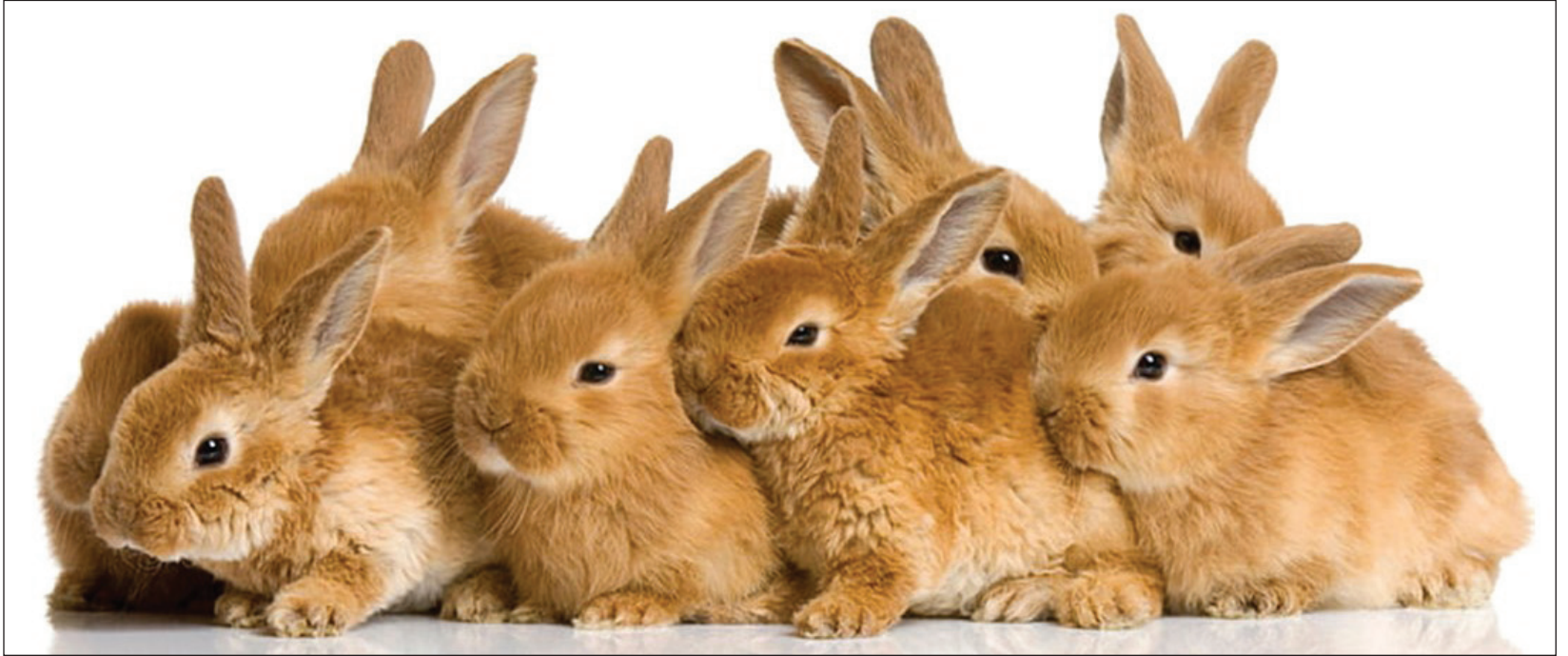




NIVESH CHINTAN SAMACHAR



WHAT RABBITS TELL YOU ABOUT POWER OF COMPOUNDING



Have you ever heard of Thomas Austin? Austin was an English settler in Australia, who In 1859, imported 24 rabbits from England, and released them in Australia. As Bill Bryson writes in *Down Under: Travels in a Sunburned Country*: “Thomas Austin, a landowner in Winchelsea, Victoria... released [24 rabbits] into the bush for sport. It is hardly a novel observation that rabbits breed with a certain keenness. Within a couple of years they had entirely overrun Austin’s property and were spreading into neighbouring districts.”

The trouble was that Australia had never seen anything like the rabbit before. As Bryson writes: “Fifty million years of isolation had left Australia without a single predator or parasite able even to recognize rabbits, much less dine off them, and so they proliferated amazingly.”

