

Investing for the Clueless, Reckless and Overly Cautious



"A wonderful,
down-to-earth guide
to a crucial life skill."

-Michelle Martin,
MoneyFM89.3 Host

Swapnil Mishra



Investing
for
the Clueless
Reckless
and Overly
Cautious

*For those who seek to find
balance in life and wealth*

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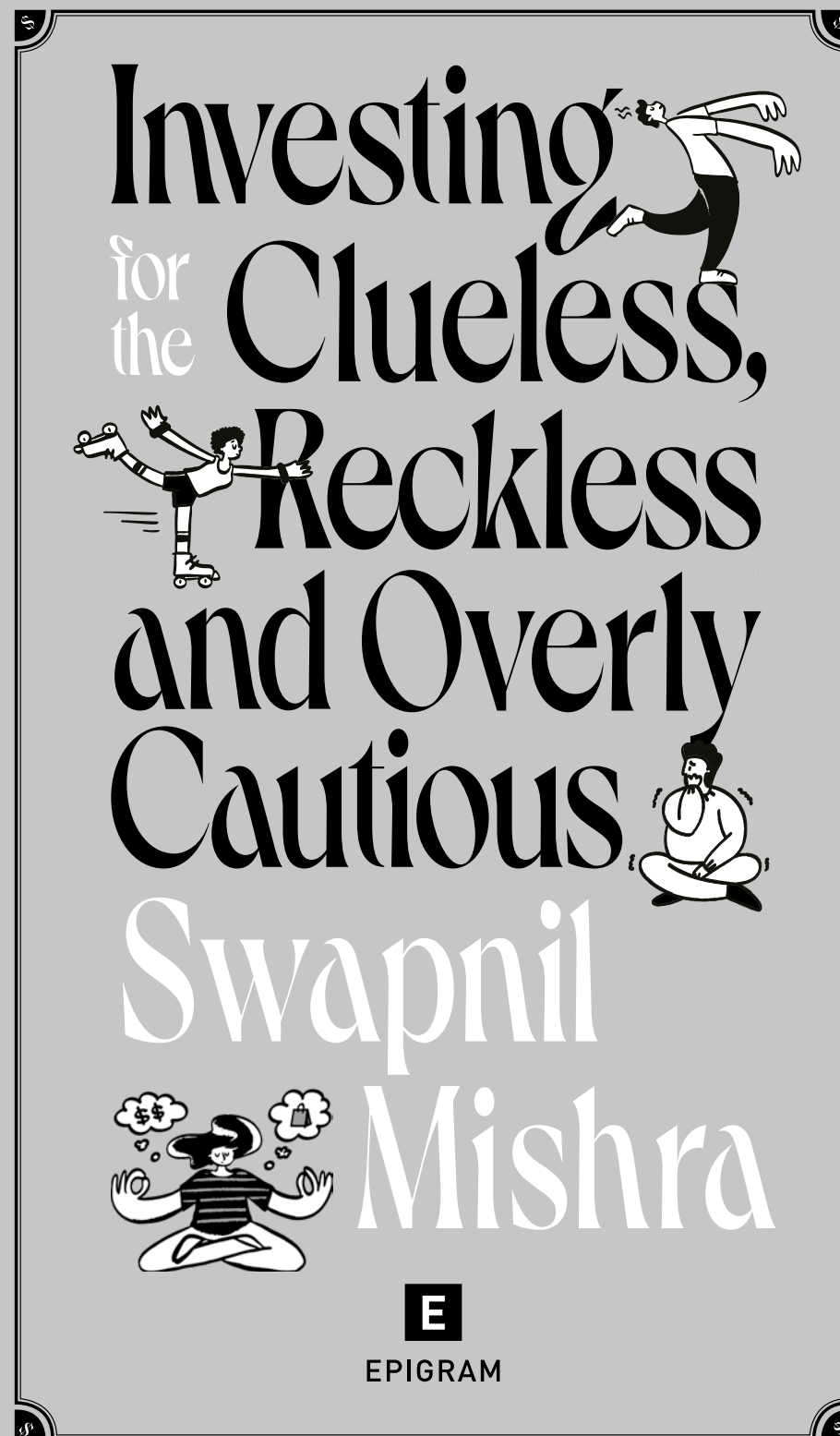
