Chapter 1

BURNING THE JUNGLE

Over the last couple of years, I have come across thousands of investors who wanted that one secret for wealth creation; that one secret which can change their financial lives. Everyone is looking for that magic formula which will transform their wealth creation process. Sadly, there is no single thing in life which can make it happen; but one thing comes very close. And I am going to share that open secret with you. I call it an "open secret" because its not hidden; you're probably aware of it…you just have to recognise it, that's all! That secret is "Start investing early". In the next few pages, I want to make you aware of the power of early investing and the impact it can have on your financial life.

These days, common Indian investors are worried about how to save money to meet financial goals. These could be the finances required for their child's higher education, a nest egg for retirement, the money needed to buy a house... or any other big ticket dream on the horizon. When they think about the amount of money they would need after 10-20 years to fund a particular goal, it scares them! It starts to look like a daunting and unachievable task. For example, a man who is 30 years old today would require several lakhs after 20 years to fund his child's graduate + postgraduate education. The big figure could be anywhere between 40-50 lakh, who knows! If you consider all the expenses you have to shell out right from your child's primary school till she completes her college degree and add to that living expenses, it can total up to an amount which might literally give you shock . Think about it.

So what is it that this common investor should have done to make the whole process of wealth accumulation much, much simpler? Many think that the answer lies in some "hidden" knowledge or a big secret or just plain luck. While all of these may be important, they are not the key! The key to accumulating wealth is unbelievably simple - just start investing early in life. This doctrine is so powerful that it sometimes even discounts the mistakes or stupidities you make in your financial life. It's such a "common sense" thing that it is not visible to the common investor, they just overlook this simple fact.

Are you procrastinating?

A lot of people procrastinate, some by choice and some due to ignorance. They always think that starting with a small amount would not make much of a difference, when they aim to accumulate great wealth. They feel,

"How much can saving of few thousands per month impact my goals which require lakhs and crores!"

Imagine a person who wants to accumulate 2 crore by the time he retires, 30 years from now. He may not be motivated to save Rs 1000 or Rs 2000 today as it looks too small to have any impact on that BIG goal. He can't see the power of small investments and how these can contribute to his final goal of accumulating Rs 2 crore. But let me show you some examples, which may look unbelievable to a common investor. These examples will motivate you to read further and find out what you may not know yet. Then we can move deeper into the ocean of "early investing" and "the power of coumpounding".

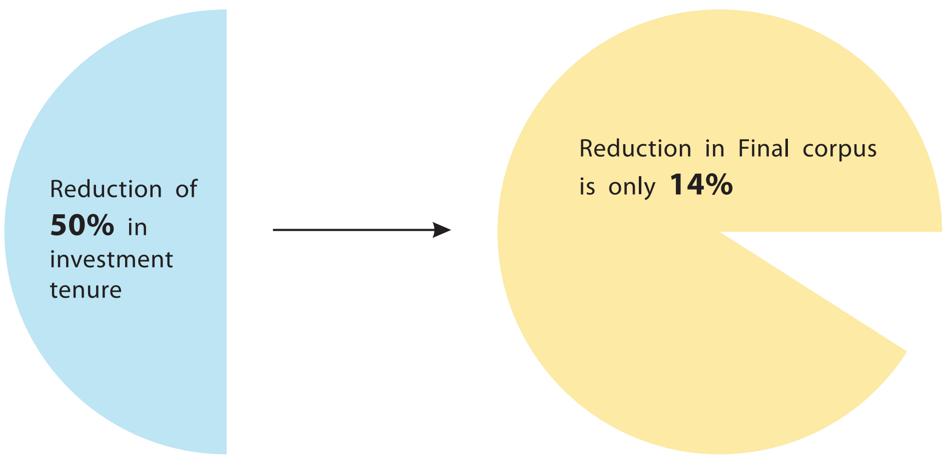
Example 1

Imagine two friends Ajay and Vijay. Vijay invests Rs 1,000 per month for 30 years at 12% per annum, whereas Ajay invests Rs 1,500 for the first 10 years at 12% per annum and then just lets this investment grow at the same rate for the next 20 years, without making any further contributions later.

Now, Ajay is going to accumulate around Rs 54 lakh at the end of 30 years although he has contributed a total of Rs 1.8 lakh during the first ten years. Vijay will accumulate only Rs 36 lakh, despite investing Rs 3.6 lakh over the 30 year period...

Even though Vijay invested more than Ajay , he was not able to accumulate more money than Ajay. This is simply because Ajay contributed more at the start.

Example 2



Suppose you have 30 years in hand and you decide to invest a certain amount every year, in a financial product that gives you a 12% return. You will collect a certain amount – principal and interest – after 30 years.

Now, let's say you reduce the investment tenure by half – from 30 years to 15 years, and allow the money to grow in that same financial product which gives you a 12% return for the next 15 years. The amount that you collect after 30 years – principal and interest – will be only 14% less than it would have been in the first case...where you contributed for all 30 years.

---

[1] Assuming that the interest is compounded monthly

Example 3 :

Investment required per month to generate 5 crores in **35** years, assuming a 12% return

Investment required per month to generate 5 crores in **25** years, assuming a 12% return

The above examples might have opened your eyes wide to what early investing can do to your financial life. Now let's explore why this is possible...

From here on, whenever I refer to investing and compounding in this chapter, I will be assuming a capital of Rs 5,000 per month invested for a period of 30 years at a rate of interest of 12%, unless I state otherwise. I have chosen the rate of 12% as a benchmark because it is considered a standard return for equity over the long term. In case you don't understand all this, don't worry; just skip it and move forward. Don't let these assumptions create a block towards understanding the examples that are coming up.

Time in hand is like a powerful sword

When we coach people with regard to their financial life, we notice something: The biggest reason why their financial life is in a deep mess is not because of their lack of knowledge or their lack of earnings. In fact, most of them earn well and are pretty smart. They are all successful at what they do. The biggest reason is that they have lost that part of their financial life which could have created magic - "the starting years". It all boils down to not having taken action early in life. Time is that one weapon which, if present in your financial life, increases your chances of financial success greatly. You can call it the **"Bramhastra"** of creating wealth.

> **"Start investing early. If you don't, you are committing a crime which you will pay for all your life..."**

I see a lot of people spending too much time worrying about money and wondering how their financial goals will be acheived. They spend so much time on things which matter so little - like "which is the best stock to invest in" or "which mutual fund should I put my money in" or "which policy gives the highest returns". In doing so, they are lost in the confusing world of personal finance and deviate from the only solution they should have implemented long back in their lives, which is starting to invest early!

When we start earning, we are generally single. We have less responsibilities and have ample ways of cutting down on our expenses. We are in a position to save a substantial part of our income. We usually have some years in hand before we get into a marriage and all the responsibilities that come with it. Instead of using that precious time and opportunity, a lot of us waste it thinking that we can always start saving later; perhaps when we have more money or when we get a job that pays better. But sadly, life is not like the 'Saas bhi kabhi bahu thi' serials, whose structure can change every week or with every episode.

Tell me frankly, how different has your life been from what it was last year or from how it was the day when you first started procrastinating over your saving and investing plans? Life does not change, it's we who have to change and take bold decisions. We always have some reason or the other to not save or make the effort to start investing early. Remember that 5 or 10 years lost at the start is a crime which will haunt you for the next 40-50 years. Don't commit this crime!

