

Wealth Wisdom

At Capital League, we've had the privilege of working with very smart and successful entrepreneurs and professionals. And we've observed very closely how flawed some of their thinking tends to be when it comes to managing the wealth they have so painstakingly created. And often, we land up asking ourselves "Why do even "smart" people do "stupid" things with their money"?

Why do we feel happy about the safety of our portfolio when we are actually destroying it? Why do we treat money kept aside for children's education differently from the money received from a bonus? Why are we eager to book profits in a hurry while nursing losses for years?

It is these questions that spurred us to create Wealth Wisdom. Wealth Wisdom is our attempt to help affluent individuals understand where they sometimes go wrong in managing their wealth, where they sometimes make mistakes that they shouldn't. The objective of Wealth Wisdom is to sensitize affluent individuals about some of the common blunders that people make in managing their wealth. If this effort helps you in avoiding such blunders that we have seen many people make and puts you on the road towards investing success, we would consider this a worthwhile effort.

Wealth Wisdom is an educational platform with multiple formats which currently include a periodic newsletter and short presentations that we make for corporations and associations. Wealth Wisdom is part of Capital League's CSR (corporate social responsibility). Wealth Wisdom does not seek to promote any product or investment strategy in any of its formats.

Capital League is a boutique, wealth management firm and is counted amongst India's leading independent financial advisors. The firm is headed by seasoned private bankers.

Successful Indian families are finding it counter-productive to individually deal with multiple investment advisors, tax consultants, accountants, insurance agents, stock brokers and lawyers for managing their personal wealth. They are increasingly recognizing the value of a 'Family CFO' – an experienced guide, a financial coordinator and an advocate who would offer unbiased advice within the unique context of that family's circumstances and goals. Capital League has emerged as family CFO of choice to successful families.

Capital League allows its clients the opportunity to continue doing what they do best: building wealth, pursuing hopes, and living the life of their dreams.

At Capital League, we have a singular passion – to be client centric – and that guides everything we do. We believe that our combined 45 years of private banking experience gives us the necessary expertise to help our clients achieve their wealth protection and wealth creation objectives.

Wealth Creation

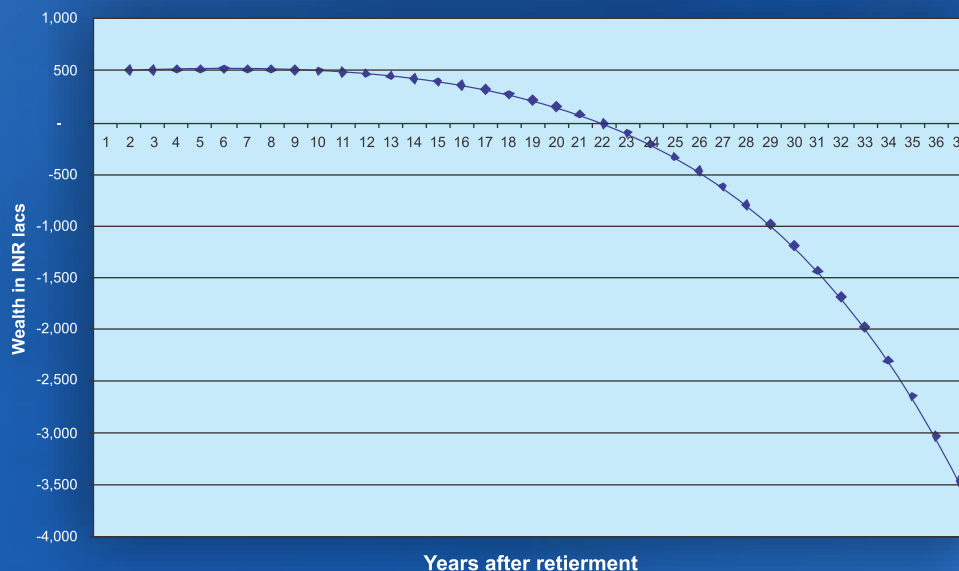
“Investment in Fixed Income ensures wealth preservation...”

Mr. Kapoor has been a Senior Executive with a renowned MNC and is ready to retire in a month's time. He has built a retirement corpus of INR 5 crores. He has invested this corpus primarily in fixed income instruments namely Bank FDs, RBI Bonds, etc. This corpus is expected to generate a post-tax interest of 6-7%. He is confident that this strategy will meet his objective of preserving wealth and generating a regular income to take care of his expenses while maintaining the current life style enjoyed by his family.

Mr. Kapoor has estimated that his annual expenses are approx. INR 24 lacs and an annual overseas vacation for him and Mrs. Kapoor will cost another INR 4 lacs per annum. A simple calculation shows that his annual income from his retirement corpus will generate a post tax return of INR 35 lacs every year. Hence, he feels very comfortable that he would not only be able to maintain his current life style but would also generate a surplus every year which would take care of medical expenses in old age while leaving his corpus intact which he would like to leave for his children.

