now determined to make regular investments out of her generous pocket money, and later, from her salary as she starts working.

*A thin smile played on Allisha's lips as she recalled being jealous of Muriel; her dear friend who taught her the important lesson of being **financially independent**.*

Did you see, how Muriel took small, yet determined steps to gradually build a shining future for herself? Like her, you, too, can make a financially independent future with mutual fund investments; thanks to the power of compounding!

The power of compounding in mutual funds

Imagine stacking away a pile of currency notes in a cupboard during your childhood years, which you earned as pocket money from your parents. After some years, say ten, you go back to that cupboard and take a look at that stack of notes. Surely, you would find as many notes as were stored by you ten years ago; not a penny more, not a penny less.

Just consider this; had you made an investment of the same amount of money in a mutual fund, you would have reaped some return on that investment, by the simple virtue of leaving that money undisturbed in an investment.

The theory of compounding

Investing in mutual funds yields the benefit of compounded returns, which means that an investor earns interest returns even on the interest earned by him. By the addition of such returns in the amount of existing investments, the overall return on investment is amplified each time interest is earned. Mutual funds reward an investor by staying invested for a long period of time.

Take for example

Let us take a simple example to demonstrate the effect of compounding on a mutual fund investment. The below table demonstrates the returns for a monthly SIP of INR 10,000 for 10 years at the rate of 10%. Checkout how the element of compounding is blooming the portfolio:

Year	Year Deposits	Year Interest	Total Deposits	Total Interest	Balance
1	₹120,000.00	₹7,749.94	₹130,000.00	₹7,749.94	₹137,749.94
2	₹120,000.00	₹21,127.03	₹250,000.00	₹28,876.97	₹278,876.97
3	₹120,000.00	₹35,904.87	₹370,000.00	₹64,781.85	₹434,781.85
4	₹120,000.00	₹52,230.15	₹490,000.00	₹117,012.00	₹607,012.00
5	₹120,000.00	₹70,264.90	₹610,000.00	₹187,276.90	₹797,276.90
6	₹120,000.00	₹90,188.12	₹730,000.00	₹277,465.02	₹1,007,465.02
7	₹120,000.00	₹112,197.56	₹850,000.00	₹389,662.59	₹1,239,662.59
8	₹120,000.00	₹136,511.68	₹970,000.00	₹526,174.27	₹1,496,174.27
9	₹120,000.00	₹163,371.81	₹1,090,000.00	₹689,546.08	₹1,779,546.08
10	₹120,000.00	₹193,044.54	₹1,210,000.00	₹882,590.62	₹2,092,590.62

On the other hand, had the same amount of money been invested in any scheme that offered simple interest, the investor would have earned an interest of mere INR 1, 20,000 at the rate of 10% at the end of ten years.

The power play of time and investment amount

The results of compounding interest can be amplified by a greater quantum, simply by increasing the amount of investment each year. This seemingly magic trick works s by the simple use of mathematics and percentages, which denotes the compounding effect of a mutual fund investment.

Time is the most valuable and rewarding asset that proves to be a bonus for an investor in mutual funds. The effect of compounding produces such mass and unintuitive results that one can only gasp and exclaim about the magic of compounding for once. Going by historical performance, long term investing in mutual funds is more rewarding for an investor as the added returns, generate even higher corpus fund, on which an investor earns his returns.

With the effect of compounding, you could earn an expansive range of returns, hardly envisaged in an ordinary investment.

The following story of three college friends amply shows how the power of compounding in mutual funds can make your future dreams come true.

"Just wait for a few years, your bro would zip past by you in a red Ferrari," Nash excitedly shared his future dream with his friend, Avinash.

"And you would drive down to my sea-facing grand mansion, and you will park your red Ferrari next to my blue Jaguar," replied Avinash with the same zest.

"Avi, once each of us gets a job, we will go for a Europe trip. I so want to see the Manchester United home ground," said Nash in a dreamy voice.

"Yes Nash, and we will go to Spain and play Tomatina."

In their second year of college, the two friends sat in the college canteen and dreamt about a fabulous future. Though uncertain, they were quite sure that their future would be full of riches – after all, they would start earning in a few years.

"O.M.G! You guys are dreaming again, wasting time," exclaimed Eldrina, as she marched towards her two friends.

"What Eldi, you ruined our daydreaming," said Nash irritably.

