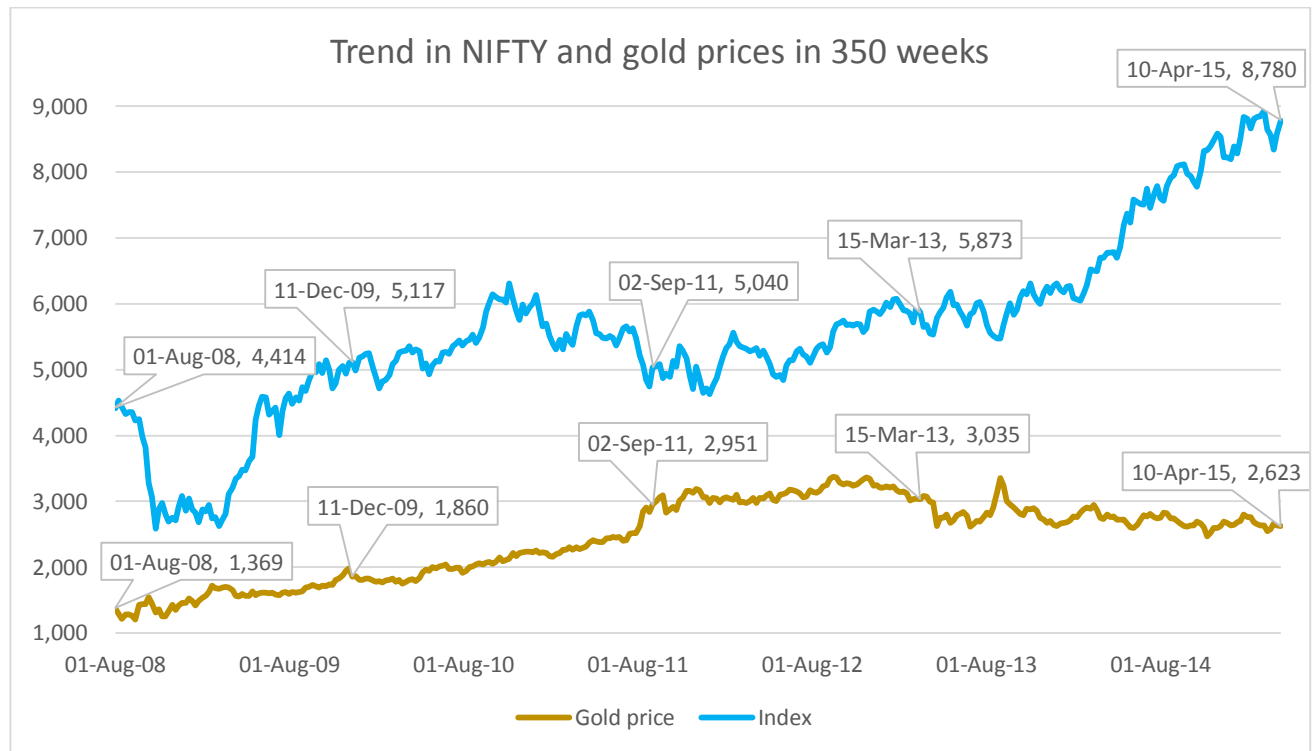


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Investing Rs 1,000 a week for the last 350 weeks

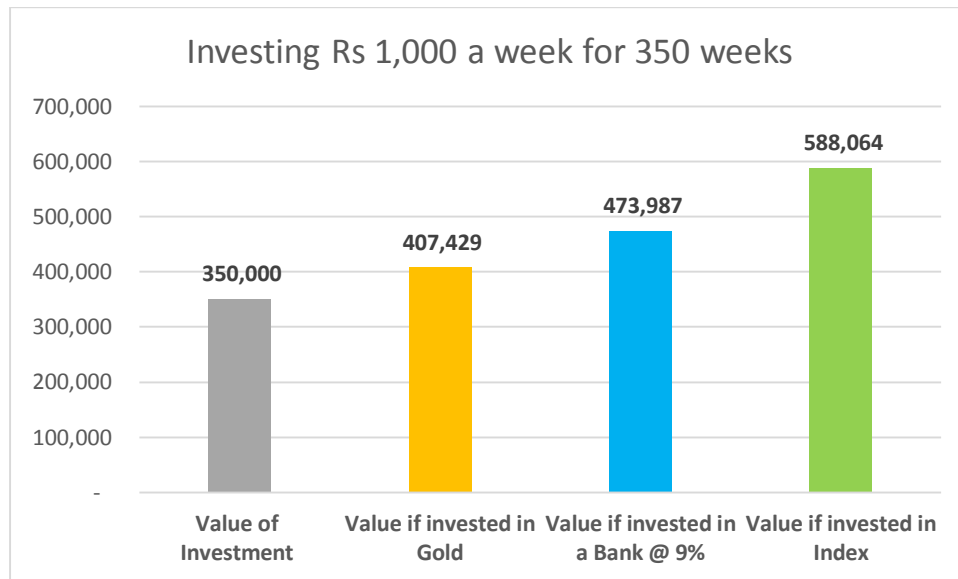
As Vikatan is publishing its 350th edition, we wanted to present the outcome of investment Rs 1,000 a week into various investment products – gold, bank paying 9%, and Index (Nifty).