Creating long term wealth is like growing a tree

Have you ever planted a small sapling? One month after you sow the sapling, it may not look any different; but you will notice some changes after 3 months. After 2 years, it will probably have grown to a good size. Yet it would not be big enough to repay you by giving shade and fruits. When you see the same tree after 20-30 years, it will be so big that it's hard to believe that it started out so small. But to help it grow to that point requires a lot of patience, hard work and belief that it can happen.

Growing wealth is somewhat similar to growing a tree. We start small and keep investing for the long term. We may not be able to invest a lot in the beginning but we can increase our contribution when we earn more or start saving more, as life progresses. However, nothing compares to starting early in life.

> “Early investing is very much like growing a tree..., If you take good care of it at the start, it will take care of itself later !”

How does money grow and multiply?

Before we figure out how money grows, I would like to share with you an example which I call **"Fire in the Jungle"**.

Have you ever heard news of a whole jungle catching fire and everything getting burned down? Now imagine how it might have all started… Do you think someone went from tree to tree, burning each one down one by one? I don't think so! Perhaps one can go from tree to tree and bush to bush and set fire to each one, one by one, to get the same effect, i.e. a jungle on fire… but you don't need to work so hard! All you need to do is to make sure is that you fire up some of the trees to a self sustaining level so that the fire catches on and spreads to other parts of the jungle. There will come a point when it would be idiotic to burn up more trees because by the time you burn a single tree, hundreds of trees would be catching fire on their own! It's called **"compounding"**.

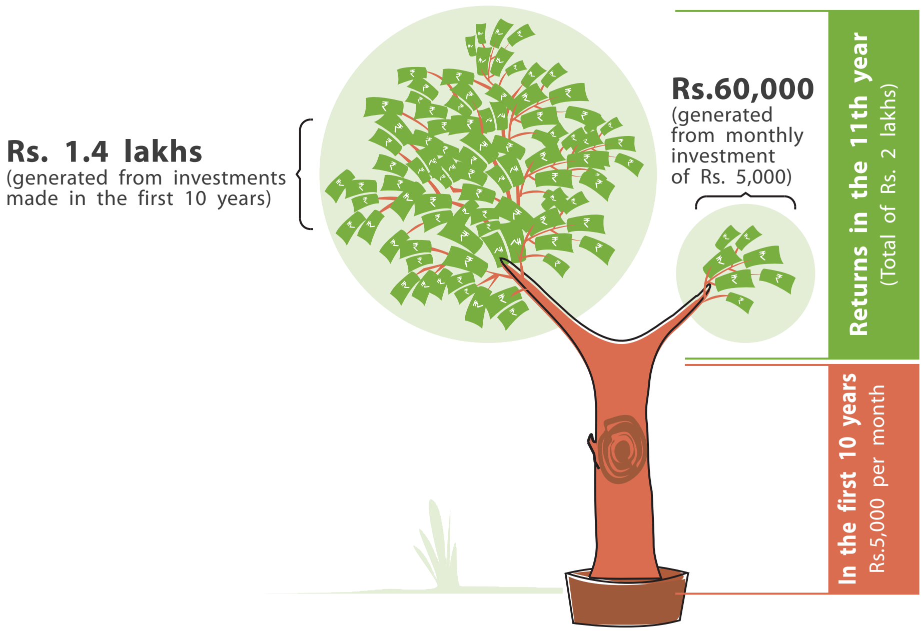
What on earth has this fire in the jungle to do with growing our wealth and starting early in life? It has a lot in common. The investments made in the early years of your life are the same as spreading a fire in the jungle… after a point, just like the fire compounded itself and spread so vigorously, your money will also grow to some extent and then the returns generated on it will be so great that your contributions will look small in comparison. A lot of investors miss this part and never act on starting early!

So now can you tell what makes money grow? The answer is "Money itself"! And obviously, we also need to help it to grow by investing it. When you start investing, your money starts getting accumulated and every year it starts generating returns which are added to the investments. While that return is a small amount in the starting years, over time it keeps on accumulating and then the interest per year becomes really significant.

Let me show you how…

Suppose you start out by investing Rs 5,000 per month for 30 years. In the last year (the 30th year) you will invest 60,000 from your pocket. However, the return for the 30th year itself would be Rs 18 lakh. Just imagine that! And guess what, out of this return of Rs 18 lakh, which you get in the last year, 12 lakh comes because of the contribution that you made in the first 10 years and the remaining 6 lakh comes from the investments made in the next 19 years.

It's critical to understand why this has happened. Imagine your wealth as a Money-Tree, which was small when you started, but grew bigger in size over the years. At some point, branches begin to emerge and grow in all directions. Coming back to the example, your wealth at the end of the 10th year will grow to Rs 11.6 lakh. So visualize your Money-Tree; it has become bigger and it's worth Rs 11.6 lakh at the end of the 10th year. What happens after 1 more year, i.e. the 11th year? How much more will be added to this Money-tree? There will be 2 kinds of additions. The first one will come from you, which is Rs 5,000 per month or Rs 60,000 per year. The other part will be the return generated on the wealth that has already been accumulated. This turns out to be around Rs 1.4 lakh. So the total addition in the 11th year will be Rs 2 lakh, out of which only Rs 60,000 was due to your contribution and the remaining Rs 1.4 lakh was generated by the existing wealth itself. Now, if you consider these two branches, the branch which is a result of returns generated from the existing wealth will be much much bigger than the branch which you contributed afresh. I guess you got my point here.



Now, if you fast forward to the 29th year, your corpus would increase to Rs 1.56 crore. In the 30th year, you will add another 60k from your pocket, but your own wealth will add a 12% return to it. And that would be close to Rs 18 lakh! You can actually skip contributing that 60k in last year and it won't really be missed. The best part has happened already, which is the accumulation of wealth in the early years!

The take-away

You will agree that the money you invest early in your life has a drastic effect on the money you accumulate over the years. This is true for long term investing. But if there is no "long-term", there is no time for "compounding". Time is a great ingredient and everyone has a good amount of it. If you loose time at the start, you lose wealth. So, it's no wonder that they say "Time is money"!

Investing early lowers your burden later

I want to convince you that early investing is the best way to make sure that you are not burdened later in your life ... Here's an example…

Ajay, a 26 year old software engineer from Bangalore, has recently started his career. He has around 30 years in hand till his retirement and he wants to accumulate a good amount of money, which can fund his needs and aspirations. He has decided to accumulate a minimum of Rs 3.5 crore by the age of 56. Towards this end, he has a "plan". I will call his plan OPTION 1 and it's the most obvious way anyone would think.

Option 1

Assuming, very logically, that his income will keep increasing as he progresses in his career…

- Ajay decides to start by investing Rs 5,000 per month for the first 10 years
- Thereafter, he will invest Rs 15,000 per month for the next 10 years
- And finally, he will invest Rs 50,000 per month for the last 10 years.

Using the above plan, he will be able to generate around 3.5 crores in 30 years. We are assuming a standard long term equity return of 12% CAGR.

This seems like the most intuitive way to formulate a plan. Do you agree?

Now, let's look at the other options he has to reach the same target.