"Yes Eldi, you ARE a buzz kill," complained Avinash.

"And what are you two lazy bums? Do you really think that you will achieve all your dreams by sitting here, dreaming?" chided Eldrina.

The three of them were close friends since the first year. Avinash and Nash were famous in the college for roaming about aimlessly and making bizarre plans for the future. Eldrina, however, was totally different from her friends. She was a disciplined, focused and pragmatic girl. She believed in working hard and enjoying the rewards of hard work.

"Oh, we will pass the exams, and get a great job, don't you worry about it," said Nash nonchalantly.

"Oh yes, we know our future riches depend upon the job. We are not going to screw that up!" Avinash chimed in.

With a long, resigned sigh, Eldrina asked, "Do you guys seriously think that you will get rich once you get a job?"

"Of course!" chorused Avinash and Nash.

"Then, my friends," said Eldrina with a dramatic pause, "You guys would remain poor all your life."

Infuriated by the bitter words, both the friends fumed.

"So, you are an astrologer, too," mocked Avinash.

"Ha! Pauper, my foot," Nash joined in the rebuke.

"Not an astrologer. A financial literate," said Eldrina with pride.

The confused look on Nash and Avinash's faces made Eldrina laugh uncontrollably.

When she recovered, she asked rhetorically, "Do you think that when you start earning, you wouldn't have any expenses?"

Avinash and Nash didn't like to be rudely jolted from their pleasing dreams of the future, but they were curious. They had not thought of the expenses.

"Also, do you think that your starting salary would be so high to afford you expensive cars or houses or foreign trips?" Eldrina continued puncturing their dreams with her pragmatic speech. When she had their complete attention, Eldrina told her friends that to realise their future dreams, they must get their acts together now.

"Now? But we are still in college and have no earning," said Nash incredulously.

"You have the greatest wealth in the world," Eldrina said teasingly.

"Where?"

"What?"

The two boys exclaimed in surprise.

"Time," said Eldrina with a serious face.

She knew she was going to be late for her next class, yet Eldrina stayed on to help her befuddled friends. "Okay, I will explain to you from the beginning."

Eldrina explained to her two friends that to lead a grand lifestyle, they first need to accumulate wealth. And they can't expect to attain wealth by spending on things they don't need.

"The rich are financially disciplined. They don't spend money, they invest it," she said with passion.

She told the boys that they could start following a financially disciplined life by cutting down all unnecessary expenses on eating junk and buying expensive clothes and save a little from their pocket money each month.

"Come on, even if we save a little every month, we can't possibly accumulate a lot of money in a few years," said Avinash dejectedly.

"This is because you don't know about the power of compounding in mutual funds," said Eldrina smilingly.

"Dear friends, the famous proverb, 'Time is money,' is true after all," she chuckled.

Eldrina explained to her friends that a mutual fund is a pool of money collected from thousands of investors. A qualified financial expert, or the Fund Manager, invests this pool into various shares, bonds, and other instruments.

"The good part is," she said, "you can invest in mutual funds through SIPs or Systematic Investment Plans each month; as low as Rs 500!"

Eldrina told them that money invested in mutual funds earns a compounded rate of return. So, if invested regularly for a long period, say over ten years, the money invested in mutual funds can grow significantly and even if you stop investing then, the portfolio would still keep growing.

As the sun slipped down the horizon, Avinash and Nash basked in a revelation that would change their lives forever.

The story doesn't end here. Eldrina introduced her friends to her father, who was a famous financial consultant. He spoke to Avinash and Nash and penned down their financial goals, after which, he guided them to start SIPs in good plans.

Financial discipline, as Avinash and Nash realised, might not fulfil their bizarre dreams of buying Ferraris and grand mansions in the near future, but it will certainly help them attain financial freedom. The freedom to choose a profession they like, without worrying about pay cheques.

Financial Discipline: Needs Vs Wants

It is true that financial independence can only be achieved when you get financially disciplined. But how to get financially disciplined?

Well, first of all, what does financial discipline mean?

Being financially disciplined simply means spending well within your means and spending on things that you require to live. Hence, financial discipline starts with differentiating between your needs and wants. If you are determined not to spend money on things that you don't need, you will be able to save and invest, and thus create wealth. But if you give in to buying impulses, you would end up spending more and more on things that you may want, but not need, and soon run into debts. This is a fact; only financial discipline can save you from financial distress in your life.