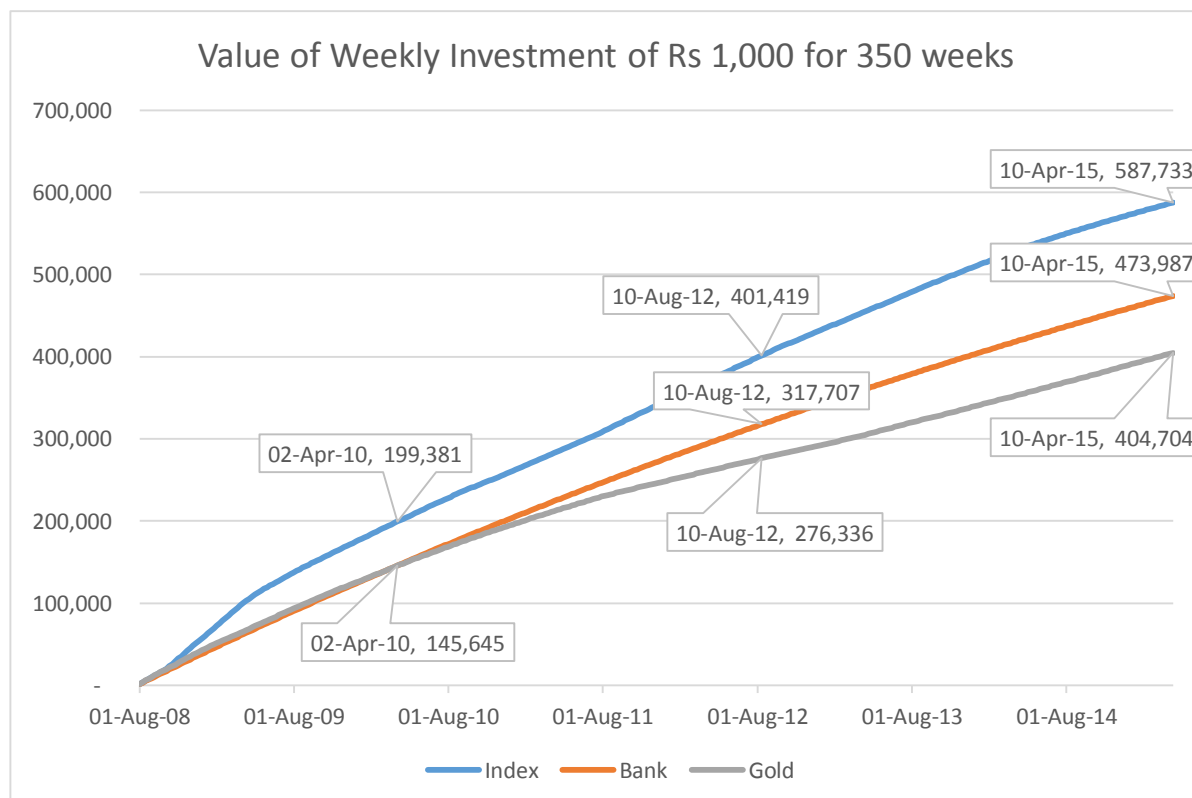
Over the last 350 weeks, the price of gold went from 1,369 on 01-Aug-2008 (350 weeks ago) to 2,623 on 10-April-2015. This is an increase of 91%. NIFTY went from 4,414 on 01-Aug-2008 to 8780 on 10-April-2015. This is a 99% increase. The difference does not appear to be significant. Now let's see how they perform in regular investing.