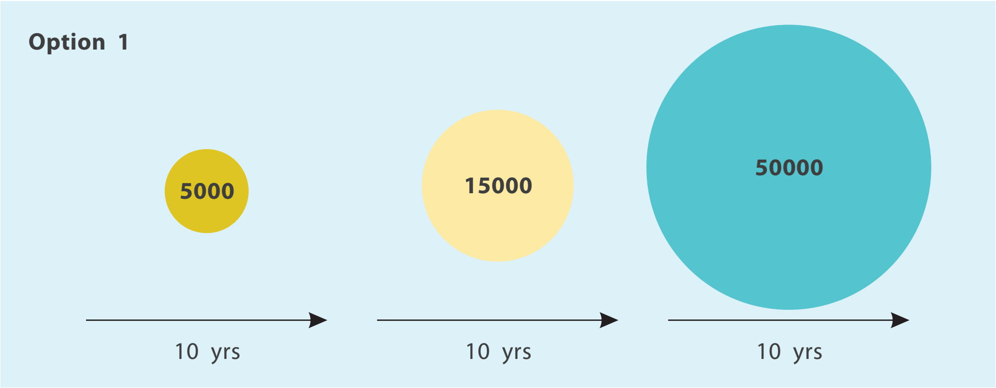
Option 2 :

He can invest Rs 10,000 per month for all 30 years. In this case, by increasing his initial investment amount in option 1 by Rs 5,000 per month for the initial 10 years, his situation changes to a level where he can continue with the same investment amount and not increase it later.

Option 3 :

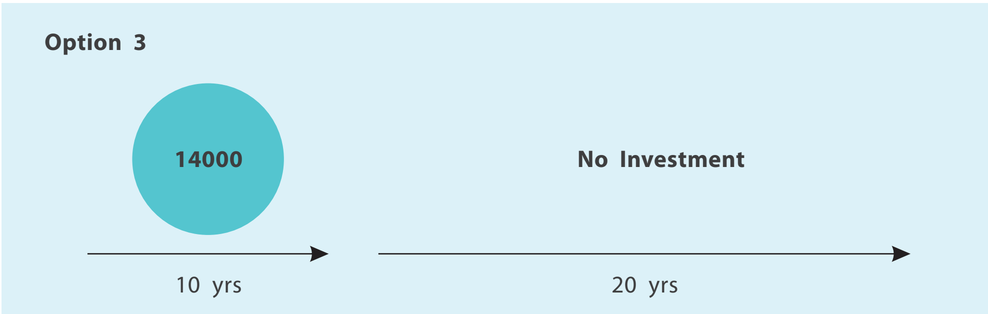
If he invests Rs 14,000 for first 10 years, he does not have to invest any further. In this case, he is investing Rs 9,000 more than he planned to in option 1. You can see that this extra investment of Rs9,000 in the starting phase is so powerful that he does not need to invest anything for the next for 20 years. So, an investment of Rs 9,000 extra in the first 10 years can replace his old plan of making future payments of Rs 15,000 per month for 10 years in between and Rs 50,000 per month for the last 10 years (as per option 1). You will appreciate from this example that a greater contribution in the start helps him to accumulate the same amount of money without any later contributions.

What this tells us is that if one contributes more in the start, it's equivalent to investing a lower amount initially and gradually increasing in future years.



OR

OR



In a nutshell, if you look closer, you will realise that investing more at the start gives you the freedom to invest less in the future. So, if you want to invest for 30 years, the investments that you make in the first 15 years will make up a significant portion of your whole corpus; contrary to popular belief, it is not the investments that you make in the last 15 years. Your investments in the last 15 years will, of course, add to the corpus, but the contribution will not be as significant. For example, if you want to invest Rs 5,000 per month for 30 years at the rate of 12%, you would accumulate around 1.76 crore. However, if you only invest for half the tenure and leave the money to grow for the remaining 15 years, you would still amass Rs 1.51 crore, which is 85% of the final corpus.

> "Early investing gives you the liberty to reduce or stop your investments in the future, without compromising much on the final results"

You can also increase your investments by Rs 830 per month (i.e. from Rs 5,000 to Rs 5830) and invest only for 15 years and you will still make the same Rs 1.76 crore at the end of the tenure (provided you leave your money to grow for the interim 15 years).

Early investment and returns required

Suppose you and your friend decide to race for 20 km. Your friend decides to pace himself by running at a steady rate of 4 km per hour. Accordingly, he will complete the distance in 5 hours.

However, you are more relaxed at the start and decide to run at a pace of 2 km/hour, thinking that you will cover up for this slow start later. You keep running at a pace of 2km/hour for 3 hours and cover a total of 6 km. Now you decide to increase your pace. But imagine the situation. You have just 2 hour left and 14 km to cover. It's a situation where you have to run at a speed of 7 km/hour. It might not be impossible, but it's certainly not easy! Your chances of winning come down considerably. Many things can prevent you from achieving that pace in the last 2 hours - you may get a cramp, you could meet with a small accident while running so fast, you could get exhausted... Overall, your task is rather challenging!

What could you have done? If you had decided to run faster than your friend at the start, at say 5 km/hour (while your friend ran at 4 km/hour), you could have completed 15 km in the first 3 hours. Then even if you jogged at a speed of 2.5 km/hour for the next 2 hours, you could easily have won. It becomes much simpler than the previous situation. Even if you wanted to rest for 30 minutes, you could afford to do so and still complete the rest of the race at a speed of 3.4 km/hour. Or you could alternate between jogging and walking towards the end. This leisurely pace would be possible only because of the effort you made at the start.

Your financial life is no different. It's a race. If you are happy with what you have acheived in life, you have won the race. If you contribute more at the start, things become manageable at the end.

And, each and every opportunity or chance to save more or contribute more, means a lower burden later.

Now let's look at how this applies to wealth creation...

Suppose you and your friend start your careers at the same time and have 30 years in hand before retirement. Your friend starts investing Rs 60,000 per year in an avenue that delivers a 10% return. He would collect Rs 1.62 crore at the end of 30 years. Now, let's say you start investing the same amount per year but 10 years later, thinking that you will apply some smart investment strategies which give you a much higher return. Even if you get a return of 20% on your investments year after year, you will still have less money than your friend in the end. And that's despite somehow managing a 20% return on your investment…to achieve which you need to be an investment NINJA!

However, your friend's life will be a lot easier... getting a return of 10% is almost 10 times easier than getting a return of 20%!

If you are a conservative investor, early investing is more than necessary…its critical. You should see early investing as a "strategy" rather than a "fact" for your investments.

Investment table

Formulas scare everyone. So, I'm putting down a table as a ready reckoner for how much you can generate by investing some amount for several years at different rates of return: namely, 6%, 8%, 10%, 12% and 15%.

Table 1 : A one time investment of 1,000 for X number of years at R%.

It's very simple to use this table. If you want to invest 1 lakh in an FD which gives a return of 8% and your investment tenure is 7 years, run one finger down the column titled 8% and another finger across the row titled 7 and they will meet at 1,714. Now that's how much Rs 1000 will become in 7 years at 8%; so, Rs 1 lakh will become approximately Rs 1,71,400.

In the same way, if you consider a mutual fund which says that its overall return was 12% per annum for the last 23 years, you can quickly see that Rs 10,000 invested in that mutual funds would have been worth 135520 (13552 x 10) or around Rs 13.5 lakh after 23 years.

