

## FOLLOW UP TO WAR OF FDs

*August 1, 2017*

I read that SBI has decided to cut interest in savings deposits rates for deposits up to 1 crore. They will now pay only 3.5% interest on balances less than 1 crore. All banks will follow suit. It is a given because SBI is still the big daddy of Indian banking and if SBI does something which helps banks in increasing their profits then other banks will happily follow suit.

This move of SBI is providential because it ties in almost perfectly with what I have said in the last couple of notes. I have been harping on why money should not be in fixed deposits. Today, I want to even say that money should not even be in savings bank account. Liquid funds which are funds where the fund manager can invest money in only the shortest term of instruments like Treasury bills, bank cds etc. are almost entirely risk free. The best part is Liquid Funds almost always give a return higher than savings bank and in some cases higher than even short term Fixed Deposits.

To top, it on redemption the investor gets his money by the next day morning. So other than money required for almost immediate requirements, most money should at least be in liquid funds. All fixed deposits should be broken and invested in debt mutual funds.

I have seen cases where investors are lax about their money in their savings account and in their Fixed deposits where their returns can be increased simply by buying equally risk free debt funds. But the same investors are then very interested in getting higher returns by putting a lot of their money into complex structured products or Portfolio Management Schemes.

My suggestion to my friends is to simplify their lives by doing the basic things right. The extra yields that they desire will be available simply by getting their basics in place. Only after all the basics are in place should the investor consider doing stuff that can generate higher yield at higher risk.

I really feel good now! There is the warm afterglow that comes from doing a good deed. Because writing this note is indeed my good deed of the day! My parents said always be good and do good. They also said "Well begun is half done" (Actually they must have said some version of this statement...all parents do) While I rarely listened to their advice, in this particular case I have clearly decided to take them up on it.

Today is the first of August and so a note to my friends, client and hopefully prospective clients in the beginning of the month is "Well begun". The second part of their advice i.e. 'half done' is really not in my hands. It is in yours...literally. And that 'It' is nothing else but your smart phone. Pick up the phone and call me or even whatsapp me!

I will help you get your basics in order so that you can have a simpler investing experience. I really believe that investing is not a complex process and the simpler the investing process becomes, the better the clarity and the better the returns in the long run.