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5 REASONS WHY LONG-TERM INVESTORS SHOULD NOT WORRY ABOUT 10-12% MARKET CORRECTION

The market has been experiencing some turbulence recently, which might be causing concern for many investors, especially those focused on mid and smallcap stocks.

The Nifty50 hit a record high of 26,277 on 27th September 2024 but it failed to hold on to the momentum. It closed at 24,472 on 22 October which translates into a downside of more than 6%.

Amid ongoing geopolitical concerns and valuations, global investment bank Goldman Sachs Group Inc. has tactically downgraded Indian equities from overweight to neutral, citing concerns about slowing economic growth and its impact on corporate earnings.

This cautious approach reflects growing apprehension about the sustainability of company profits, as consumer spending weakens and commodity prices rise.

However, Gautam Shah, the Founder of Goldilocks Premium Research, offers a reassuring perspective in a recent interview with ET Now.

While some may be alarmed by the recent shakeout, Shah emphasizes that this correction is a healthy phase, part of the market's natural cycle, and should not deter long-term investors.

For long-term investors, it's essential to view market corrections, like the current one, as part of the natural ebb and flow of the markets.

Top 5 reasons why long-term investors should maintain confidence despite a 10-12% correction:

1. Healthy corrections are a part of the market cycle

Shah explains that the current market shakiness, while unsettling for some, was much needed. September ended with a sense that Indian markets were invincible, driven by high liquidity.

The past few weeks have provided a necessary reality check, showing that even in a bullish market, corrections are vital.

He notes, "This is not any major trend reversal which people have started to talk about. This is another healthy correction like we have seen multiple times in the last three years."

Healthy corrections are crucial for long-term market sustainability. They allow markets to consolidate, shake off speculative excesses, and offer new buying opportunities.

For investors with a long-term horizon, these corrections represent potential entry points, rather than causes for alarm.

2. The long-term bullish trend remains intact

Despite the recent downward trend, Shah remains bullish about the long-term prospects of the Indian markets.

He points out that world markets have remained strong, and the current correction in Indian markets



is not indicative of a major trend reversal. Instead, he views it as a precursor to the "next leg of the bull trade."

Shah also highlights that the markets are entering a seasonally positive period, especially with Diwali approaching. This season typically brings renewed investor optimism and liquidity, reinforcing the potential for an upward movement. In his view, "The current fall is a little overdone... the upside potential is equally large."

3. Mid and smallcap corrections are normal

The recent sharp correction in mid and small-cap stocks, with some stocks falling 25-30%, may appear severe. However, Shah urges investors to look at the bigger picture.

Many of these stocks have witnessed substantial gains over the past 12 months, sometimes doubling or tripling in value. A 25-30% correction, even up to 40%, is entirely normal after such sharp upward movements.

For long-term investors, these corrections offer an opportunity to buy quality stocks at lower prices. Shah stresses the importance of focusing on top-quality stocks in the mid and small-cap space, which are likely to survive and thrive.

"Stick to large caps, and if you are doing midcaps and small caps, stick to top quality," he advises.

4. Key sectors remain strong

When dissecting the market, Shah points out that three major sectors—banking, IT, and select large-cap stocks—remain strong.

While some may worry about technical indicators like stocks breaking below their 50- or 100-day moving averages, Shah reassures investors that the key sectors still have robust support.

IT stocks, in particular, look promising, with Shah predicting a 15-17% upside from this Diwali to the next.

Banking stocks, led by names like HDFC Bank, ICICI, and SBI, also remain resilient. Shah believes that these banks do not have much room to fall and could hold the market steady.

As long as these critical sectors remain stable, Shah sees no risk of a market collapse.

5. Corrections of 10-12% are normal in a bull market

Shah emphasizes that a 10-12% correction in a bull market is not a cause for concern. He draws parallels to the 2003-2007 bull market, where such corrections occurred multiple times, only for the market to resume its upward trajectory.

He acknowledges that, in today's market environment, many investors struggle to cope with corrections larger than 5%.

However, for those who can look past short-term fluctuations, these pullbacks are healthy and provide excellent opportunities to buy into long-term growth stories.

(Disclaimer: Recommendations, suggestions, views, and opinions given by experts are their own. These do not represent the views of the Economic Times)

Source: <https://economictimes.indiatimes.com>

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BENEFITS & FEATURES OF PERSONAL ACCIDENT INSURANCE

An accident can occur at any time without any warning, and sometimes it can cause serious harm. Any such untoward incident can have a significant impact on your finances; not only can the treatment be expensive, but if you suffer from any form of disability, it can affect your earning potential. To protect yourself and your family from such a situation, it is paramount that you **purchase a personal accident insurance policy**.

Personal accident insurance is useful to get the financial assistance to you and your family in the event of an accident that leads to death, bodily injuries, temporary total disability, permanent total disability and permanent partial disability. In the event of death, the insurance company will pay 100% compensation (equal to the sum assured) to the appointed nominee. Also, the insurance companies offer compensation for an accident disability such as loss of speech, limbs and eyes.