Needs Vs. Wants

The distinction between wants and needs is taught to us quite early in life, however, we tend to forget the thin line of difference between them as we grow up.

So, let's take a walk back in childhood to brush up the concept of needs and wants.

Remember, looking forward to a glass of cold water and some biscuits after a long game of football with friends under the blazing sun? You needed water and nourishment to replenish your body.

However, when you pestered your parents for that expensive toy gun? You wanted it.

As we grow up and start earning, we tend to splurge more and more money to satisfy our wants. Of course, as you grow in life and position, you require certain things to go by; some materialistic things to live a comfortable life. But more often than not, these requirements are nothing but want in the garb of need.

The real basic needs of a person are housing, food, clothing, and security. It is true that different people perceive different meanings out of these basic needs. For some, it is a need to live in a sprawling house, eat the best quality of food, and wear elegant clothes. Is it wrong? Of course, not!

However, it is important to indulge in these higher needs only if they form a small fraction of your income. For most of us, satisfying these elevated needs costs more than our means – and that is when these elevated needs turn in to wants.

Warren Buffet, one of the world's richest men, says, "If you buy things you do not need, soon you will have to sell things you need."

Often in hyper stores and mega malls, we find ourselves surrounded by heaps of products that we don't need, but can't avoid their allure – eventually spending way more on our groceries than the budget allows. This repetitive overspending on items that we don't actually need, leads to financial woes.

And with the advent of online shopping websites offering mega sales, luring buyers with irresistible offers across categories of products, we lose complete sense and spend precious money on things we might not even want!

Leading financial advisors and investors swear by the age-old philosophy of spending well within the means, and investing before spending.

Every time you feel like splurging on things you don’t need, just ask yourself if you really want it. The same money, if invested properly, can help you kickstart your very own roadmap to riches. Simply sacrificing a Friday night outing for a small monthly SIP payment can build significant savings in the future. So, do you truly want what you don’t need?

TIME is another very important factor, along with financial discipline, in making you rich. The earlier you start investing (even if you are a student, you can start investing in mutual funds through SIPs as low as INR 500), the faster you will achieve your financial goals.

Benefits of Starting early

Think of your future wealth as a flourishing tree. Would there ever be a tree without sowing the seed?

You have to sow the seed to your tree of wealth.

Why is it important to start investing early?

Firstly, to inculcate the habit of saving, right from the start. There is no shame in being frugal, as a fool is soon parted with his money. Also, to diligently meet investment goals, it is advisable to spend after you save and not vice versa.

Anyone who wants to grow rich must set aside 1/4th of their income for investing in well-researched options before they decide to spend what they earn. Indeed, a very simple yet effective mantra to substantially grow your savings without ever feeling the pinch.

The second factor is the relationship between time and risk. Market performance over the years has shown investments (even risky ones) give better returns when one stays invested for a longer time period (at least 10 years). Warren Buffet, one of the richest men in the world who started investing at the age of 11 years, famously said, "If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes."

Planning early and planning long can help investors stay focused and reap higher returns. Further, the magic of compounding over time can substantially multiply your returns. Let's find out how investing from a young age can help you become financially independent:

More time to save

While the retirement years may be the last thing on your mind when you begin working, the earlier you start investing, the more time you get to build your retirement corpus. With disciplined investments, you can also realise your short-term goals of buying a car, taking an international vacation and even saving up for a deposit to buy a home.

The magic of compounding

Compounding is the most wonderful thing in the world of finances. Compounding refers to earning interest on the interest earned by you by continually reinvesting it. Even a small amount of INR 1,000 invested monthly can make a huge impact on your savings, thanks to the magic of compounding.

Let's see how the effect of compounding differently impacted the lives of twin sisters – Kareena and Karishma.

In the 11th grade, Kareena and Karishma were like any other 15-year-old girl. They studied and played and dreamt about the future. One day, both the sisters attended a financial literacy seminar at their school, where the financial expert stressed on the benefits of investing from a young age. After the seminar got over, Karishma saw that her dreams of getting rich coming true, and she immediately enrolled in a Systematic Investment Plan, investing INR 1,000 each month. She insisted her sister to start investing, too. However, Kareena saw INR 1,000 each month as a big leak out of her pocket-money and chose to spend rather than invest.