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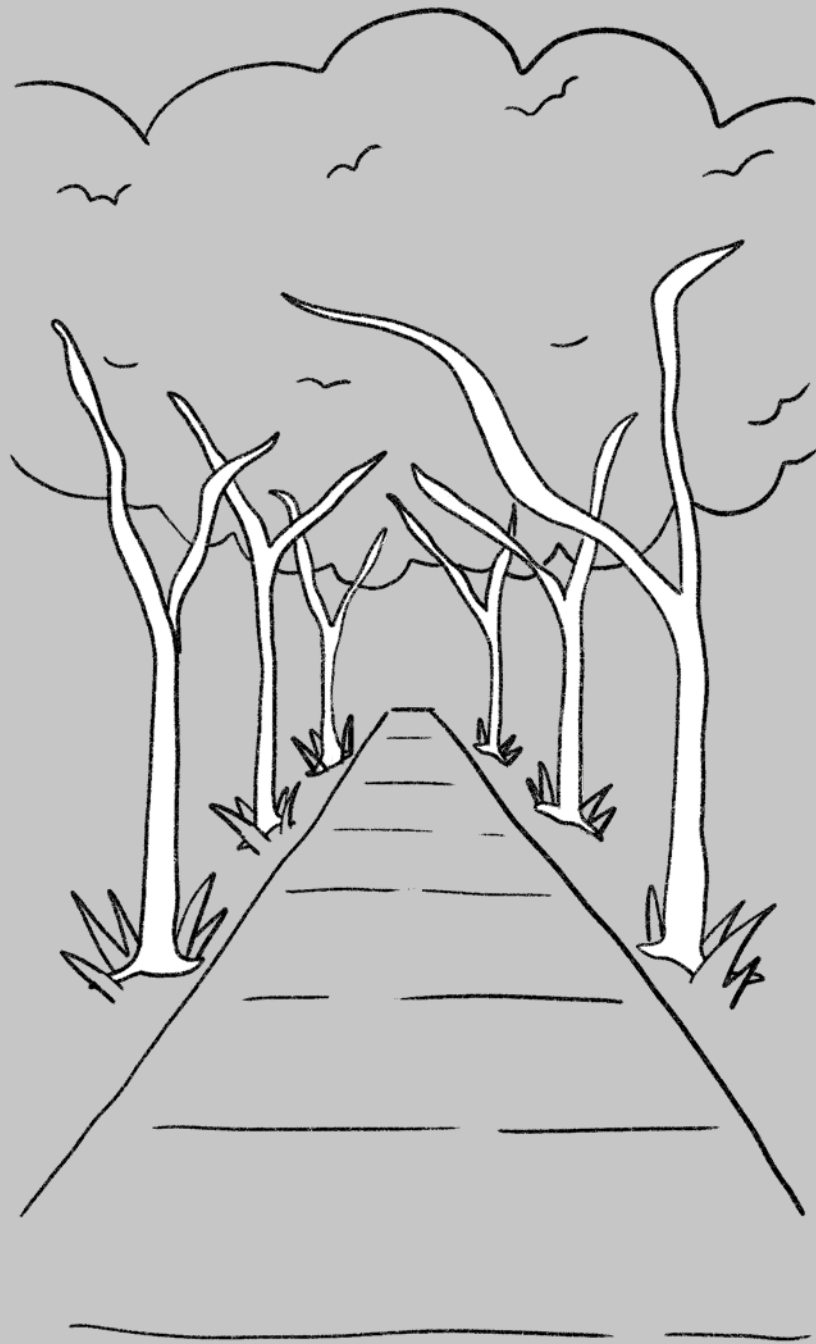
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Introduction

Let's Get Started

The self-help section of the bookstore is filled with books about investing, trading and stock picking—a whole range of financial topics for anyone who wants to get started on or expand their understanding of investing.