The number of rabbits increased at a very high rate of 35% per year, points out Pulak Prasad in *What I Learned About Investing from Darwin*. Now 24 rabbits increasing at 35% per year doesn’t really sound much? Does it? But the numbers just became astonishing as time went by. Five years down the line there were just 108 rabbits, which was clearly not a problem. Twenty years down, there were just 9,700 rabbits. And 35 years down the line, there were nearly 900,000 rabbits. And after this the numbers just went off the charts. There were

17.5 million rabbits 45 years after 1859. At the end of the 66th year, there were 9.59 billion rabbits or close to 10 billion rabbits.

As Prasad puts it, these rabbits “wreaked havoc on the flora and fauna of the continent”. In fact, as Bryson puts it: “Rabbits [devoured] every bit of it—leaves, flowers, bark, stems—until none was to be found. The rabbits ate so much of everything that sheep and other livestock were forced to extend both their range and their diet, punishing yet wider expanses.”

This example of the proliferation of rabbits in Australia shows the real power of compounding along with why most people don’t get it. The rabbits—even though they reproduced at a rapid rate—did not become a problem for a long time. As Prasad writes: “Nothing happened for a very long time! [emphasis in the original]... Even after forty-five years, there were fewer than two rabbits per kilometre. So Australians ignored the rabbit problem for many decades.” Now, the “bigger mystery of compounding is not that it leads to large numbers but that it doesn’t do so for a long time”.

And this has a lesson in investing: The real power of compounding comes into the picture only a few decades down the line, like the number of rabbits jumped from 900,000 in the 35th year to 17.5 million in the 45th. Now how does this stack up when it comes to a real life investing example? Let’s take

the case of the Public Provident Fund (PPF), which has an initial lifespan of around 15 years. Let’s say you invest ₹1.5 lakh every year into it and the rate of interest paid on it amounts to 7.1% per year, as is the case currently.

At the end of 15 years, you would have ended up with around ₹41 lakh. Now, this is a lot of money given that no tax needs to be paid on it. But the real fun only starts after 15 years. Let’s say you are 45 years old and still have 15 years to go before you retire. The PPF account can be extended for five years at a time, with or without contribution. Let’s say you decide to continue contributing and extend the account every five years. At the end of the twentieth year, the investment would be worth ₹67 lakh. By the 25th year it would be worth ₹1.03 crore. By the 30th year, when you are ready to retire at 60, it would be worth ₹1.55 crore. Remember, the PPF investment was ₹41 lakh at the age of 45.

So, as Prasad puts it, “compounding does not lead to significant numbers for a very long time”. Given this, it makes sense to keep extending the PPF account. Clearly, most investors do not benefit from this power of compounding. As Prasad puts it: “What is needed to become a successful investor is not intellect, a commodity, but patience, which is not.”

Vivek Kaul is the author of *Bad Money*.

Source : www.livemint.com

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISK. PLEASE READ THE OFFER DOCUMENT BEFORE INVESTING.



Keval Nivesh Intermediaries LLP, Plot No. RP-108, MIDC Phase-2, Sonarpada, Near DNS Bank, Opp. Runa Chemicals Gate No.1, Dombivli (E)-421201.

www.kevalnivesh.com

91527 29411 / 91527 29501

@kevalnivesh

@kevalNivesh

kevalnivesh

HEALTH INSURANCE :

4 THINGS TO REMEMBER FOR A SMOOTH CLAIM PROCESS

A recent Economic Times online survey shows that almost 60 percent of the people who filed claims were dissatisfied with their experience.

So in this blog, we will talk about what you should do to extract the maximum value from your policy during claims and come out of the process truly satisfied

One of the biggest reasons for dissatisfaction with claims is a lack of awareness of the policy terms and conditions. It can't be stressed enough that every policyholder should read one's policy document as soon as you receive it and if any terms and conditions are not clear, you should call up your insurer to understand more about it.

Let's understand the 4 top terms and conditions that you have to be careful of –

#Number 1: Minimum hospitalisation required is 24 hours

Most health insurance policies require the patient to be admitted for a minimum of 24 hours or more to avail the policy benefits. This is a firm rule but excludes a few daycare procedures which will be clearly mentioned in your policy document. So if you were to go to your hospital for a tetanus shot, for example – you won't be able to file a claim on that basis.

#Number 2: Limits on certain procedures

Your policy will have limits of certain procedures like the maximum price of the room that you can avail of. Now you might want to go for a higher priced room and you'll assume that you can simply pay the difference between the actual rent of the room and the allowable limit. Please don't do that. Contact your insurance company before you do something like this. Insurers often treat room upgradation as partially payable claim.