One time Rs 1000 invested for X yrs at R interest rate per annum

	Interest				
Years	6%	8%	10%	12%	15%
1	1060	1080	1100	1120	1150
2	1124	1166	1210	1254	1323
3	1191	1260	1331	1405	1521
4	1262	1360	1464	1574	1749
5	1338	1469	1611	1762	2011
6	1419	1587	1772	1974	2313
7	1504	1714	1949	2211	2660
8	1594	1851	2144	2476	3059
9	1689	1999	2358	2773	3518
10	1791	2159	2594	3106	4046
11	1898	2332	2853	3479	4652
12	2012	2518	3138	3896	5350
13	2133	2720	3452	4363	6153
14	2261	2937	3797	4887	7076
15	2397	3172	4177	5474	8137
16	2540	3426	4595	6130	9358
17	2693	3700	5054	6866	10761

Years	Interest 6%	8%	10%	12%	15%
18	2854	3996	5560	7690	12375
19	3026	4316	6116	8613	14232
20	3207	4661	6727	9646	16367
21	3400	5034	7400	10804	18822
22	3604	5437	8140	12100	21645
23	3820	5871	8954	13552	24891
24	4049	6341	9850	15179	28625
25	4292	6848	10835	17000	32919
26	4549	7396	11918	19040	37857
27	4822	7988	13110	21325	43535
28	5112	8627	14421	23884	50066
29	5418	9317	15863	26750	57575
30	5743	10063	17449	29960	66212
31	6088	10868	19194	33555	76144
32	6453	11737	21114	37582	87565
33	6841	12676	23225	42092	100700
34	7251	13690	25548	47143	115805
35	7686	14785	28102	52800	133176

Years	Interest 6%	8%	10%	12%	15%
36	8147	15968	30913	59136	153152
37	8636	17246	34004	66232	176125
38	9154	18625	37404	74180	202543
39	9704	20115	41145	83081	232925
40	10286	21725	45259	93051	267864

Table 2: Monlthly investments of 1,000 for X number of years at R%.

Now suppose if instead of a one time investment, you decide to keep investing some fixed amount of money in a particular instrument every month. Here's a table which will tell you what you will have amassed over the years, i.e. the sum of your contributions and the interest thereon.

For example, if you wanted to invest Rs 5,000 per month for the next 25 years in an instrument which returns an interest of 10%, you can see from the chart that you will have collected Rs 13,37,890 for every Rs 1,000 invested per month, so you can just multiply this 13,37,890 by 5 and get Rs 66,89,450 as the final amount that you receive for investing Rs 5,000 per month.

Monthly Investments of Rs 1000 for X yrs at R interest rate/annum

Years	Interest 6%	8%	10%	12%	15%
1	12397	12533	12670	12809	13021
2	25559	26106	26667	27243	28135
3	39533	40806	42130	43508	45679
4	54368	56726	59212	61835	66044

Years	Interest 6%	8%	10%	12%	15%
5	70119	73967	78082	82486	89682
6	86841	92639	98929	105757	117120
7	104594	112861	121958	131979	148968
8	123443	134761	147399	161527	185937
9	143454	158479	175504	194822	228848
10	164699	184166	206552	232339	278657
11	187254	211984	240851	274615	336474
12	211201	242112	278742	322252	403585
13	236625	274740	320600	375931	481484
14	263616	310076	366841	436418	571906
15	292273	348345	417924	504576	676863
16	322697	389791	474357	581378	798693
17	354997	434676	536698	667921	940108
18	389290	483287	605568	765439	1104255
19	425698	535932	681649	875325	1294790
20	464351	592947	765697	999148	1515955
21	505388	654694	858546	1138674	1772673
22	548957	721567	961117	1295896	2070659

	Interest				
Years	6%	8%	10%	12%	15%
23	595213	793989	1074429	1473057	2416548
24	644321	872423	1199606	1672687	2818040
25	696459	957367	1337890	1897635	3284074
26	751812	1049360	1490655	2151112	3825025
27	810580	1148990	1659417	2436736	4452936
28	872972	1256888	1845849	2758585	5181786
29	939212	1373742	2051804	3121252	6027803
30	1009538	1500295	2279325	3529914	7009821
31	1084201	1637352	2530671	3990405	8149702
32	1163469	1785784	2808335	4509297	9472825
33	1247627	1946536	3115075	5093998	11008645
34	1336975	2120631	3453934	5752854	12791356
35	1431834	2309175	3828277	6495269	14860645
36	1532543	2513368	4241818	7331841	17262582
37	1639465	2734510	4698662	8274511	20050641
38	1752980	2974005	5203343	9336736	23286893
39	1873498	3233379	5760871	10533677	27043388
40	2001448	3514281	6376780	11882420	31403755

Early investment can help you enjoy semi-retirement

Now I'm going to touch upon one of the most ignorned aspects of early investing. I dont see anyone talking about it in the personal finance space.

For how long do you want to keep working at your job? Till you are 60? Don't fool yourself ! A lot of people are forced to work till their retirement, battling daily pressures only because they are suppose to bring home money to provide for the family, year after year.

By now you know that if you invest early in life and utilize the time to compound your money, you can rest assured that the money starts working for you. This means that in the later years of life, you get freedom from worries about contributing each month to that big wealth pool.

If you do it in the right way, you could even enjoy a semi-retirement. Semi -retirement is nothing but that phase of life wherein you don't stop working, but definately stop worrying about money. You can take up some light job or some consultancy work, which gives you enough time to enjoy your life while some money still comes in. If you want to retire at the age of 55, you can semi-retire at the age of 45, atleast.

Just recall the initial part of this chapter where we saw how early investing gives you the freedom to exempt yourself from contrubuting too much at the end. That's exactly what you can do and as a result, there will be less pressure to earn a lot nearer your retirement. Even if you are earning less, your money takes care of itself.

So take action towards contributing more at the start!

3 strong conclusions regarding early investing

By now you must be suitably impressed with all the magic that early investing can do to your financial world. So, at the risk of sounding repetitive, let me neatly wrap things up for you with three conclusions which capture the essence of early investing and explain what exactly happens in the process.

Conclusion #1 : Even if you cut your contribution at the end of the tenure, it won't affect the final corpus drastically.

When you see a huge 30 year old tree, in which part of its entire life do you reckon it required the most amount of care and nutrition? It's always the initial years during which the roots have to take hold. It's also the initial years in which a plant is most vulnerable to weeds and bad weather. Once it has safely made it past the first few years, you can leave it to grow on its own; the tree will be able to extract nutrients from the soil on its own. It wont hurt if you forget to water it once in a way. In fact, there's a good chance that it doesn't need your care now; it has become so big that it can expand and grow well. Hence your contribution does not matter much at a later stage.

Something very similar happens in the case of your investments. The initial period is very critical. If we take care of it very well at the start, later on we can achieve good results without actually putting in much effort at the end, in terms of contributing money. Naturally, effort in terms of analysis and monitoring will still be required.

Just as an example, if you invest Rs 5,000 per month for 30 years (let's suppose you wish to build up a fund for your retirement), you can generate around 1.76 crore if you get a return of 12% (compounded monthly).

Now what happens if you do not contribute anything in the last 10 years? At the end of 30 years, you will still accumulate Rs 1.64 crore, which is 93% of the original corpus.

If you do not contribute for the last 15 years? You will still make Rs 1.51 crore, which is 85% of your original corpus.

Here's a chart which shows the percentage of corpus generated when you do not contribute anything for a certain period at the end.