So why one more book about investing?

Managing money is a lifelong journey. It can be a source of intense emotions; both early stage and seasoned investors can come face to face with fear, confusion and greed when dealing with money. Most books on investing try to completely remove such emotions from investing, highlighting instead the technical concepts and skills. However, in over two decades of helping hundreds of investors, I found that emotions can never truly be removed from the equation—I have helped investors with not only managing their financial knowledge, but also

the emotions that can arise in their own investment journeys.

While it is not the same as being a priest inside a confession box, as a financial advisor, I can be privy to people's deepest vulnerabilities and emotions. "I'm really scared that I will have no money left for my retirement", "I wish I were an expert on financial products like my friends" or "I must buy a lot of cryptocurrencies to double my money." These are actual statements made by investors! I found that my role as a financial advisor was more like a life coach, putting people's mind at rest by guiding them through their personal financial goals, financial markets and products.

The idea for the book took shape over two years of extensive research and a series of opportune conversations, some on my regular MoneyFM podcast and others with my students from the Singapore Management University. I recall one particular conversation with one of my students. She wanted to start investing some of the money that she had been earning from teaching tuition, but just did not know where to start. She asked me for some guidance, but with each question came sighs of resignation. Shrugging her shoulders, she lamented: "I have such a small amount of money and no knowledge of finance. Why should I even bother?"

We feel these overwhelming emotions when trying something new or unfamiliar. For example, young investors may face a dilemma: should they invest in financial assets or invest in themselves, by learning new skills that can help improve their professional future? Early investors are afraid of losing hard-earned money and struggle to overcome this fear. Similarly, seasoned investors find it difficult to organise the deluge of financial information in the market, and may even

be susceptible to peer pressure.

I answered my student's questions using my own experiences with anonymised stories of actual investors that faced difficult financial situations, and how they faced these challenges. As I shared stories of different investors' struggles and triumphs, an immediate sense of relief washed over her, realising that she was not alone in this financial journey. People from diverse backgrounds have so much in common in their individual investing journeys. In fact, troubles with investing are no different than struggling with fitness or other common personal goals.

We spoke about the role of technology in bringing investing and financial information to our fingertips, and how such technology is so affordable that it cannot get any more accessible. Where does this leave retail investors? They have to manage such information, while also dealing with large financial institutions like banks, insurance companies, mutual fund managers and advisors selling financial products. Many of these products are also high-fee funds, where a lot of marketing dollars are spent to create the feeling that investors cannot succeed without them.

The growth of low-cost Exchange Traded Funds (ETF) or Index Funds for passive investing over the last decade is evidence that it is becoming the preferred, low-cost and effective instrument by novice and sophisticated investors alike. So the question is, are you sophisticated enough to make simple, yet fruitful investing choices?

Out of many such conversations was born the proposal for this book, supported by Epigram. The purpose of this book is not to share a magical secret trading strategy that doubles

your money instantly. But crucially, it will lay the foundation for you to become aware of your financial situation, develop rational and intelligent investing skills, eventually empowering you to make productive financial decisions. If you are already on your investing journey, then this book can help you evaluate your current course, and correct yourself where necessary.

I hope that whatever stage of the investing journey you are in, you will find these stories and reflections helpful and relatable. I use the outcome of losing money to articulate the underlying drivers of our financial decisions, but I also do not simply suggest that one approach is always better than the other. The best approach to investing can differ greatly depending on the investor. Ironically, in fact, there are many investors who go about making money without realising that they have actually made some risky decisions and mistakes along the way. So, there is no need to be excessively harsh on yourself simply because certain investment decisions did not play out as you might have expected. Your investment journey is not just about whether you lose or make money, but it is about self-discovery—determining the best approach for your unique situation.

