

Asset Classes and the importance of interest rates

FLAME - February 2021

Cambridge dictionary

C1 [C]

a useful or valuable quality, skill, or person:

- *He'll be a great asset **to** the team.*
- *Her eyes are her **best** asset (= most attractive feature).*
- *Knowledge of languages is a real asset in this sort of work.*



C1 [C usually plural]

something valuable belonging to a person or organization that can be used for the payment of debts:

- *A company's assets can consist of cash, investments, specialist knowledge, or copyright material.*
- ***liquid** assets (= money or things that can easily be changed into money)*

Asset

- Can be measured in money
- Can be sold and money can be realised or can be purchased for money (typically)
- Usually either gives you cash flow / money flow or expected to increase in value over time (not always)

Classes = Types

Asset Classes

- “Things” that you own
- Lending money
- Ownership of a business

Things that you own

- Do not give you cash flow
 - Paintings & sculptures
 - Bitcoin & other cryptos
 - Gold & diamonds
 - Vacant land
- Give you cash flow
 - Property that you rent out
 - Aircraft / Cars that you give on lease
 - Land which is used a pay and park parking lot

For non cash flow assets

“Value is in the eye of the beholder (next buyer)”

For assets with cash flow

“(Approximate) value can be calculated”

Money lent to someone

is easy

Valuing ownership of a business

is (usually) tough

“Mutual Fund sahi hai”

Beware of

Futures, Options, Margin trading Zerodha
/ Robinhood are NOT a gaming platforms

Interest rates

Banks and you

Banks will pay you ~ 3% per annum interest rate on your savings account and charge you ~ 49% p.a on your credit card outstanding

Rental Homes

Do not ignore the flexibility and the savings

Home loans

The **ONLY** loan you may (sort of) need

Retain the option

Rates go up and down

FD & Fixed rate home loans

“Boring” is good

EPF, PPF, RBI bonds

Thank you

Questions?