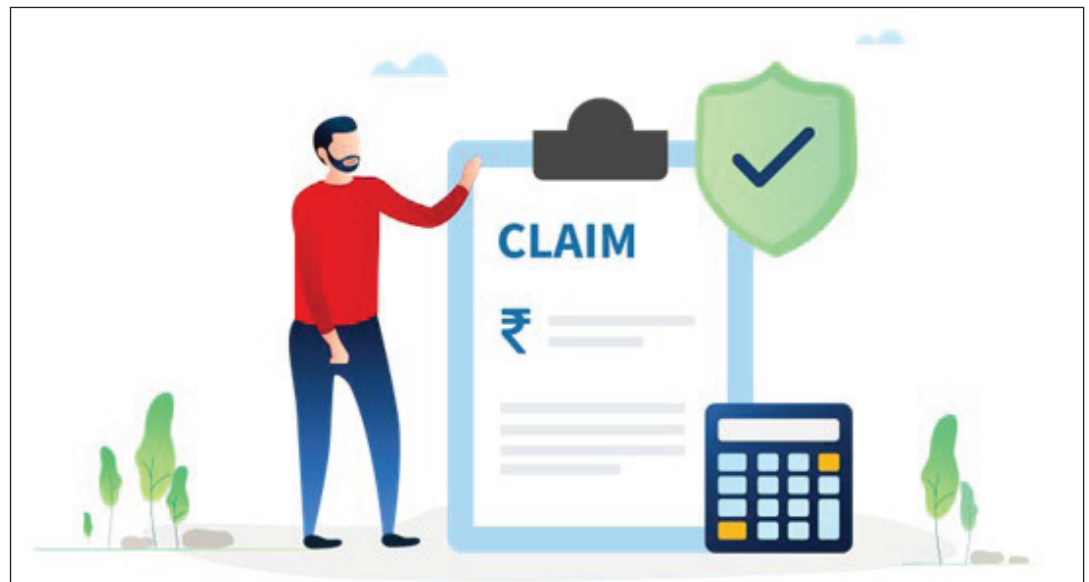
In other words, never decide to alter the terms of your insurance contract unilaterally.

#Number 3: Waiting period on certain diseases

The third area you need to pay attention to is your waiting period on certain diseases. Waiting period is a sort of a hibernation period during which any claims made will not be admissible

A good number of consumers are not aware that claims for certain conditions are inadmissible for upto two years. While these are a handful of conditions but it includes popular ones like tonsils, hernia, cataract etc. A list of these medical conditions will be available in your policy wordings.

And finally there is a waiting period on pre-existing conditions where there is a wait of three to four years. This is another clause that a number of policyholders are not aware of because they did not read the policy document



and leads to dissatisfaction when they apply for claims within the waiting period for pre-existing ailments.

A common problem related to this is that consumers don't state their pre-existing condition while taking the policy. This generally happens under two circumstances. One, when consumers allow agents to fill the proposal form on their behalf. Two, when they take the application process very lightly and leave these details accidentally or on purpose. This is a very difficult situation for the policyholder and the insurer. But because every insurance contract was agreed on the basis of good faith, there is every probability a claim will not be admissible in case the declaration made by the policyholder is false or partial.

#Number 4: Examine the plan's co-payments, sub-limits and exclusions:

The fourth area and the last of the key clauses that has a major impact on the claims are limiting conditions like co-payments, sub-limits and exclusions.

1. Co-payments:

Co-payments are where you will have to pay part of the claim and the insurer will pay part of the claim. If you have ever made a car insurance claim without having zero depreciation on your car insurance policy, you would have noticed that you had to pay like 30-35 percent of the total bill to the workshop and the insurance company paid the rest.

Similarly, co-payment may be triggered in your health insurance contract in some situations which is why you should read the policy document carefully once you receive.

2. Sub-limits:

The same is true for sub-limits which by definition mean that the insurance contract has a capping on how much is payable for a particular illness. Sub-limits are used for

procedures like cataract, total knee cap replacement and kidney dialysis. These too will be in your policy document and will go something like Rs 20,000 per eye for cataract removal.