100% ₹ 1.76 crores	**0** years without contribution
97.6% ₹ 1.72 crores	**5** years without contribution
93.4% ₹ 1.65 crores	**10** years without contribution
85.7% ₹ 1.51 crores	**15** years without contribution
71.6% ₹ 1.26 crores	**20** years without contribution
46.5% ₹ 0.81 crores	**25** years without contribution

It’s no magic; it’s pure maths and compounding. Whether you lose the last 10 years or 15 years, one thing remains certain, you have put in enough effort in the start and then given sufficient time to your investments to grow.

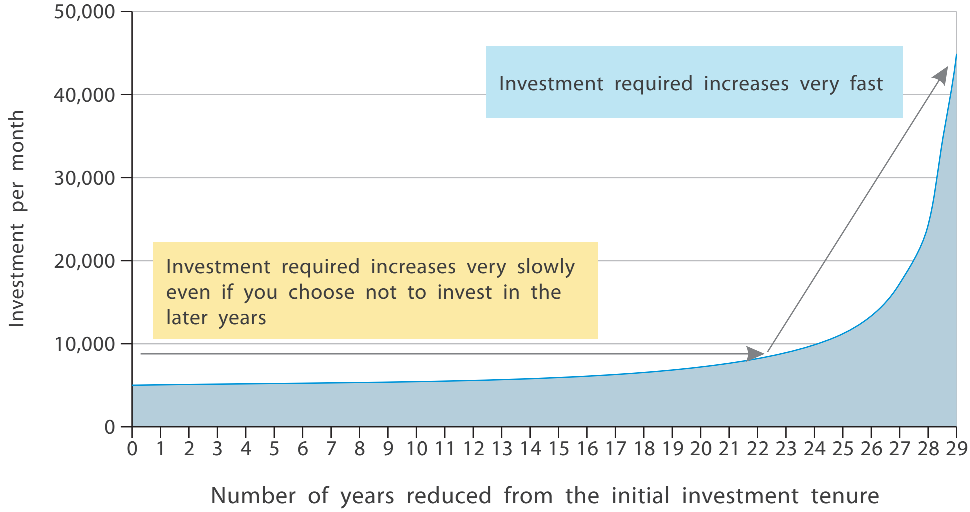
Here’s a table which gives you the exact corpus generated and what proportion of the original corpus it forms when you don't contribute in the latter years.

Number of years without contribution at the end of a 30 year period	% of corpus generated	Total corpus
0	100.00%	1.76 crores
5	97.6%	1.72 crores
10	93.4%	1.65 crores
15	85.7%	1.51 crores
20	71.7%	1.26 crores
25	46.2%	0.81 crores

Conclusion #2 : If you reduce the length of your tenure substantially, the additional amount you need to invest to create a corpus of a particular size does not increase drastically.

In Conclusion # 1, we understood that if you reduce the tenure during which you contribute to your corpus by 25-50%, your final corpus reduces by a small margin. Naturally, it depends to some extent on how much you have shortened your tenure by. Now, this indirectly tells us that if we increase our investments by a small amount, we can still reach the same corpus.

For instance, let’s say you need to invest Rs 5,000 per month for 30 years to reach a target of Rs 1.76 crore. Now suppose you do not want to make any investments for the last 15 years, but are willing to leave your corpus to grow. All you need to do is increase your investments by Rs 830 per month and invest 5,830 for 15 years instead of investing Rs 5000 for 30 years. This will make sure you reach your targeted corpus.

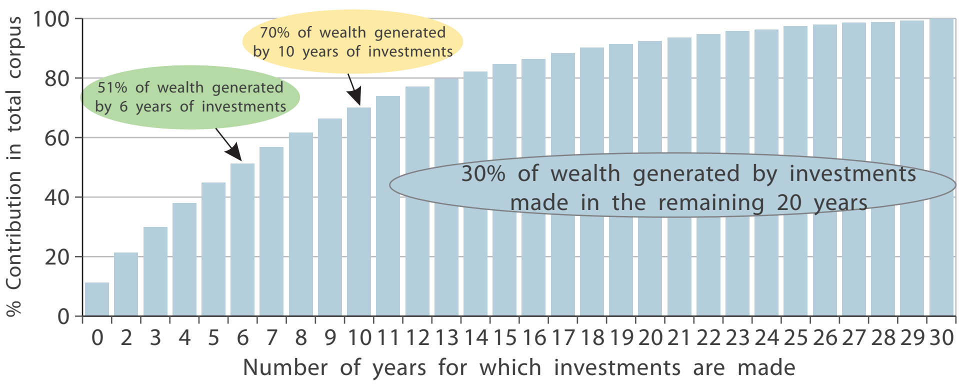


Here are some other situations in which you can reduce the tenure of your contribution, without impacting the amount of your final corpus, simply by increasing each contribution marginally.

Years without contribution at the end of tenure	Amount required per month	% increase in investment to reach the same corpus
0	5,000	0.00%
5	5,120	2.41%
10	5,350	7.01%
15	5,830	16.6%
20	6980	39.6%
25	10,830	116.0%
29	43,100	762.0%

Conclusion #3 : Investments made in the initial years form the main chunk of your final corpus

The investments that you make at the beginning get sufficient time to grow and compound drastically over the years. Using the same example, take a look at a chart which shows you how a huge part of your final corpus gets built because of the investments made in the initial years. Out of the total wealth you create in 30 years, almost 50% is a result of investments made in the first 6 years and 70% is generated due to the investments made in the first 10 years. The contributions in the last 20 years account for just 30% of the wealth generated. Which again shows that early investing is so critical for wealth creation. However, do remember that the above conclusions hold true only if we have a total time horizon of 30 continuous years. If you discontinue your investment in between, the above will not hold true.



Years of contribution	Percentage of total wealth accumulated
1	12%
5	46%
10	72%
15	86%
20	93%
25	97%
30	100%

Your next best alternative

Now don't be disheartened if you have not yet started contributing towards your future. Start today. It's always earlier than tomorrow and investing today will give your investments a chance to grow in future, irrespective of how long or short that future is. The main principle that you need to follow is invest as much as you can today…don't put it off for later!

Here's what you can do to maximize your investments today. Take a closer look at your life and you will find several ways in which you can generate more money to invest. A few suggestions which come to my mind are:

1. Cut out on unnecessary outings once in a while
2. Try - to use a bike instead of a car, if your situation permits it. I see many people using 4 wheelers when they can do just fine with a 2 wheeler!
3. Buy a smaller car instead of a bigger one, if it doesn't hurt your ego

4. Change to a prepaid mobile instead of a postpaid (this works out well for a lot of people)

5. When you go shopping, write down what you want and calculate approximately how much it will cost you. Then carry that amount of cash, with a small margin, perhaps.

6. Walk or ride a cycle when you want to get to a place that's relatively close; don't become a slave to two wheelers or cars

Any small savings undertaken and invested today are going to have a huge effect later. The stronger your focus is on investing more at the start of your life, the bigger will be the relief you can expect later. But the focus is on discipline and not on getting bogged down by short term deviations, which are bound to come along the way.

Final Thoughts

Make sure you don't overdo your "belt tightening" exercise and start cutting down on those things which make you happy. The whole idea is to look at increasing your investments by cutting down those costs which are relatively dispensable. You don't have to and should not compromise on todays life to build a great tommorow. The whole idea was to motivate you into early investing and show you what it can do for your financial life .