Before, we look at the different **aspects of accident insurance**; let us look at some alarming statistics related to it.

- In India, reports suggest that more than 1200 accidents occur every day.
- As per the Ministry of Road Transport and Highways, in 2017 alone, more than 4.64 lakh accidents were reported and nearly 1.47 lakh people died due to road accidents.
- In 2018, as per the reports, there was a rise of 1.68% in the number of accidents reported.

Types of Personal Accident Insurance

The personal accident insurance can be broadly classified into two categories – Group Accident Insurance and Individual Accident Insurance.

- **Group Personal Accident Insurance**
Typically, the business owners and employers buy group personal accident insurance to cover their employees. Depending on the size of the organisation, and the number of employees, the insurance companies offer a discount on the premium. A group personal accident policy is an excellent incentive for the employees as it assures them financial safety in the event of any mishap at the workplace.
- **Individual Personal Accident Insurance**
As the name suggests, it is taken by an individual and it guards the policyholders against the accidental damages. It usually covers accidental death, loss of body parts and other disabilities resulting from an accident.

Importance of Personal Accident Insurance

A lot of people ignore buying accident insurance, mainly because they don't understand the



importance of the cover. But, you must think about the safety and security of your family and how can they sustain themselves financially if something untoward happens to you. If you get involved in an accident that leads to death or disability, it would have an impact on your income. If you have any liability like home loan, it would be difficult for the family members to meet the expenses. Besides, you must also take care of the treatment cost. To avoid putting your family in such a financially distressed situation, you must invest in the best accident insurance.

Personal Accident insurance has many benefits, which are:

Peace of mind and family security

In the event of an accident that causes death or renders you disabled, it would have a significant impact on your earning potential. An accident cover will give your **family financial protection** in the form of accidental compensation and ensure their financial security. The insurance companies pay 100% compensation in the event of death. The family members can use the amount to pay off the liabilities (if any) and maintain the usual lifestyle. Also, it gives you the peace of mind knowing that your family will be financially secured even in your absence.

Minimal documentation

One of the significant reasons why a lot of people avoid buying insurance is that they believe the process is complicated, and it involves a lot of paper works. However, the truth is that when you purchase a personal accident insurance policy, you need not stress about the documentation. You must provide basic details in the application form, and the insurance company will issue the policy.

No medical tests required

This is another significant **benefit of an accident insurance policy**. Unlike the **health insurance policy**, where the insurance company requires you to undergo medical tests before issuing the policy, you need not take any tests.

Worldwide coverage

Most types of insurance covers have a geographical limitation, which means they do not offer compensation for any casualty that occurs outside India. But, with personal accident policy, there is no such limitation. You can be assured of getting the benefit irrespective of the location of the accident; you get worldwide coverage.

Easy Claim Process

One of the critical things that most insurance buyers look for while buying personal accident insurance is an easy claim process. No matter what type of policy you choose, the claim process is easy. You must submit an application to the insurance company (you can do this either online or offline) and once the insurance company verifies the claim, the claim amount is paid-out.

Ambulance Expenses

Most insurance companies cover the ambulance expenses to carry the injured to the hospital from the accident spot.

Just as it essential to give your family the financial protection in the event of your demise, you must also think about how they would manage in case of an accident that may lead to disability. You must be prepared for such unexpected situations with accident insurance. Make sure that you know the inclusions, exclusions and other terms and conditions of the policy before you sign the policy.

Sources :<https://www.iffcotokio.co.in/health-insurance>

THE INS AND OUTS OF HEALTH INSURANCE WAITING PERIODS

A **Waiting Period** is a certain pre-mentioned time where the Insured has to wait for a specific duration in order to make a claim under the **Health Insurance** Policy. However, this Waiting Period will not apply to accidental / traumatic injuries requiring more than 24 hours of hospitalisation.

The Waiting Period in a Health Insurance Policy may vary based on the type of Health Insurance Policy chosen by the Policyholder and the Insurance company providing the Policy.

Why does insurance have waiting periods?

Insurance companies have waiting periods to prevent fraud, manage risk, and review health and other factors.

What does waiting period mean for insurance?

A waiting period in insurance is the period following purchasing a policy when the insured has to wait before some or all coverage takes effect. The insurance waiting periods depend on the policy type. Understanding the medical insurance waiting period definition will help understand the effect of the waiting period in a policy.

Does health insurance have a waiting period?

Yes, health insurance policies will have a waiting period before you can get their benefits. The waiting period for health insurance from employers is based on many factors, like type of health insurance, medical history, age, and insurance company.

Types of Waiting Periods

How does health insurance with a waiting period work? Let us understand the different types of Waiting Periods.

First 30 days Waiting Period

Initial Waiting Period, or the cooling period, refers to the specific number of days the insured is required to wait to receive any claim benefit under the Policy. The initial Health Insurance Waiting Period will be the first 30 days from the inception of the Policy.