3. Exclusions:

And finally, the exclusions, which becomes the cause of a lot of hardship. Most health insurance policies don't cover maternity and childbirth, yet a huge number of claims are lodged toward these due to lack of awareness of policy exclusions. Other exclusions in the policy include participation in adventurous activities, abuse of intoxicants like alcohol, mental disorder-related ailments etc.

There are some smaller payments which are generally not included. Again, most policyholders assume that these expenses are claimable but that is not the case. Some expenses which are not payable by health insurance include registration and discharge charges, cost of hearing aid, any toiletries, donor screening charges etc.

Understanding co-payments, sub-limits and exclusions are a must to ensure you are claiming for the right procedures as contracted under your health insurance contract.

The secret to a happy claims experience is to have a clear understanding of what is claimable and what is not under the terms of your policy – most of which is available in the policy wordings. This includes inclusions, exclusion, waiting period, sub-limits etc.

Bottomline

If you are thorough in your research, you wouldn't have to worry about claim rejection. And when you know what is in your policy, then it also gives you the necessary knowledge to fight for any unjust calls made by the insurer's claims team.

Source : www.etmoney.com

10 REASONS YOU NEED TO BUY LIFE INSURANCE

Young people think life insurance is something you need to think about when you get old. But that is a big myth

Buying life insurance is one of the most important financial decisions, but believe it or not, only 10 per cent of Indians are insured. But why is it so important? Well, regardless of how much you earn, no one knows what the future holds. Lots of people die a prematurely every year from illness or accident and, if you happen to be the sole breadwinner in the family and you were to pass away, it could have devastating consequences for your loved ones-their ability to pay household expenses, debts and maintain their standard of living.

The least you can do, therefore, is to secure your family's financial future by buying a life insurance policy. Besides, do not overlook benefits of a life insurance during your lifetime, especially if you are young. We list 10 compelling reasons for buying a life insurance policy.

1. LOOKING AFTER YOUR LOVED ONES EVEN AFTER YOU'RE GONE: This is the most important aspect of life insurance that one needs to factor in. Your family is dependent on you even after you're gone and you certainly don't want to let them down. Whether it's for replacing lost income, paying for your child's education or making sure your spouse get the much-needed financial security, life insurance could save the day for your surviving dependents.

2. DEALING WITH DEBT: You don't want your family to deal with financial liabilities during a crisis. Any outstanding debt-a home loan, auto loan, personal loan, or a loan on credit cards-will be taken care of if you happen to buy the right life insurance policy.

3. HELPS ACHIEVE LONG-TERM GOALS: Since it is an instrument that keeps you invested for the long term, it would help you achieve your long-term goals such as buying a home or planning your retirement. It also provides you with diverse investment options that come along with different types of policies.

Some policies are tied to certain investment products that pay dividends based on their performance. If you are opting for an investment-linked policy, be sure to read the fine print to be fully aware of the potential risks and returns.

4. LIFE INSURANCE SUPPLEMENTS YOUR RETIREMENT GOALS: Who wouldn't like their retirement savings to last

until they do? With a life insurance plan, you can ensure you have a regular stream of income every month. Putting money in an annuity is like a pension plan- put in some money regularly in a life insurance product and enjoy a steady income every month even after retirement.

5. BUYING INSURANCE IS CHEAPER WHEN YOU'RE YOUNGER: Not every millennial needs a life insurance policy. If you haven't created an emergency fund or you're still living off your parents' money, insurance shouldn't be a priority.

However, if you do have dependents or you have co-signed a loan with your parents (or any other member of your family or friend), whether it be a student loan or a home loan, you need to start considering buying a life insurance policy. Besides, coverage costs are much lower when you're single. Insurance agents may try to sell you a policy that you might not need.

Therefore, do your due diligence or approach a financial planner to determine how much insurance you need considering the other assets you may own. Even if you're single, there may be other dependents and you need to ensure they're taken care of. Pradeep Pandey, chief marketing officer, Future Generali Life Insurance, says, "The earlier the better. For instance, single people provide financial support for ageing parents or a sibling with special needs. Insurability is another reason to consider life insurance when you're single. If you're young, healthy and have a good family health history, your insurability is at its peak, and you can get the best rates on your life insurance policy."

6. YOUR BUSINESS IS ALSO TAKEN CARE OF: Life insurance isn't only for yourself and your family. Some insurance policies also take care of your business. If you own a business, then your business partner can purchase your portion of the business without hassle. Your business partner(s) will enter a buy-sell agreement and the payout would go to the deceased partner's nominees, but without giving them a stake in the company. There are two types of life insurance policies-a term insurance policy and a life insurance policy.