The ultimate aim of this book is to alleviate the common anxieties surrounding money management and to make investing more approachable and accessible. Each chapter will address specific investing concepts, using short narrative examples to contextualise common financial situations. At the end of each chapter are reflections and lessons that break down financial concepts in a simple manner, providing simple tools and tips for investing sensibly. These lessons will help you implement the necessary steps in *your* investment strategy.

Indeed, this book becomes your personal guide. So reflect, discuss and, most importantly, apply the lessons imparted in this book in your investing decisions. We all want to be at peace when we preserve and grow our wealth, after all.



Chapter 1

Felix's Fallacy

Master Your Saving and Budgeting

Felix fought desperately against the relentless pull of the water, his body becoming more exhausted with each passing moment. His lungs screamed for oxygen, each breath becoming shallower and more desperate.

With his heart pounding in his chest, Felix knew that one final effort was all it would take to break free and reach the water's surface. His body ached, and his muscles screamed in protest, but summoning every ounce of remaining energy, he kicked his legs with superhuman force, his limbs propelling him upwards with a burst of strength.

Felix's eyes snapped open, his body drenched in a cold sweat, and as he lay there, gasping for breath, Felix couldn't shake off the overwhelming sense of relief mixed with confusion. The vividness of his near-drowning experience lingered, haunting him while he reminded himself that it was just a dream.

Felix looked around him. He was safe in his room, and there was no water, although he was drenched in sweat. But as he thought about it again, his relief started to fade. Was it *just* a dream? He had read somewhere that dreams are, in some weird way, linked to reality. If that was true, he could not figure out the connection. He was a very confident swimmer. Maybe not all dreams mean something.

Felix reached for his phone and saw two unread notifications:

Balance on Visa Card ending 89076 is SGD 6478.46 as of 15/02/2022. View in app: visa.co.SGBU. Reply STOP to unsub/call 1800 000 VISA

A payment is due to be collected by GIRO on 22/02/2022 for your VISA card ending in 89076. Reply STOP to unsub/call 1800 000 VISA

His salary was credited on the 28th of each month, and paying his monthly bills was proving to be difficult. He had to ensure that there was enough money for the GIRO, or auto debit, to go through. He did not want to become a “revolver”. The term kept coming to his mind recently, ever since he learned it had another meaning in the context of credit cards. A university buddy who works for a credit card company explained to him that a revolver is a person who does not pay the entire credit card balance when it’s due every month and keeps rolling it over to the next month. It’s a great convenience since the credit keeps revolving, but the charges are exorbitant and can go up significantly, if not tracked.

During lunch break, Felix opened his online banking app.

His previous month’s salary had been credited on time, and some of his regular GIRO payments had already been deducted.

His problem was the occasional purchases, like last month when he purchased a new luxury watch. He had no plans to buy a new watch, but while strolling around Plaza Singapura waiting for a friend who was running late for lunch, he noticed it in the display window of a shop. It looked incredibly cool on his wrist, so he just went for it.

“Spend and God will send” was his motto. In the last two years at his job, he had received a pay raise and a nice bonus. And he was young. He would keep earning more money anyway, and he had plenty of time in life to save. Right now, it was okay to spend.

He repeated this to himself as he logged out and shut his laptop.

That evening, Felix had plans to get drinks with his friends at a live music bar that had recently opened on the Waterfront. Lady Luck was on their side that night. They managed to get a table, and not just any table, but their favourite spot with the best view. Soon after they settled down with a drink, the place was buzzing. Groups of office workers streamed in, similarly looking forward to winding down at the end of the workweek, and their soft chatter and laughter melded with the mellow blues tune the band was playing. Felix soaked in the atmosphere, feeling more relaxed than he had been in a while.