Karishma, on the other hand, religiously invested INR 1,000 each month in mutual funds through SIPs.

As the sisters turn 21 years old, fresh out of college, they visited the same financial expert with their mother. The girls, on their mother's insistence, now sought to invest in SIPs with a goal to reach a million-rupee mark by the time they turned 25 years old.

The financial expert did some calculations and told Kareena that to achieve a corpus of INR 1 million, she would have to invest IRN 18,000 each month! With no income yet, investing INR 18,000 each month looked like a daunting task for Kareena.

However, when the expert checked out Karishma's portfolio, he announced that she would have to invest only INR 4,000 to reach the INR 1 million mark in the next four-odd years.

Only because Karishma kept investing, albeit a small amount, she accumulated a significant amount of money, and her portfolio was now growing in leaps and bounds.

Karishma felt happy and proud of her financial standing. She was happy that she invested regularly.

However, the financial expert shocked Karishma by telling her that even if she had invested INR 500 over and above the SIPs each year, she would have been a millionaire already.

The financial expert then explained to Karishma that there is a provision in mutual funds that allows investors to make a 'top-up' payment in their portfolio. The additional money invested in the mutual fund helps the portfolio grow much faster.

Karishma promised the expert that she would invest any additional money she receives as top-ups in her portfolio. Kareena, on her part, resolved to start with a SIP of INR 10,000, which she promised to raise as she starts earning, and also commits to doing top-ups in her portfolio every now and then. Their mother, inspired by Karishma's commitment to investing, also signed up for SIP investments of her own. 'I wish I had the wisdom to start investing while I was still in school,' she said, 'but better late than never.'

Ability to take more risks

We all know that market-linked investments such as mutual funds and equity give much larger returns than conventional debt instruments such as bank deposits, provident fund and the likes. However, market-linked investments also pose much greater risks as markets are volatile in nature. When you are young and don't have many responsibilities, it is possible to invest in high-risk instruments and gain from them as you have the advantage of observing the market over a long time period.

Control over expenditure

Old habits die hard. So why not inculcate good spending habits right from the start? When you decide to begin investing early, it means you have decided to take control of your finances early on in life. This also means there are lesser chances of you getting into bad debts in the future or straying from your financial goals.

Why Should You Start Investing, Now?

Right now, nothing is beyond your aspirations from the future. From the bat-mobile to a ranch in Texas, a Harley in the garage, and holidays in Paris – everything seems attainable.

Indeed, everything is attainable, provided you let the wheels of fortune rolling into motion. Of course, you do not have any income to invest, but you do get pocket money, and that occasional windfall from parents and relatives on your birthday!

Remember, you can start investing in a mutual fund with as little as INR 500 each month?

While catching up the latest Marvel flick and hanging out with friends in the mall is being your age, assuring a future bestowed with huge wealth requires a little bit of financial discipline.

'That's the catch,' you would say. Indeed, there has to be some 'catch' or if you may, 'design' to attain what 99% of your classmates will not be able to achieve!

Embed the following three pearls of wisdom in your subconscious if you wish to get rich:

The earlier you start, the earlier you get rich: Compounding works wonders when you are invested for a long term in the market. While stock markets have proved to give an average return of over 15% over a period of 10+ years, by investing only INR 500 per month for 10 years at a lower than average return of 15%, you can accumulate over INR 140,000 by investing only INR 60,000.

Financial discipline at an early age: Investing regularly from a young age not only guarantees a huge corpus in future, it also teaches you to be frugal and spending within your means. Those who spend more than what they need or beyond their means, end up in chronic debts and severe financial stress.

Financial Freedom at an early age: It is always good to know that you are financially secured and your little sapling is growing bigger with each passing day. This kind of financial freedom is unique to early investors and provides them with enough room to experiment with their choice of career and lead a better lifestyle. On the other hand, those who do not save early in their lives, slave hard for money while continuously struggling to meet huge expenses that come with life events such as moving to a new city, paying hefty deposits for accommodation, buying the first car, wedding, etc.

Great! But how would I know which mutual fund or share is best to invest in? How frequently should I switch funds? Should I calculate my returns on a monthly basis?