While we are all aware of the death benefits these insurance policies provide, we know little about the various options they lay out that could help strengthen your financial position.

A term insurance provides protection for a specified period of time (10, 20 or 30 years) and pays out the benefits only if you die during the

term. The policy will expire and coverage will end if you outlive your policy. An investment-cum-protection plan on the other hand offers you a lump sum amount on the completion of the term of the policy. These plans also offer you protection but the cover is usually not as high as offered with term plans.

7. TAX-SAVING PURPOSES: You could save taxes with insurance policies irrespective of what plan you buy. The premium you pay on an insurance policy is eligible for a maximum tax benefit of Rs 1.5 lakh under Section 80C, and for tax-free proceeds on death/maturity under Section 10 (D) of the Income Tax Act, 1961.

8. A TOOL FOR FORCED SAVINGS: If you choose a traditional or unit-linked policy, you pay a premium each month, which is higher than what it costs to insure you. This bit of extra money is invested and it accrues cash value. This cash can then be borrowed against the policy or you can choose to sell it or draw income from it.

9. YOU MAY NOT BE QUALIFIED FOR IT LATER: Life insurance policies run on uncertainties. You may be healthy now and paying a premium for life insurance may seem to be an added financial burden, but if you suddenly fall ill, you may not be allowed to buy a life insurance policy. Therefore, it is imperative to buy one early on in your life because it remains in force if your health deteriorates later on. Insurance companies allow you to attach certain riders or benefits to your existing or new policy.

These riders enhance the quality of your insurance. The accelerated death benefit rider, for instance, allows the policy owner to avail all or a part of the policy's death benefit if he or she has less time to live due to a critical illness, or wants to use the money for medical treatment or related expenses.

10. PEACE OF MIND: Death is unavoidable. In the face of tragedy, the least you can do for your family is to secure their financial future. Even if it is a small policy, you know that you've done all you can to help them tide over difficult times.

Pandey says, "Life insurance is a great tool for both protection as well as helping a consumer save in a disciplined manner, which leads to creation of a good corpus. The need for life insurance changes at different stages of your lifecycle depending on the financial obligations and dependencies."

Source : www.businesstoday.in

INSURANCE IS THE SUBJECT MATTER OF SOLICITATION.

Disclaimer: All possible efforts have been taken to present factually corrected data. However, the publication is not responsible, if despite this error may have crept in inadvertently or through oversight. This newspaper has been prepared by Keval Nivesh Intermediaries LLP and is meant for use by the recipient and not for circulation. It should not be considered to be taken as an offer to sell or a solicitation by any security. All investments are subject to the financial and other details provided by the Company or Government Body or Post office or AMC etc., to be fully understood and read by the investor before investing and we as a publisher shall not be responsible in any manner whatsoever. Insurance is a subject matter of Solicitation.

6 WAYS TO MEASURE RISK IN MUTUAL FUNDS

From an investor's perspective, the risk is defined as the unfortunate possibility of losing some or all of the original investment. And it is this possibility of loss that becomes a crucial deciding factor in choosing among different types of funds that carry different risk classifications.

For instance, some investors go with Short Duration Debt Funds where the risk is low. Some opt for Hybrid Funds where the risk is moderate. And aggressive risk-takers find comfort in Equity Funds. But the common thing is that every Mutual Fund has some degree of risk.

1. Beta

Beta is a commonly used risk measure and calculates the relative volatility of a stock or Mutual Fund's returns as against its benchmark. So, Beta merely explains the relative riskiness of an asset and does not give the inherent risk of the asset itself.

Beta is measured against a benchmark. In other words, the default Beta of the stock market or the benchmark will always be the numeric value 1. Since the Mutual Fund returns are measured against the benchmark, the value of Beta can be anything.

As an investor, you can use this information on Beta to align your Mutual Fund portfolio according to your risk appetite. For instance, if you are a conservative investor, you might want to focus on low Beta portfolios.

Remember, Beta is a relative measure and does not give the inherent risk of an asset. So if you are that conservative investor and are classifying an investment purely based on the Beta, then you might be in for a rude shock. This is why you should never look at Beta in isolation when selecting a Mutual Fund.

