6 Investing Myths Demystified

Believing certain myths about investment can be detrimental to your financial objectives. It can lead you to take wrong decisions or stop you from investing in profitable vehicles. Given below are 6 common investment myths which you must banish from your mind in order to build wealth

Myth 1: There lies a secret to lucrative investing which not many people know

As per Warren Buffett, there is absolutely **'no secret'** to be a successful investor. You have access to all the details about mutual funds, stocks stating their past performance. Browse finance blogs, look up your desired investment product on several web-sites and gather all the necessary information. All you need is great discipline. For assistance, you can approach an expert financial advisor to take the right decision.

Myth 2: It's too soon to think about retirement planning

Creating sufficient corpus for retirement is often the last thing on a person's mind. However, the fact is that the earlier you start investing, the larger corpus you will have, to lead a suitable lifestyle once you stop working. The ideal age to begin planning is when you start earning since you have fewer responsibilities to take care of.

Myth 3: Diversification is not important

This is perhaps the most dangerous myth which should be cleared. Investing all your funds in one asset category say equity for example puts your financial future at a high risk. Since the equity market is volatile, a downfall can affect your finances. Diversification is the best way to balance your investments by taking planned risks.

Myth 4: Investments require lot of money

You don't need crores to be a successful investor; you can begin with few thousands and eventually scale higher. For example, if you start investing Rs.2000 in a SIP of Equity mutual Fund, you will be able to create a corpus of 30 lakhs at 15% CAGR. Over the years, as your income rises you can invest in other classes such as Fixed Deposits, debt Mutual Funds, Real Estate etc

Myth 5: Fixed Deposits are the best investment vehicle

Bank deposits are a popular investment option in India. No doubt they are a safe financial planning tool and offer fixed returns, but that doesn't mean that you should put all your money in fixed deposits. The interest earned is taxable and the amount received post tax might not beat inflation. For example a 1 year State Bank of India FD returns 7.25% which turns out negative (net returns post tax) for investors in 20% and 30% tax bracket if we consider Inflation of 6%

Myth 6: Invest where everyone's putting their money

Just because a large group of people is investing in a particular mutual fund, you need not do the same. Keep in mind that each individual has a unique set of financial goals which might not be achieved by following what others do. Don't go along with the crowd, stick to value investing and take wise decisions in line with your monetary aims.