You have many questions, which is good. However, you may not need to answer each of these all by yourself. Professional wealth management experts and financial advisors can easily guide you to a time-tested stock or mutual fund. The key is to stay invested for a long time – at least over 10 years to reap the benefits of your investments. Don't bother yourself about reviewing the fund over and over again. And do not get bogged down by market corrections (in fact, you can buy more when the stocks get cheaper) as they are regular and necessary outcome of the stock market. Remember, if you have been able to find the right mentor or advisor, nothing can go wrong with your plans of getting unimaginably rich.

Who *Doesn't* Want to be a Millionaire?

And we all want to become a millionaire when we are still young, isn't it?

Salvio also dreamt of becoming a millionaire before he turned 30 years old. Did he manage to achieve his goal?

Story: Well, just like every other teen, Salvio had recently joined graduation and wondered how early he could start earning, and saving, to build his magical pool of money. While his peers dreamt of bikes, movies and beer, Salvio dreamt of being a millionaire at 30. But, could he achieve it?

At the young age of 17, in his first month at college, Salvio's father took him along to attend a financial seminar. And that, dear readers, was the turning point in Salvio's life. It was the day Salvio discovered the secret to financial freedom – the proverbial road to riches. As soon as he returned home, Salvio decided to expand his knowledge by reading more about wealthy people to emulate their success. He was surprised to learn that most rich people lived below their means and delayed gratification. This means, they did not spend on expensive cars or mansions but saved money before spending it.

He noticed that all rich people had a few things in common that had actually made them rich. Salvio observed that the wealthy people:

- Set long-term goals
- Avoid frivolous spending
- Start saving and investing early in life
- Live below their means

Today, Salvio is 29 years old. He has been investing in various mutual funds through SIPs for the past 12 years and holds just short of a million rupees across his investments. By the end of 2018, as he turns 30, he would have achieved his goal of being a millionaire before 30!

Here's how Salvio fulfilled a dream most people only think about:

At the age of 17, Salvio set his goal of being a millionaire before 30. Besides, he wanted a self-growing pool of money that would regenerate each time he took out a small portion to service his requirements, such as funding his higher education or helping his parents fund emergency repairs to their family home.

Unlike his other friends who spent their evenings over coffee, movies and unnecessary shopping, Salvio paid 50% of his pocket money at the beginning of each month into a systematic investment plan suggested by his father's wealthy friend, Uncle Sebastian. While it was difficult in the beginning, Salvio was soon able to differentiate between his wants and needs – for example, he needed a healthy breakfast to start his day, but he only wanted a cup of cappuccino with his friends during lunch break. Or, he did need a pair of sports shoes to exercise, but buying that expensive pair of white sneakers was just a waste of money.

Within a year of investing, Salvio was able to see the result of his discipline. The seed of his future wealth had germinated. The money in his portfolio had started growing bit-by-bit. Now, Uncle Sebastian advised Salvio to increase his income by taking up a part-time job. He also advised Salvio to pay himself first – that is, use 20% of his salary to feed his portfolio, and then use the remaining amount for necessities.

Starting with only 2,000 rupees a month at the age of 17, Salvio consistently increased the amount he invested as his income increased. He also invested all the monetary gifts from family and friends into his portfolio through 'Top-ups' and continues to do so. As a result, his portfolio continued to grow, and, over time, the magic of compounding worked to help him realise his dream of turning a millionaire before 30!

From this very fund, Salvio took out money to pay for a diploma course at 24 that added to his skill set and helped him secure a promotion as well as a better salary. He also withdrew lump sums to take his family for a vacation and pay for some urgent repairs to their home. Today, as Salvio grows richer, many of his classmates are living paycheque to paycheque, only dreaming about the wealth Salvio continues to grow.

Let's Revise

So far, we have learnt the following:

Anyone can become rich	Investing is better than saving	Financial discipline is key to wealth creation
Mutual funds are the best investment option	Mutual funds offer the power of compounding	You can invest in mutual funds through SIPs as low as INR 500
The longer you remain invested in the stock market, the more you earn	Always buy things you need and not what you want	Financial freedom is the main source of peace in life

5 Golden Rules to Grow Rich

Growing rich is a systematic process governed by a few basic rules and strict self-discipline. Based on my experience as an investor and observer of financial instruments over the years, I have formulated these five basic rules of investment:

Rule1: Before paying anyone, pay yourself

Who do you plan to earn for?