Nevertheless, Beta does have its usefulness as a statistical measure, especially for diversification which can be used along with other risk controls like asset allocation.

2. Alpha

The term "Alpha" is not entirely a risk measure. However, it is very often used together with Beta.

Alpha quite simply measures how much better a fund has performed as compared to its benchmark index.

Therefore, actively managed funds can have positive or negative Alpha depending on how well the fund manager runs the fund. In fact, creating positive Alpha is the entire essence

behind someone investing in an actively managed fund.

Index Funds, on the other hand, will not produce any Alpha. But a zero Alpha is not necessarily a bad thing, especially in the current scenario when most Large Cap Equity Funds are struggling to beat the NIFTY 50 index.

A thing to remember with regard to Alpha and also with regards to Beta is that both these measures are based on historical data and change from time to time. So it would be wise on your part to not treat their past performance as any guarantee of future results.

3. R-Squared

The R-Squared aims to measure a fund's correlation to its benchmark performance, which is done on a scale of 100. So, if the R-Squared is a 100 then it shows that the Mutual Fund's performance is perfectly correlated with the performance of the benchmark.

Generally, if an actively managed fund has a high R-squared value, then it is probably structured like an index and, as a consequence, is performing like one.

A fairly large number of funds in most categories will have an R-Squared of 90 and above. If you want to really look for funds that are below 90, then do explore the Value Fund category, which has quite a few funds with an R-Squared that is less than 90.

4. Standard Deviation

The standard deviation measures the dispersion of data from its mean. And from a Mutual Fund perspective, it represents the volatility or riskiness of the fund.

As a rule, the higher the standard deviation, the more volatile the Mutual Fund on a historical basis. Typically the Sectoral Funds or Thematic Funds like Banking and Infrastructure Funds and even Small Cap Funds would have a high standard deviation due to the high volatility in annual returns with these funds.

However, higher volatility may not always be a bad thing, and some investors might prefer that as it allows them to earn superlative returns in some years.

In other words, your risk profile determines how you view a fund's performance through the lens of standard deviation. So if you prefer more predictable performance, then opt for funds with a low standard deviation like Hybrid Funds. But if you can fathom the ups and downs of volatility, then don't shy away from

high standard deviation funds to make more Alpha from your investments.

5. Sharpe Ratio

The Sharpe Ratio measures risk-adjusted performance. It is calculated by subtracting the risk-free rate of return from the fund's returns and then dividing the result by the standard deviation.

Since the Sharpe Ratio is actively used in many models, it is also essential to look closely at this Ratio when you are comparing funds. And that is because, like many statistical tools, the Sharpe Ratio too can lead to some misleading inferences if used in isolation.

6. Sortino Ratio

The Sharpe Ratio uses the total volatility in its calculations in the form of standard deviation. This is where the Sortino Ratio is different as it only uses the fund's downside standard deviation in its calculations.

So as a formula, the Sortino Ratio is much like the Sharpe Ratio and subtracts the risk-free returns from the fund returns. But instead of dividing it by the total standard deviation, it divides the difference with the downside deviation.

So a higher Sortino Ratio reflects a lesser chance of downside deviation in the Mutual Fund scheme. This Ratio is beneficial for risk-averse or conservative investors. And in the real sense, it determines the success of a fund in capping its downside volatility. In fact, not just conservative investors, the Sortino Ratio is a useful way for all kinds of investors, analysts, and portfolio managers to evaluate a fund's return for a given level of bad risk.

Summary

To sum up, a high Alpha, a high Sharpe Ratio, and a high Sortino indicate better potential performance for a fund. Similarly, a low Beta and a low standard deviation indicate lower volatility for the fund. And a higher R-Squared indicates a better correlation with the benchmark.

This is a very thumb rule-based way in which you can use the six measures of risk explained in this blog.

These risk measurement tools are rather important. They help you evaluate your funds better and create a system of checks and balances in the selection of funds, which otherwise would have always been based on historical performance.

Source : www.etmoney.com

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISK. PLEASE READ THE OFFER DOCUMENT BEFORE INVESTING.

If undelivered please return to:



Keval Nivesh Intermediaries LLP, 706/B-2, Camellia Valley, Khadakpada, Gandhari, Kalyan (West) 421 301.

✉ salesupport@kevalniveshv.com 🌐 www.kevalniveshv.com
☎ 91527 29411 / 91527 29501