So what is wrong with Mr. Kapoor's well thought out plan?

Wealth Preservation?



The above chart graphically depicts how the animal of inflation can eat into your returns! Even an investment in a fixed income instrument, generating a post-tax return of 7% will barely generate wealth after adjustment for 6% inflation over the long run. The retirement corpus actually starts depleting from the 10th year onwards and by 22nd year, Mr. Kapoor has not only spent his interest income but has also consumed his corpus!

Wealth preservation is a myth!

At Capital League, we believe that Wealth Preservation does not mean preserving the original value of the portfolio but preserving the Purchasing Power of the portfolio!

How much is enough?

ARUN ABEY & ANDREW FORD

(an extract....)

What does money mean to you? What is its role in your life? And how much is enough? These seem simple enough questions, but many people never take the time to consider them.

Research shows that such questions often elicit, instead of rational responses, a maze of emotions. Understanding the meaning of money in our lives, and these emotions, will help us become both wealthier and happier.

Psychotherapist Stephen Jenkinson argues that money arouses 'prehistoric' desires for safety, security and plenty, plus anxieties it cannot hope to satisfy.

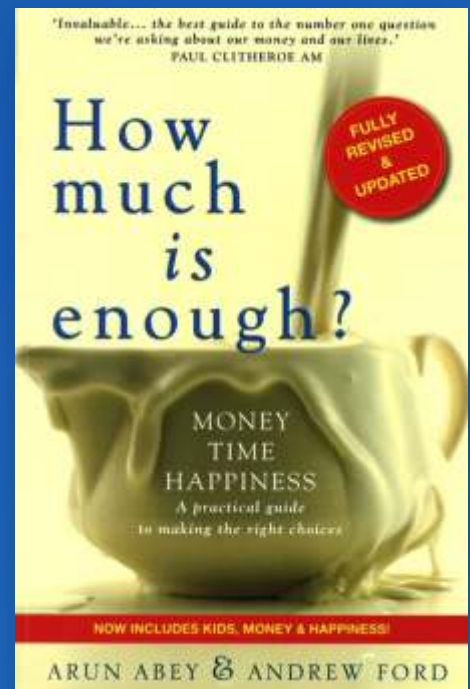
Money brings an incredible range of emotions and behaviours to the surface, from greed to pain, arrogance, jealousy and betrayal to sheer lust—and more. All this turmoil makes a joke of the traditional economist's definition of money as a 'neutral medium of exchange'. In fact, Wilson puts it well when she argues that money is as much emotional as legal tender.

Further, because of the unexplored area of money and personal values, it is often seen as a measure of personal worth, rather than simply an 'enabler' making possible actions that support human values.

The Ancient Greek philosopher Aristotle understood this. He viewed money as having two functions: *as a means to an end, and as an end in itself*. He felt the latter was fraught with peril. In other words, the pursuit of money for its own sake, with no connection to what is truly important to us, is unlikely to improve our lives.

As a means to an end, however, it may be an altogether different story, as the world's two richest people, Microsoft founder Bill Gates and investor Warren Buffett, have shown through their charitable work.

Building substantial wealth can bring the great satisfaction of making a difference to the lives of others, as well as your own, and this is an important part of what constitutes a meaningful life.



Capital League Wealth Creation Conclave 2011 "INDIA: SUPER POWER?"



From left to right: Panelists -Madhusudan Kela, Chief Investment Strategist, Reliance Capital Group, Ravi Bhoothalingam, Former President, Oberoi Group of Hotels, Amal Ganguli, Advisory Board Member, Capital League and Former Chairman, PWC, Prashant Jain, ED & CEO, HDFC MF, Raghav Bahl, CEO & Founder, CNBC TV18.



Mr. Subodh Bhargava, Member, Advisory Board, Capital League and Chairman, Tata Communications launching the book "SUPER POWER" written by Mr. Raghav Bahl, CEO and Founder, CNBC TV 18 (right)



The Capital League team with Madhusudan Kela and Prashant Jain



The Capital League partners in discussion with Raghav Bahl



The esteemed gathering listening in rapt attention to the preview to the book by Raghav Bahl



We are beginning to make a mark.....

Capital League Wealth Creation Conclave 2010 "PARTICIPATING IN THE INDIA GROWTH STORY"



From left to right (A Balasubramaniam, Birla Sunlife, Anup Maheshwari, DSP Blackrock, Vinita Idnani, Partner, Capital League, Rajul Kothari Partner, Capital League, Nilesh Shah, ICICI Prudential, Navneet Munot, SBI Mutual Fund conducting the panel discussion.



Sapna Narang, Managing Partner, Capital League



The Capital League Team