Now you have to do the most important and the toughest part, ACT ON WHAT YOU HAVE LEARNT!

Flashback Learning

- Investing more money in your initial earning years will make sure that you quickly build your corpus and it eventually grows without your support

- Investing more later is the same as investing less today; the choice is yours!

- Don't lose time. 5 years wasted in the start is worse than wasting 15-20 years towards the end of your earning life.

2 hour Action Plan

1. Identify all the areas of your life in which you can cut down on costs, without compromising on your current lifestyle and find out how much you can save.
2. Find out how much money you are able to additionally save per year and what kind of additional wealth it can generate for you by the time you retire.

Want to Read full Book ?

Click Here

What other Book Readers think about the book ?

More than **100 reviews** on flipkart !

This book by Manish is a real winner. Continuing with the tradition of Jagoinvestor, the book aims to help ordinary investors discover the way to wealth creation. Instead of long lessons in personal finance, the book talks about the need to invest and the various investment vehicles through easy to understand graphs, figures and cartoons. The layout and design are also very cheerful and each chapter has exercises on goal setting, financial planning etc. This book is not for commerce students trying to understand personal finance theory; rather it is for the lay investor who needs a guide to build wealth through smart investments. Manish has done the right thing by avoiding complexities and instead focussing on providing simple and easy to understand explanations on personal finance.

- Asad ★★★★★

I sat down to read the book in weekends and suddenly got hooked. The content is interesting and language is very lucid. All the concepts have been clearly explained with examples. The content really opened my eyes to my own financial mess which I wasn't even was aware of before reading the book. It has helped me to understand where my financial life is heading and how I can take control. It has explained concepts of compounding, virtues of term insurance and early savings on one hand, and uncovered the myth surrounding investment in equity. This is a small book with not every concept explained in depth, but it hits it where it matters most. Overall it is a good head start for anyone who wants to bring a positive change in their financial life.

- Suraj Lal Gupta ★★★★★

It was sheer luck that I chanced upon this book. The name sounded interesting so I picked it up. It was an easy read & The book simplifies a lot of financial concepts for people who are starting out on the journey of of building financial know how. It reinforces the fact that taking Action is paramount and continuous repitition of that through the book would make even the biggest procrastinators act with a sense of urgency. I would sure subscribe to the series to continue the journey & learning.

- Pallavi S ★★★★

First of All ....Thanks to Flipkart for delivering this book in less than 36 hrs. I ordered this book on late Saturday Night and I received this book on Monday morning. I feel this book is written for beginner's in Personal Finance, like me. I found this book very useful. The contents are very clear and with figure and facts. This book doesn't talk about any particular product or company. This books only talks about the principals of Personal Finance. I had long list of questions about when to start invest, Life Insurance, debt and equity, and money management & this books answered all my questions. Thanks Manish for such a great book :)

- Sanket Jain ★★★★★

I was more dependent on my dad to take care of my investments since i stareted my career. However, things have changed as i am married and have a kid. I felt that now i should take care of investment and decide my own priotities. However i was not aware how to go about. Recently, I just picked this book from crossword stores. This book was like an eyeopener for me. It's a great book which gives you an overview of the financial planning basics, how you can be disciplined and how you can be action focussed. The free kit along with the book has also some very usefulstuff. (You need to write a mail to get this). I have taken my small steps towards my financila planning and this book has really helped me. Must read for begineer's

- Durgesh Khasnis ★★★★★

A fantastic and the best book I have come across on personal finance. This books helps the investor come face to face with his/her worst fears, insecurities and myths in the areas of, Even after putting down this book, this book leaves me thinking, wondering and acting on the valuable pieces of advice given in this book. I believe this book is for every kind of investor – new, old, novice, evolved, young and old, because as this book itself says – “Products, tools, models, strategies change….but principles never change”…and I agree, this book is really based on principles of personal finance. I will recommend this book to all readers of this blog and to all my investors. Reading this book can prove to be the best investment of your time and money.

- Abhinav Gulechha ★★★★★

Excellent way of presentation and making the things simpler of simple.. Sharing the very basic and fundatmentals of investing. Right title... "Jago I..." If the investor will not awake (Jago) now, then it will be too late for him / her in future. As we are now in "Information Age" and not in "Stone Age" or "Industrial Age" - where your future will be taken care by your employer or government. It's very rudent and important for the person who is working in private sector - to plan their finances very well in advance considering all future expenses and requirement. I must congratulate Mr. Manish and his team for this product and make it available for the people for their understanding.

- Niraj Shah ☆☆☆☆☆

I accidently got in to the blog jago investor just 3weeks before, when i was searching for something else. And very soon become a fan of Manish. The blog inspired me to buy this great book. I had a messed up relationship with money, because I was ignorant and illiterate about that special room in our home called financial life. I was so dumb that I believed, Fixed Deposits were the only way to grow money and Mutual funds & stocks are for gamblers. The book is written in a very simple language, so that an Amatuer like me could understand and get inspired. It changed my entire perception about insurance, loans, mutual funds, debt etc.. This one might not appeal to Finance guru's but will defenitely help the majority of Indians like me, who knows very little about handling money.

- Nighil E ☆☆☆☆☆

The book in one word "SIMPLE" This is my DIL KHOL KE REVIEW, straight from the heart. I am a big fanboy of apple and their products and adore steve jobs and his craze for simplicity. Best things in life have always been free, but people have never appreciated simplicity as quoted by steve himself "Simple can be harder than complex". Lots of boring books I have read, countless seminars on share trading i have attended, but all these courses left me gasping for breath. Your book was a breath of fresh air with its charm of simplicity. Unfortunately many people do not appreciate simplicity.

If you were to go to a doctor for a bad tummy and if he were to prescribe gelusil, you would be shocked, "Did i come all this way for a gelusil prescription, that i could have got over the counter at the local chemist." But then again if the same doctor suggested a series of tests and then prescribed gelusil, you would hail him as the greatest doctor you have ever met. Our society values complexity, and I too was trapped in this mire, but I have now realised that things are simple and so is personal finance. Your book was written by you DIL KHOL KE, straight from the heart. Loved everypage of it, it was like reading a story book, not a boring finance bible.

The values I have learned from the book

1. pay yourself first, every month a certain amount I transfer to MY SB A/C and RD A/c and then with the balance i manage my life. Contrary to what I was doing before, where I would pay off all bills, and then save the remaining. I Also made a fixed deposit of 1.50 lacs (else this money would have gone for gadget purchase, I controlled my impulse)

2. Purchased a Health Policy from medimanage for myself of Apollo munich 5.0 lacs cover (optima restore) and star health red carpet policy for my mother 3.0 lacs

3. Finally bought my own car (TATA NANO) - good CIBIL scores I guess.

4. Used may credit card wisely, paid all the bills on time, MY CIBIL score improved 850 / 900.

5. Purchased a pure term insurance policy for 90.0 lacs online (HDFC Click to protect) as their premiums were cheaper than LIC and in the private sector they were number one in settlement of claims as per IRDA report.

6. Converted my mobile connection from postpaid into prepaid, (monthly recharge of Rs. 250/-) does the trick.

7. Enjoying my savings, I am shocked to see that I can live with less disposable income, its just that when you have more you tend to spend more. Reduced my standard of living to that of a simple zen monk (yes i still were good clothes, but not a necessity) My greed has been controlled.

