

## **Dhan ki Baat #5 – Simple is Best**

### **Why is Simple Best ?**

Simple is best if by being simple you can avoid poor performance and actually in many cases get better performance by being simple. Read more to find out how to avoid the poor performance trap because of simplicity and how to enhance performance with simplicity.

### **Avoiding Poor Performance with Simplicity**

The simplest solution is to leave all your money in a savings account. The performance loss would be huge. Using fixed deposits is better and many in India choose this route and/or PPF. While these are simple the performance loss is still pretty high. See Dhan ki Baat #1 – FDD & AAD.

### **Enhancing Performance with Simplicity**

Many people like to put a little money in many things. The logic goes like this. At least one of these will do well and make feel like a hero. If you do not want to fool yourself put the bulk of your money in a few simple things that you understand. For most people this would mean just two mutual funds a direct equity index growth fund and a low duration debt fund. With mutual funds if your portfolio has more than five funds you should ask the question, Why?

### **All your eggs in one Basket ?**

A key concern for a lot of people. If you examine this concern and pick your basket wisely then you will realize that all eggs in one or few baskets is a great idea.

### **Monitoring your eggs ?**

You should monitor your basket and if there are rotten eggs throw them out. Some baskets may not require monitoring like index funds as those who construct the index do the monitoring for you.

## **Financial Literacy Nuggets**

Dhan ki Baat messages give you nuggets that you can study to improve your financial literacy. Lookout for the next message on “Dhan ki Baat”.