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If one were investing Rs 1,000 a week for 350 weeks then one would have invested Rs 3.5 lakhs over the last 7 years. If this was invested in gold one would have Rs 4.08 lakhs (16% return). If this was invested in bank paying 9% interest this would be worth 4.74 lakhs (35% return). The same amount invested in a NIFTY index fund would be worth Rs 5.88 lakhs (68% return).



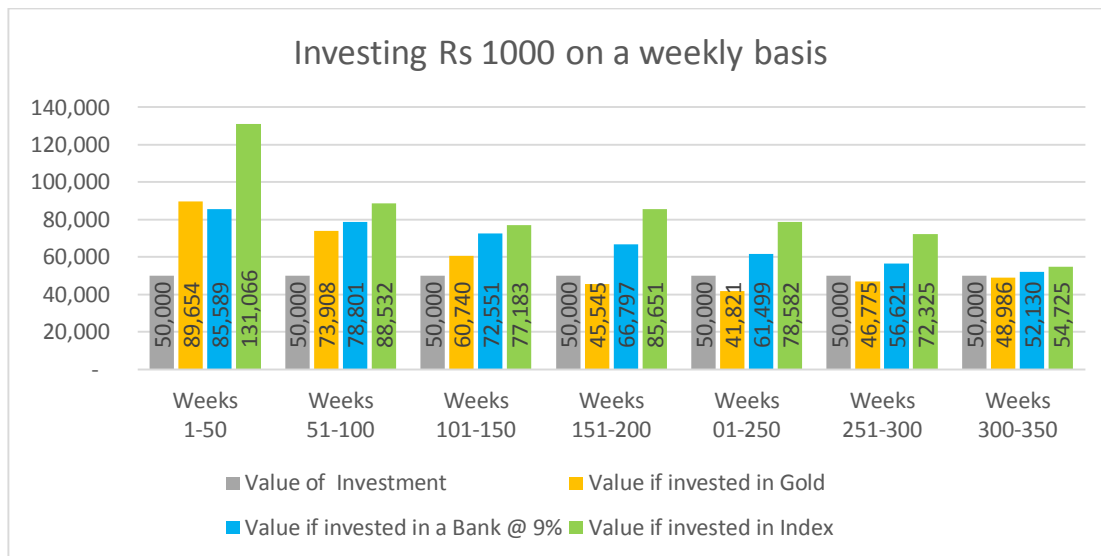
If we look at the accumulated wealth over a period of time we can clearly see that Equities are much superior for wealth creation. Wealth generated by investing in a bank has also exceed wealth in gold in the 350 weeks.



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Let's break down the returns by groups of 50 weeks (approximately a year). Let's now look at the first 50 weeks

- 50,000 would be invested in first 50 weeks.
- If it were invested in gold it would be worth 89,654 today, a 79% return
- If it were invested in a bank at 9% it would be worth 85,589 today, 71% return
- If it were invested in NIFTY it would be worth 1,31,066 today, 162% return



The chart below clearly shows that the holding any product longer gives better returns. This implies buy and hold is a good strategy irrespective of the product. This is especially true for equities as the long term rate of return for equities is far superior to all other products.

Conclusions we can draw from this analysis:

- Investing on a regular basis will help build wealth at a low risk as this averages out the fluctuations in market. Readers can choose a frequency of investing – be it weekly, fortnightly, monthly or quarterly. The key is to have a disciplined approach.
- The longer we hold the better the returns due to power of compounding.
- If one has a long horizon one is better off investing in wealth creating products like Equities as opposed to wealth storage products like gold.

Disclaimer: The information provided here is based on our opinions plus our statistical and financial data and independent research. The article does not constitute individual investment advice and is not intended to be a solicitation for investment advisory services.

About the Author: Praveen Reddy is a SEBI certified investment advisor. He is the founder and Principal advisor in IndusWealth, an Investment advisory firm. He has worked with financial services firms like RBS, Bank of New York Mellon, Credit Suisse First Boston. He has an MBA from IIM Calcutta and a B.Tech from IIT Kharagpur.

