



ODI & Fixed Deposits

Oct-Dec, 2017

Gavaskar is famous, rather infamous, for two incidents in his cricketing career. One, of course, was the famous incident with Lillee in Melbourne where he just about forfeited a match in a fit of anger by almost forcing his opening partner Chetan Chauhan off the field.

The other was in the inaugural World Cup in 1975 in Britain. Gavaskar scored an excruciatingly painful and slow 36 not out in 60 overs while chasing an English total in excess of 300. This was inexplicable and has never been completely explained by the great man himself.

The point is that India lost badly. If every ball that Gavaskar faced that day was considered a battle and not losing one's wicket as "victory" then Gavaskar won every battle that day. But India lost the war. In fact the very act of trying to win every battle against the bowler by not losing his wicket was another nail in the coffin in the overall war.

Those were early days of One Day Cricket and perhaps Gavaskar has not understood the tactics of the game completely or he really did not think that India could ever achieve the mammoth total that England had posted. Whatever be the case, India lost that day and lost badly. But if Gavaskar had understood the game of One Day Cricket for what it really was, that is he understood that the battle was not to prevent the loss of his wicket but the battle was to keep up with the required run rate then he would not have considered saving his wicket a victory. He would have realized that **ONLY** scoring at the required run rate ensures a **VICTORY**. Not scoring at the required run rate only serves to ensure a **DEFEAT**.

This same holds true in the game of **INVESTMENT**. Most investors are loathe to experience any loss of their hard earned money the same way Gavaskar was loathe to losing his wicket. But the real game of investment is **NOT** about not losing the capital but to ensure that we make returns at the required rate.

In the game of investment the required run rate is nothing else but **INFLATION**. The game of investment requires the investor to at least score at equal to or better than inflation (Net of taxes) to win the game. In an attempt to do so he might lose some skirmishes and battles along the way i.e. lose some of his capital while trying to earn more than inflation, but the objective is to win the **WAR** i.e. over a period of time earn more than inflation.

As of now, one of the worst mistake any investor can make is to park his funds in Fixed Deposits. The idea is similar to Gavaskar's effort of not losing his wicket. But this investment in FDs is a sure fire way to lose in the game of investment. Fixed deposits are almost a certain way to not lose one's capital but at the same time it is also a surefire way to not score at the rate of inflation and thus overall lose the game of investments.



The real problem is that most investors do not understand the game that they are being forced to play. They do not realise that they really do not have a choice. They cannot opt out of this game. Inflation is a reality and every investor is forced to play the One Day game of cricket where the run rate to beat is the rate of inflation. If an investor makes a mistake about the game that he/she is willy-nilly being forced to play, then the investor will make a mistake of trying to preserve capital like Gavaskar did and will win several battles but will lose the great game at the end.

So my suggestion is this. Other than the money you need for a couple of months, please-please stop investing in FDs. There are several categories of debt funds that can beat FD returns and beat inflation NET of tax. The risk in those investments can be managed by diversifying across a few funds in such a way that the overall increase in risk over the risk of a FD is almost negligible.

Do call your Way2wealth Relationship Manager for more details.