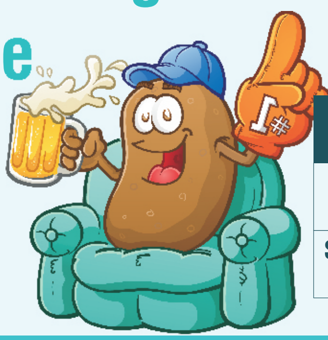
four reasons why your friend will end up wealthier

despite saving the same amount as you

Is it possible for your close friend to be wealthier than you despite saving the same amount as you? The truth is that it's a real possibility if you make the four common investing mistakes

1 Allowing savings to vegetate



Holding too much cash or parking it in savings account (which gives 3-4% returns) actually results in your money losing its purchasing power due to the effect of inflation.

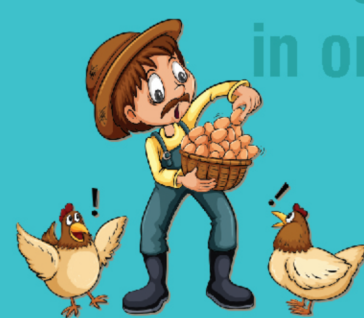
Amount Saved **WHERE**	Amount Saved per year	Amount Saved over 10 years	Annual rate of return	Corpus value after 10 yrs	Avg. Rate of inflation/annum	**REAL** corpus value
CASH	10000	1200000	0%	1,200,000	7%	859,6950
SAVINGS BANK ACCOUNT	10000	120000	4%	1,472,498	7%	1,035,245

2 Putting all eggs in one basket

Every investment option has its **inherent risks**.
Different a**sset classes perform differently** at given point of time

Banking on just one asset class be it stocks, fixed income investments, real estate, or, gold to see you through is not a great idea.

Solution - **Diversify** your investments as per **risk appetit**e and investment horizon so that you don't remain hugely vulnerable to one type of investment risk and **optimize your returns**

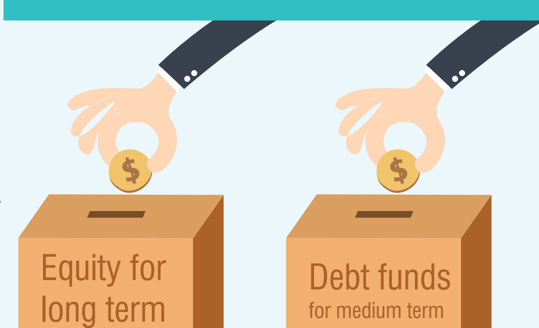


3 Getting the asset mix wrong

Having the right ingredients doesn't guarantee a great dish. You need to get the ingredient mix right. In investments, you need to invest the right amount in different asset classes. How important is this mix?

90% of return depends on asset allocation

You need to have a mix of major asset classes of equities, debt, gold, real estate and, in a proportion aligned to your near term and distant requirements. For instance, for longer term requirements that are 8-10 years away, you need investments in equity asset class preferably through equity mutual funds. This is because equity can exhibit volatility in the short term and work best over a longer investment horizon. For shorter term requirements, say, 3-4 years away, consider debt funds that invest your money in debt market securities. Liquid fund investments can take care of your emergencies.



4 Opting for misfit investments

When you go to buy footwear, you look for the best looking piece that fits your feet and budget, don't you? Sadly, many of us don't do the same for investments. The victims of "get-rich-quick" Ponzi schemes are typical examples of people who get lured by promises of "too-good-to-be-true" returns instead of focusing on their need and returns to meet the need. Many people miss out on creating specific portfolios for particular requirements, such as home buying or childrens' higher education. Misfit investments combined with the wrong asset mix often leave people well short of their target.

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To sum up, the four common investing mistakes can make a big difference to our lives from determining whether our children study abroad to the living standard in our retirement. Your friend getting wealthier than you may not only be due to a higher pay or better stars. Your investments in the right places at the right time also have much to do with it.