Pre-Existing Diseases (PEDs) Waiting Period

When you buy a Health Insurance plan, you need to disclose any pre Existing Diseases (PEDs) or health conditions.

Pre-existing diseases/conditions refer to any condition, ailment, injury or disease that is diagnosed by a physician and is on treatment within 48 months prior to the effective date of the Policy issued by the insurer. Some of the pre-existing ailments include Diabetes, Thyroid, Hypertension, heart disease, kidney disease, etc.

If you are suffering from such PEDs, then you need to complete the PED waiting period applicable for the Policy to avail the coverage for the treatment expenses.



That is before the Waiting Period ends, you cannot claim any hospitalisation or treatment expenses incurred for such pre-existing conditions. This period can last for 6,12,24,36 and 48 months, depending on the Health Insurance Policy opted for.

Disease-specific Waiting Period

Some diseases like Osteoporosis, Hernia, Cataract, kidney stone, few ENT-related disorders have specific Waiting Period to offer coverage. This list may vary from one insurer to another. Make sure to check the list of specific diseases provided in the Policy clause. The disease-specific Waiting Periods are usually 24 months and may vary from insurer to insurer.

Waiting Period for maternity expenses

Not all Health Insurance policies cover maternity expenses in their policies. But some health policies allow you to get benefits for maternity expenses too.

However, Insurance companies levy a Waiting Period before you can make a claim for maternity expenses under your Health Insurance plan.

Some health plans offer **maternity benefits**. Waiting Periods for the same can range from 2 to 3 years. After completing the Waiting Period, you can claim maternity benefits on your Health Insurance plan.

Waiting Period for accidental hospitalisation expenses

There is no Waiting Period in your Health Insurance plan for accidental hospitalisation. The coverage for treatment expenses for accidental injuries starts from day 1 of the Policy commencement.

The initial Waiting Period of your Health cover is not applicable in case you meet with an accident.

The insured can opt for the Buyback of Pre Existing Disease by paying an additional premium for the first year of the Policy. The Waiting Period will be reduced from 36 months to 12 months for the declared Pre-existing disease, subject to approval from the Underwriter.

However, this reduction of the Waiting Period will not be applicable for specified 2 years Waiting Period diseases/ conditions.

Conclusion

Overall, the Waiting Period in a Health Insurance Policy depends on the type of Health Insurance opted by the Policyholder.

Hence, it is wise to check the Policy clause and wordings and choose a plan with a minimum Waiting Period.

And it is always advisable to invest in a Health Insurance plan when you are young, that is, at the peak of good health. This means you can easily pass the Waiting Period without requiring insurance coverage.

As your age advances, you would have already crossed the Waiting Period and would be eligible for availing the Policy benefits.

Star Health Insurance offers a range of Health Insurance Plans which cover the medical expenditure of the Policyholders after certain Waiting Periods. To know the details on the Waiting Period of the Health Insurance Policy, please refer to the Policy wording and clause.

Source : <https://www.starhealth.in>

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HOW DOES RUPEE COST AVERAGING IN MUTUAL FUND SIP WORK ?

- The best strategy to invest is to buy when the markets are low and redeem when the markets are up
- But how do you find out when the market hits its lowest or peaks in value.

The best strategy to invest is to buy when the markets are low and redeem when the markets are up. But how do you find out when the market hits its lowest or peaks in value? This is why the concept of Rupee Cost Averaging plays an important role. It saves you from huge uncertain losses due to wrong timing the market.

When you invest a fixed amount of money at regular intervals, without timing the market, you will end up investing at different level of prices. When the prices are up, you will get lesser number of units and when the market is down, you will accumulate higher number of units for the same amount.

In the long run, this will average out your cost of purchase hence lessens the results of short-term market fluctuation on your investments.

Rupee cost averaging works well in mutual fund SIP where an investor invests a fixed sum every month in a specific scheme.

Illustration on how Rupee Cost Averaging works?

Lets understand the concept better with an illustration. Suppose you invest ₹10,000 every month via SIP in an equity mutual fund



Month	NAV	No. of units (Rs. 1,000 / NAV)
May	100	100
June	90	111
July	96	104
August	110	91
September	100	100
October	94	106
Total	590	613

6 month investment through SIP

In the above illustration, the average purchase price for the six months come down to ₹98.33 (590/6) and you bought total 613 units. If you had invested lumpsum in May, your purchase price would have been higher at ₹100 (NAV) and you would have bought 600 units (₹60,000/100).

Rupee cost averaging works wonders in long term. It does not guarantee a profit, but with a sensible and long-term investment approach, it can smoothen the market ups and downs and reduce the risks of investing in volatile markets.

Source : <https://www.livemint.com>

scheme. Equity markets being highly volatile, the Net Asset Value of your scheme will keep on changing. You will not be able to invest every month at the same NAV. If you started investing ₹10,000 in May, your SIP investment will look like:

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