You will pay many bills for basic amenities as well as leisure activities and shopping as you grow old. All these things will make you feel happy and give you a sense of being a provider.

But to grow rich, you also need to pay yourself!

For all the hard work that you would do, you will deserve to be paid a portion of your income. And if your aim is to grow rich, you'd better pay yourself a significant amount of your income.

Further, this portion that you'd pay yourself must be smartly invested so that your money starts earning more money for you. So, what portion of your income should you pay yourself?

Well, as per the world's wealthiest people and leading financial consultants, you must pay at least 25% of your earnings to yourself. In other words, you must invest a quarter of your income in reliable high-return equity investment options before you start paying your bills.

Most of us have the tendency to plan our savings at the end of the month, after spending most of our money. This discourages as well as postpones saving (and subsequent investment). On the other hand, if you save a portion of your income at the beginning of the month, you will be forced to align, curtail and plan your spending in a much-disciplined manner.

To illustrate, if you earn INR 30,000 each month, you must set aside INR 7,500 the day you receive your salary, for investing. If invested in good financial instruments, these disciplined and systematic savings can create a huge portfolio for you (much larger than your salary) in a span of just ten years.

That's the power of compounding for you!

One of the best ways to follow this rule is to opt for SIPs in good mutual funds, where each month your bank deducts the SIP amount on your behalf, on the date confirmed by you. This SIP amount is electronically debited from your account and invested in the mutual fund opted by you. There are many features such as alert messages and emails through which you can keep a track of impending deductions.

If you continue to pay yourself before others even for a decade, you would be able to bake that 'second cake' for yourself, which eluded me from 1996 till 2008.

Having two cakes actually means having two sources of income – one, your earned income and the other, your passive income. If you properly invest and optimise the tax exemptions under section 80Cof Indian Income Tax Act, you can comfortably retire in ten to twelve years' time, with a pension that would be larger than your salary.

Rule 2: Never Depend upon a Single Source of Income

As mentioned earlier, you must build avenues for generating a passive income to take care of your expenses. This will save you from being a daily wage worker. Most of us fall into the rut of working beyond our physical abilities just to pay for our rising expenditures. People with passive incomes live a more peaceful life as they have two cakes to take care of their expenses.

Rule 3: Hover above the inflation

It is a pity that all popular saving options in India fail to beat inflation. Be it fixed deposits, post office schemes or PPF; none of them has been able to give returns over inflation levels in the long term.

What does it actually mean?

Well, if you stay invested in financial instruments that provide returns lower than the inflation levels, it means that your hard-earned savings are actually being eroded. The traditional saving instruments give you the security of returns, but lesser returns. Also, most traditional saving instruments attract tax on returns. On the other hand, investments in the equity markets do not guarantee fixed returns, but have proven to generate high returns over a long-term horizon. These returns are tax-free, too!

You have to decide whether you want to be a 'Saver' who aims to earn secured returns on his investments, albeit small; or, you want to be an 'Investor' who takes calculated and guided risks to build a large portfolio over a period of time.

Rule 4: Never mix Investment with Insurance

Insurance is for risk protection, not for returns.

Although insurance is the bedrock of wealth creation, it should not be confused with investments.

The sole purpose of insurance should be to compensate for loss. And it surely does provide for the loss of life or an asset, until mixed with market speculations.

Be smart and don't fall prey to financial instruments that promise investments along with insurance, as they make no sense either with respect to insurance or investment. Many of such financial instruments come at a skyrocket premium, very little life cover and a hoard of AMC charges. To top it all, there is no assurance of returns – markets being volatile.

Mixing investment with insurance is the biggest mistake Indians are making today. Studies show that the returns from such traditional insurance plans are less than saving bank accounts. A typical traditional insurance policy takes 20 years to double the money, rendering an effective return of less than 4%.

Rule 5: Find a good financial mentor

Can a poor friend give you sound advice on getting rich? Sounds improbable, and rightly so!

A wealthy person has already been through the path of wealth creation and hence knows more about the right ways of getting rich than an average poor or middle-class peer. A good financial mentor is just like a good investment because only s/he can educate, motivate and discipline you in the best possible manner and shortest possible time.

You need to have a good mentor. Make rich friends as they can help you grow richer. Poor friends can never advise you right. If you need to fly like an eagle, fly with the eagles, not crows. Your financial mentor should be someone who is senior to you and is wealthy.

