Six investment rules that help grow wealth but are not complex

Devina Mehra | 24 September 2025

Here are six simple areas to focus on while investing in markets. (Pixabay)

SUMMARY

Too many Indians reach retirement only to realise their money hasn't worked hard enough for them. Yet, building real wealth isn't about chasing fads or knowing it all—it comes down to six simple investing rules that can quietly turn modest savings into a life-changing corpus.

A couple of months ago, I was addressing the employees of a large, old company, and the organisers told me that some of the employees now nearing retirement age had never invested in anything other than fixed deposits, their provident fund and tax-saving schemes.

They kept thinking that they did not know enough about markets and would start once they understood a bit more, and the years just slipped past. Many now regret having done so because their retirement corpus is a lot smaller than it should have been.

This reminded me that the secret of sensible investing is that it is neither as complex nor as simple as it is made out to be.

On one hand, what I love about markets is that even after tracking them professionally for well over three decades, you learn everyday. There will never come a time when you will know it all—when you can say with confidence that you know what this market or that stock will do the next day.

On the other hand, in order to make your money work hard for you, what you need to do is fairly simple, almost boring. Make sure you get the basics right and you are most of the way through. Here is a very short primer on how to go about doing that.

One, focus on what is 'good enough'—meaning aim for a reasonable return on your capital and not the very best; not 100% optimal and not something that will make you the most popular person at cocktail parties.

Two, asset allocation determines 80-90% of your returns. This means that the mix between how much you are invested in equity (which includes both direct equity as well as holdings through mutual funds, portfolio management services, etc) and fixed income (which ranges from fixed deposits and provident fund to fixed income mutual funds), gold, real estate, etc holds the key.

Plus, the geographical spread from India to various other countries needs to be considered.

The trick is not to have an all-or-nothing approach. Even if you are young and in a good job, do not put 100% of your money in equities, as money in equity should be something that you do not require for at least the next 8 or 10 years. You will need to have some of your investments in more easily accessible forms for any expected or unexpected expenditure in the interim.

Conversely, at the time of retirement, you should not have 100% of your money invested in fixed income instruments. Life expectancy has gone up and you may live for 30-plus years thereafter. Hence, your money has to compound over that period as well.

Three, don't be at either end of the risk spectrum. If you have everything in bank fixed deposits, for instance, and you invest ₹1 lakh every year, in 30 years you will have something like ₹75 lakh. But if you have invested in, say, a multi-asset portfolio, even with a 9-9.5% compounding, you'll have maybe ₹1.7 crore. If you have a little more equity allocation and it compounds at 12-12.5%, you will end up with ₹3 crore. That is a difference of four times! That is why it makes sense to make careful asset allocations, but not be at the extreme ends of the risk spectrum. Don't go from zero equity allocation to dabbling with derivative day-trading or crypto trading.

Four, simply start investing. Many young people think that they need to learn a lot before doing so. Others tell me that they earn too little to save even 20% of their salaries. In such cases, you can start by saving 5% of your salary.

But set up things so that you save 70% of your incremental income when you get a raise. Invest that before you raise your spending. If you start saving ₹10,000 per month at age 25, you will have ₹5 crore by the time you are 60, assuming a conservative return of 9.5%. To reach the same corpus, you would need to save ₹20-30,000 a month if you start investing at 30-35.

Five, the question of whether you should invest yourself or use professionals such as fund managers and financial advisors. The short answer that holds true for most people: Since you have a day job, you are unlikely to get results as good as what professionals can provide. If you want to learn or just want to be able to talk markets, keep 10-20% of your portfolio for investing yourself and leave the rest for professionals. More on that another time.

Six, the most overlooked part of most Indian portfolios are global investments, and this means much more than a handful of American and Chinese stocks you might have heard of.

Why? Just two points. You have learnt since childhood not to put all your eggs in one basket. Hence, investing in India, which is less than 5% of the world market capitalization, is simply not good or safe enough.

The other data point: at the beginning of my career, the dollar changed hands at ₹12. Today, it is nudging ₹89. If you are planning for goals 20 or 30 years away, do not forget this. However, very few in India have expertise here. So, be careful on how to do this. I know this first-hand because ours was the very first Asian (excluding Japan) firm to go to the UK and US, back at the turn of the century.

These are six simple areas to focus on while investing. If you do that, you would have done the right thing for your portfolio.

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