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Power of Early Investment

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“The super rich start saving at super early”, putting money away (instead of spending it) is difficult, and people should generally save more than they already do. But despite these truisms, one subset of people seems to be doing pretty well as saving: the super wealthy.

This may not seem all that surprising, but the reason isn’t simply that they have more money to save. According to one survey by Bank of America U.S. Trust, the bank’s private wealth management arm, many wealthy individuals in the U.S. start saving in their teenage years. Surveys of nearly 700 people offer an inside look at the attitudes and behaviors of ultra-high-net-worth individuals. Almost some situations exist everywhere.

The report offers some insights into the kind of financial discipline and responsibility taken up by wealthy individuals in their early years. On average, respondents said they started saving money at the age of 14—which is actually not that rare. It’s worth noting that many wealthy people are born rich, and the fact that they started saving early is likely more the result of their backgrounds than it is a sign of any special abilities that would lead to wealth.

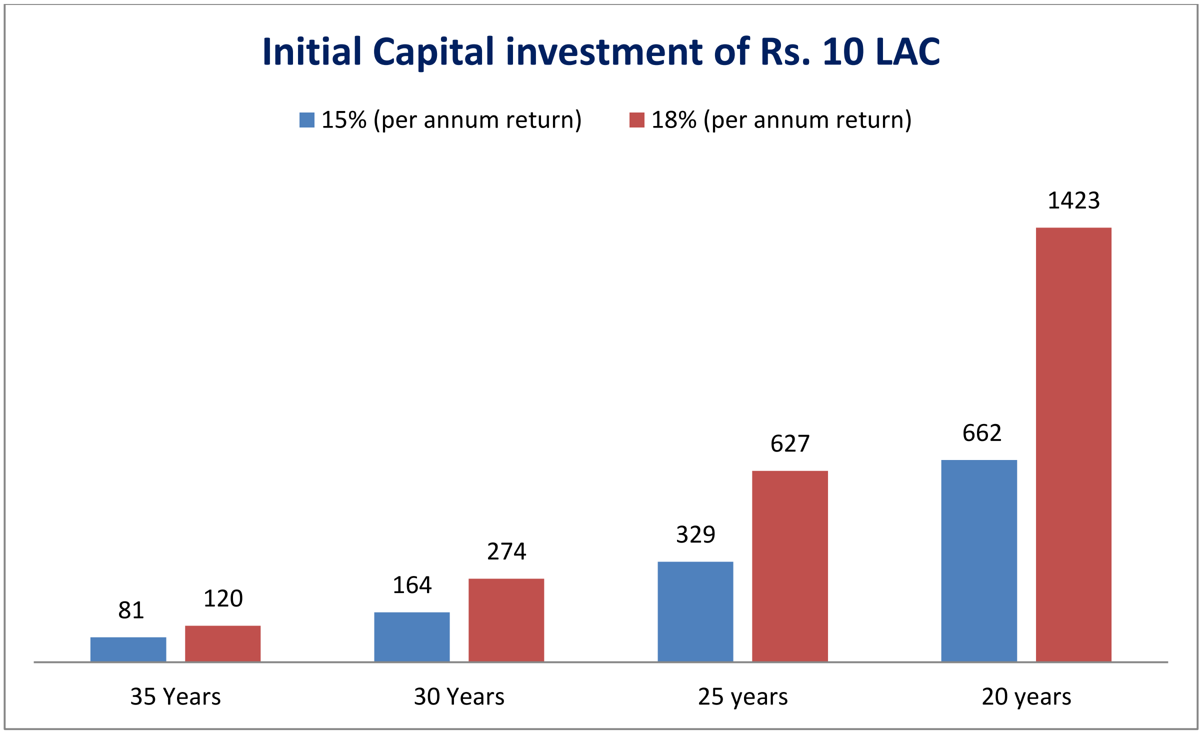
The survey also sheds some light on how these individuals accumulated so much wealth. On average, the survey's respondents estimated that 52 percent of their wealth came from income, while 10 percent came from inheritance, and 32 percent from investments.

So why are the wealthy so good at saving money? It's not just that they have ample funds to do so. Researchers who study the wealthy have long suspected that it might have something to do with the way wealthier parents teach their children about money, which then shapes their financial lives well beyond childhood. Most of the wealthy individual is from middle class families. Reason for their financial success they believe is the sense of financial discipline apart from academic achievements, hard work, personal ambition and family values.

Let's understand more how the professional discipline and professional management helps in adding value to financial management. If we manage the fund by keeping focused on all the discipline of fund management and manage the fund professionally then surely a small difference in return on income can be created.

Consider a person invest Rs. 10 lac and manages the fund on his own and get a average return of 15% per annum over a period of time and average return of 18% per annum if being managed by professional managers because of discipline, focus, research, experience and expertise associated with every investment decision. Consider a situation where 4 different persons invest just Rs. 10 lac only at age of 20, 25, 30 and 35 years respectively, and find the wealth he can enjoy at age of 50.

Total Initial Capital Investment of Rs. 10 Lac			
Investment at age of	Total Year of Investment	Capital Value at Age of 50 Years (Rs In Lac.)	
		15% (per annum return)	18% (per annum return)
35 Years	15	81	120
30 Years	20	164	274
25 years	25	329	627
20 years	30	662	1423



So financial discipline, early investment and professional management of investment adds a great value to the wealth creation process.