Dr. Celso's magical formula for wealth creation

My aim is to create multiple millionaires across India through my experience and easy-to-follow tips.

If you want to grow rich, then start today on the following path to see the magic for yourself:

Aim: Create a money plant for yourself – A huge portfolio that never stops growing.

Method: Divide your income into the following heads:

1. 25% for wealth creation (investing in the right financial products).
2. 10% for wealth protection (insurance).
3. 65% for expenditure.

Be strict: This is the hard part. As I said before, timing is everything. Make sure you do not take out anything from this pool for ten years. Keep investing and forget about it for ten years to see your money plant in full bloom after ten years.

The result: Over a period of time (at least ten years), you will be able to create a portfolio that would give you returns much larger than your monthly salary. Further, this pool replenishes automatically. If you take out 5 lakhs from your flourishing money-pool, it will fill up again in a few months!

Isn't the magic of compounding wonderful?

4 Ds to Financial Success:

1. **Desire (You must really want it)**
2. **Decision (You must decide without delay)**
3. **Determination (You must be determined to achieve)**
4. **Discipline (You must drive yourself to achieve goals)**

Five Top Reasons to Remain Poor:

“People who achieve great success 'simply do it', while those who keep dreaming, wishing, hoping and making excuses achieve far less.”

1. It never occurred to you that it is possible to get rich.
2. You never made a firm commitment or definite decision that you are going to be financially free.
3. Procrastination; it robs your time and eventually, your life. There is always a good reason for not beginning to work towards attaining financial freedom today.
4. If you cannot delay gratification and discipline yourself to refrain from spending everything you make, you can never become wealthy.
5. You always seek quick returns. You think and act on a day to day and month on month basis, without thinking about long term effects.

Does Money Grow on Trees?

Like many others, my answer was also 'No', until I put my money to work, creating a portfolio that grows at an average return of 15 – 18% per annum. Once, I needed one lakh rupees for a foreign trip. I hesitantly borrowed from my equity portfolio of INR 50 lakhs; but on returning to India, I found that the corpus had grown back from INR 49 lakhs to over INR 50 lakhs, once again! All on its own! My portfolio was growing by over 1 lakh rupees per month!

It was then that I realised that it was possible to grow money on trees; the equity portfolio being the money plant, which continually grows, even if you keep plucking few leaves occasionally.

Epilogue

Growing up in the beautiful state of Goa and later serving the people here, I have come in contact with numerous families in distress owing to financial troubles. It pains my heart to see youngsters leaving our gifted state for far off destinations, and work in tough conditions, to improve their financial standing. It also hurts to see how people in Goa, and everywhere in the country, are falling prey to blatant consumerism and spend lakhs of rupees each year on things that they don't need and getting stuck in the vicious cycle of credit and loans.

Most of us have a very vicious image of money in our minds. We either give it too much importance in our lives or totally disrespect it. In both situations, we let money play a greater role in our lives than we should. Remember, money is just a tool to exchange goods and services. We mustn't become a slave to money. Instead, with small, regular investments, we must accumulate enough wealth that we don't have to work for earning our living.

The saying, 'Money attracts more money,' is absolutely correct. When you have more money in your portfolio, you will earn a higher return!

Ask yourself, can you become rich by splurging all your income? You need to save and invest regularly to gradually build a corpus. And as your corpus grows in size, so would the returns until a time comes when even without investing any further, your portfolio keeps on growing with each passing day!

Through this book, I appeal to you, my young reader, to be the change. Only you have the power to undo the mistakes grownups have committed. You, the future of the nation, are wise enough to understand the need to be financially disciplined and break the shackles of financial distress. With the help of the tips given in the book, I am sure that you can start your journey to wealth creation without wasting a day.

I have been working with over 600 young students who have taken a pledge to be millionaires before they turn 25 years old. And guess what, they are way ahead on their path to achieving this goal!

You, too, can join this brigade of young millionaires of Goa. There is no fee to join this club; the only requirement is the **4 Ps** (Purpose, Passion, Persistence and Patience).

The journey to creating wealth is indeed long, but if you start now, you will achieve all your financial goals much early in life. All you need is to start now, start small. My team at Nave Marg Financial Consultants and I are committed to the cause of supporting young students in their quest to grow rich. All you need is to take the first step.