8. Have two bank accounts - one for the salary and spending, the other for saving, whatever money is left at the end of the month in the spending account is also transferred to to the saving account.

So many changes one simple book. :-) A continuation is required.

- Arun Chadda ☆☆☆☆☆

You see i experienced the popular proverb that it is difficult to earn money but it is more difficult to save those money.i shall say a few words on an event that today i.e. 24-09-2012 i read the newspaper times of india in which there was a news that a retired professor lost rs 10 lakh in response to a SMS and email in which he was told that he won a foreign award worth Rs 7 crore.he thought he will get it and in response of various phone calls he shelled out Rs 10 lakh which he saved during his service tenure.the result is as usual.He lost it.yesterday i.e. on sunday i saw KBC in which one person won Rs 25 lakh and he was answering for Rs 50lakh.But he did not know the answer he went on guessing as his other help line options were exhausted.

Mr. Amitabh Bacchan warned him that if he lose the question he will lose Rs 25 lakh and he will get only rs 80000.But he went ahead and lost the game .He took only Rs 80000 instead of Rs 25lakh.Amitabh Bacchan told that a Person should have knowledge but he should have wisdom too.I want to say that one should respect the money whatever you have and one should not waste haphazardly.your book teaches this.as soon as person earns money he should have (in he she is also included)known that how to make money out of money in a legal way.Manish ji i thank you once again that you wrote such kind of book which inspired me to think of personal financial budgeting and management. Thanks a lot. Rating definitely 5 star

- Sanjeev Sharma ☆☆☆☆☆

This book changed my entire outlook towards money. I used to think 1 year itself long term and why would someone save for 15 years this book changed it completely. Also regarding term insurence that its not worth it as there are no returns, that notion is gone. This book brought out clearly the importance of early investing, i wish i had read this before 8 years, that would have made me to create sufficient weath by now. Its an eye openner for my financial life. Thanks to Manish for simple presentation of the topic with diagrams. It was a please to read this as a book as well. This also helped me to make my financial life more efficint by avoiding the time spent on things that are least important and focusing on the goals. This book is a must for anyone who wants to improve or sort-out their financial life. I strongly recommend for people at start of their carrier. Being a beginer to finance matters found it really useful. Hats off to Manish to write such wonderful book and help people.

- Sarvaran A ★★★★★

A wonderful book . A true wake up call for those who never managed their money. It's very simple to understand with lots of examples. It clearly explains the power of compounding and how we can use it to grow our money.Manish also talks about the adequate amount insurance we need to protect our families, all calculations done for us since it's the most misunderstood n mis-sold concept in our country. He also talks about once risk appetite for individuals and how to structure one's portfolio according to one's age, responsibilities and risk appetite. I have immensely gained from reading his book. And the book kit that Manish provides further facilitates that you can start planning your money, and have true finnancial freedom. I have started working on it and hope will achieve it. Read his book and you may achieve it too.Thanks Manish

- Rupali Agarwal ★★★★★

If you are someone who is always keep to spend money, then this book can actually save you money because it gives you some basic information around Investing and saving money. You should always spend money wisely and this book is for those who do not have the time to spend reading magazines every month. The information is actually for beginners because if you need some advance and real life situation based examples its better to visit the forum at JagoInvestor since thats where the actual discussions happen.Overall the Team has published a pretty decent book and we hope the next release would be for users who are well versed with the investments and who are looking for the best options to invest into.

- Amit Bhavani ★★★★★

I find this book very useful..i m 22 yrs n knwing abt financial planning at a young age feels vry gr8..by reading dis book i came to know many aspects which i didnt know yet like imp of term insurance,investing early in life,setting goals,documentation management n many more useful tips n knowledge..with it the free online kit is also worthy.. this book is 4 every age of person who want to grow there financial life..n lastly i would thank to the author of the book manish who is such kind n helfful person..dis book is full "paisa wasool.."

- Vijay Singhal ☆☆☆☆☆

I started my first job and wasn't aware of any financial strategy at all. So, i ordered this book with a hope and i am very happy with my decision. This book is just awesome. Not let me explain the term "awesome" with the help of some ratings thing

Content: 10/10 (Very descriptive for a new bee)
Examples: 10/10 (Almost everything is explained very nicely with proper examples)
Book Quality: 10/10 (Even deserves more than 10, paper quality gives feel of an international edition)

Thank you so much "Manish Chauhan" for writing such an awesome "Bible" for us :)

- Nitin Manchanda ☆☆☆☆☆

This book is a very entertaining read and is very informative for beginners who have no preliminary knowledge about finance. I personally found the concepts about "investing early" and "equity is not risky in the long term" as totally bringing a paradigm shift from the way we are usually used to thinking about money. I would recommend this book for beginners so that they can start their financial planning quite early and lead a stable financially secure life.

- Rahul M ☆☆☆☆

I wont say that jagoinvestor changed my life and all but I would surely accentuate the way author instigate value for wealth a true medium for trade. Its more self assessment of an individual financial profanity which we all do despite of its future consequences that treads excruciating marks on our lives. I am 25 right now and I would recommend this book to all maladroit amateurs to read it prior starting trend of compounding wealth. Do visit his blog jagoinvestor. CIBIL, Credit cards, Loans and much more thats more valuable then having 1000 friends on Facebook.

- Nehal Dixit ☆☆☆☆☆

One thing which this book stand apart from others is that it is written in dead plain and simple language that everyone can understand. Manish has introduces the various aspects of personal finance in such a way that you will feel connected from the very first chapter. It'll help you realize your mistakes which you may have done in your past financial life. The ultimate goal of the book is to make you aware of your finances and build you as a better person overall :)

- Ahmad Zaib ☆☆☆☆☆

Excellent book if you know nothing about personal finance and investing (i feel 95% people new or experienced worker don't know anything about personal finance). After 9 years of work experience as a software engineer i did not even know what is a Term Insurance until last month. This book has actually changed my attitude towards money. After reading this i started SIP in mutual funds, going to get term insurance shortly, going to handover 4 of my LIC endowment plan which i now realize are crap (i pay 85K per annum as premium, what a waste of money), started investing in gold and silver, etc. But you must visit the jagoinvestor website to know a lot of details on investing and personal finance. This book is actually to change your mind set and not to explain each and everything about investment and financial products.

- Biswa Singh ☆☆☆☆☆

This book is simply easy to understand, interpret the scenarios, & have been explained with GOOD EXAMPLE. The author Manish Chauhan has crafted this book with a view so that even a laymen would be able to iundertand the need of Financial Goals & ways to generate goor corus on long + short term. Am extremely fortunate to find this book which has been an Eye Opoener for me to lok forward for wealth creation bty following basic steps in our PERSONAL FINANCE. Several examples & ways to incultivate our thought process towards our NEEDS.

THIS IS A MUST READ BOOK for each & every individual who looks forwards to improve their FInancial life.

- Parag Rodrigues ☆☆☆☆☆

Jago Investor is the key to understand the Term investment. It's such a wonderful journey who even don't know about it. Chapter by chapter it gives more clarity towards goal and give you confidence in you, which investor needs as a start. It helps in creating new strategy for your investment, which you might be knowing before , but because of some fear you didn't applied. Great material and understandable in easy manner.

- Jignesh Patel ☆☆☆☆

What an excellent book....This is my shortest expression on completion of reading the book. Well. Giving a briefing on the experience of reading the book. Shows the capability and potential of the author to convey the right meaning of everything explained in the book to a variety of audience. I am quite sure, this book could influence any one's financial decision making processes and visualize the right approach towards a great financial planning leading to achievement of not only basic necessities but long term dreams and aspirations.

-- Importance of early investment - Well demonstrated again . Strategy, Effectiveness and the drastic difference of saving even small amounts during the initial periods - very very well demonstrated rather illustrated. -- Life Insurance - Commendable again

The do's and do not's in this section is very well demonstrated. This section again well explained and would help greatly from an awareness perspective. I do not think there is a better way of illustration.

This book is for every one and for all ages. The earlier you grab a copy and understand the things the better. A definite value buy and I'm quite sure that none of you would regret buying this excellent pick. I can assure that this would be beneficial for anyone who isn't insane. A great great gift to all those whom you really care for. This book would be an eye opener for many. (My wild guess would be nothing short of 80%). The author's excellence as a financial coach is well evident and the book speaks about that. UNDERSTANDABLE, SIMPLE, POWERFUL...Above all works for ANYONE and not a particular cross section of people. Highly recommended for the youth who are a nation's backbone to grow in a responsible manner with great insights from a financial perspective.

(One more thing, i would like to convey is about the build quality of the book. Great. Excellent. Not the boring ones which you normally imagine or expect on hearing that this is something related to financial success, management or progression.) . :) :) :) - Do not waste your time. Grab a copy. Happy reading!!!

- Naveen Natrajan ☆☆☆☆☆

I had been following Manish blog JagoInvestor for couple of days now and when I read that he will launch a book I was eagerly waiting,I ordered a copy the day it showed on flipkart. Just awaiting my order I was wondering,what Manish might have written differently,after writing so much on his blog ? I was expecting some repeatability but it was a totally different thought altogether. I liked his Idea of taking the reader to different levels of thinking through short stories and explanations & finally converting them in to action plans at the end.

I had always been his fan for making the things simple & illustrative so anyone without any knowledge of Finance will understand it. I surely recommend this book to all.Its one of the must in your library. The book not only educate you but also teaches you how to Practically execute. The printing and page quality is very good. Will definitely look forward for more books from Manish.

- Suhas Patil ☆☆☆☆☆

Even though, I am a regular reader of his blogs, I found this book useful. For me the purpose of reading a book is well served if it makes you think beyond your set boundaries. In doing so, one creates his own ideas based on the principles and work towards it, instead of doing what the author has to say. Sometimes it may be against what the book has to say as well!. Some chapetrs made as yawn as well, as its like repeating information from his blog. But then the book has made me think more on some points even though I had an idea about it before. Inspite of some negatives like reading the same information, I would like to rate is 5 star just because it has made me to think beyond my boundaries!

- Deivasigamani ☆☆☆☆☆

This book is definitely recommended for young professionals or individuals to understand the basic principles of personal finance, and to undertstand the importance of early investing. But for someone who has been regularly following Manish's blogs on jagoinvestor.com site, this book is NOT a must-buy.This book could still act as reference material to refresh the basics once in a while, and the tables given in the book could be used for ready calculation against inflation or indexing. As I have already read this book, I am planning to gift it to one of my cousin brothers, who just started his career and earning :-)...time for him to get his basics right on finance. Thanks Manish for coming up with the book containing concepts explained in catchy print with detailed illustrations and ready-to-use tables.

- Vinod Grjikanda ☆☆☆☆☆

Why didn't someone tell me these simple principles of saving and investment before? The best part of the book is that it is written by someone who calls himself a Student of Wealth rather than a Guru. And after reading the book I believe its lot better to learn from a Student, than a Guru. One needs some courage to go through this book. It first shakes you up from your slumber (financial laziness), then squeezes off you, your mislearnings about saving and investment, usually a result of preaching by many learned financial experts (read-agents), and then sometimes it punches you on your nose making you realize you silly mistakes.

First I couldn't read it beyond a few pages with each page making me realize about the opportunities to create wealth I missed, how I allowed my common sense be be buried under greed,herd mentality, or simple laziness. However, with quivering hands I flipped through the pages, knowing fully well that I must not escape reading it to the end. As you go through the book, you realize that the writer is here to give you an unbiased advice. Do not expect this book to be something magical which will make you rich, it just gives some plain good advise on savings and investments, strengthens your own common sense and encourages you to take our own decisions in the right way and encourages you to ACT. Its not easy to create wealth, but reading and acting on this book sure is one of the ways.

- Saket K ☆☆☆☆☆

The book is very basic, no nonsense book. I personally rate it as a great buy because there is no rocket science involved in planning your finance. Stick on to basics like control your emotions, understand the power of compounding, start saving early, have a budget in place but unfortunately most of the people lack focus on the basics and run behind understanding the complex charts, market movements on a daily basis, analysts report and so on.Manish has explained that superbly.

As a planner i liked the way in which concepts been explained which in turn helps me in using those examples mentioned to make my prospects understand the concepts.

- Venkatesh TK ☆☆☆☆☆

This is an excellent book even for the pro investor. I bought this book mainly because I follow the forum and articles by Manish and I thought I knew everything about investing. But boy, was I wrong!

This book is something that should be on every person's library. Better yet, use this to teach your spouse and kids about investing. Remember, early and systematic investing can lead to wonders. It's not magic, it's simple mathematics!

- Ram Mohan ☆☆☆☆

I have personally read this entire book in one sitting. The book is all about basics of financial literacy and lessons on personal finance. This is a must read book for every Indian willing to do successful financial planning.

What I like about the book most is - its simple and lucid writing as well as lots of diagrams inside the book. As there is a saying that - one picture is worth thousands of worth. So this book is having lots of pictures inside it which actually makes the subject of personal finance more interesting. This is a definite BUY book. This book is the good investment in your own financial knowledge. You can also gift this book to your kids, family members and friends.

- Asav Patel ☆☆☆☆☆

First thing first - its one of the most easy on eye as well as mind book, without any technical jargon or number crunching. Manish has written it in a very simple and conversation kind of way, with n number of practical, real life experience. This book is a MUST read for everyone, to understand what we are missing by our age-old and narrow thinking towards MONEY MATTERS. Its a complete PAISA-VASOOL.

- Dhawal Sharma ☆☆☆☆☆

What a great book!! This is good material which can be used by anyone and everyone. Most of us think we know what we need to know about personal finance. Unfortunately, since we're almost all self-taught, there's a lot of information that gets lost in the cracks.

JagoInvestor covers a series of topics, allowing the reader to eventually take full control of their finances. The author provides some great information on managing money by understanding the realities of cash and liquid assets.

- Mitul Dadhania ★★★★★

In this book, Manish uses a simple language to explain personal financial management concepts to the common man. Using simple examples and narratives, he explains complex financial concepts and try to create awareness among public about the importance of personal financial management. In India we would have been thought a lot of things that are not useful in life , but we are not educated enough about personal finance management and we end up doing a lot of mistakes. A must read for people who are starting their career fresh out of college. If I would have read it 6-7 years back when I started working I would have avoided so many mistakes that I committed in investing. Way to go Manish.

- Sreejith Sivaraman ★★★★★