“Let’s order a bottle of champagne,” he said. “In fact, let me make it my treat to all of you.”

His friends exchanged knowing glances. Everyone who hung out with Felix knew that he loved having a good time, which often involved spending excessively. To him, it was not

about showing off. It just came naturally to him. He believed in enjoying life to the fullest. But Felix's splurges were starting to make his friends uneasy.

"I think we're fine," one of them eventually said.

"Chill, bro, this one's on me," Felix bragged, and walked over to the bar before they could say another word.

The rest of the night passed in a blur. The next morning, Felix woke up late, still groggy from the partying and struggling to recall the damage from the previous night.

A note that he had left for himself on his desk reminded him he needed to get his bicycle fixed. He had bought a fancy bike three months back and only managed to ride it twice before the chain started coming off. He pushed it to the neighbourhood shop, where the owner poked around at the bike with his tools for less than a minute before pronouncing that the alignment of the wheel was off.

"It's a simple fix," the shop owner stated. Before Felix could thank him, the owner leaned closer with a twinkle in his eye. "By the way, have you seen the latest arrival?" He led Felix to a black bicycle at the front of the store. "It just arrived yesterday and it's the most premium bike we have. It was made in Germany and costs six thousand dollars."

It was expensive, way more expensive than anything Felix had ever bought in his life. But it was also beautiful, light and sturdy. As the owner ran through the features of the bike, Felix fell more and more in love with it. A higher price means higher quality, right?

"Since my bike is giving me trouble, I think it's wise to just buy a new one, right? If my bike acts up again, I would end up spending much more money on repairs anyway," Felix mused,

looking for confirmation from the shop owner.

"Absolutely," the owner said immediately, "and there is also the 'buy now, pay later' option. You don't have to pay all the money upfront, only in twelve or twenty-four monthly instalments, and there is no interest charge."

Felix had read about "buy now, pay later", also known as BNPL. If he took a twenty-four-month repayment plan, it was a measly \$250 per month. He could definitely afford that much.

Fifteen minutes later, Felix had completed a test ride and made the payment, and with a single, convenient swipe of his card, he was going home with a shiny bike, having spent only \$250. The BNPL transaction was a game changer. Felix liked that it was less stressful than a personal loan. It was not a loan at all, really. It was a simple "I will pay you the rest later", which was harmless.

Felix took credit card debt seriously due to the very high interest costs, but with this BNPL service, it was convenient, without high visible costs. In fact, Felix was proud of himself for solving the problem of his credit card bills by using BNPL in a smart and prudent manner. Over the next two weeks, he realised that having this option took the stress away completely and he was able to make purchases with more ease. Like the gaming PC and monitor that he had debated about getting for the last three months. He carefully avoiding expensive credit card debt.

Felix's friend whistled when he saw the gaming PC and monitor one day. "Wow, you must have saved up a lot of money for that," he commented.

"I found a better way," Felix explained. "Have you ever heard of 'buy now, pay later'?" His eyes sparkled as he explained the

scheme to his friend. “The best part of BNPL is that it makes things affordable right away—I can get the product without needing to pay the full price upfront. I just have to pay a small amount first, and slowly pay the rest in instalments afterwards. In a way, it forces me to save after I spend.”

The friend raised an eyebrow. “Maybe I’m old school, but I still believe in ‘save first, spend later’. I’m guessing you don’t have any systematic or regular investment commitments?”

“I want to start investing, but I want to get my expenses and credit card payments in order first. That’s why I’m so excited about BNPL. With this scheme, I can break down my expenses into more manageable instalments, which can then leave me more room to start investing my remaining cash.”

Things were going well for Felix. With his credit card problem solved, he felt more at ease to shop whenever he wanted and not have to wait. Over the next three months, he bought a few other things that he had been eyeing, like the latest Nike Air Max, the new iPhone 13 and new speakers for his computer. After a while, he lost count of the total instalments he had to pay. It was easier to forget. Each splurge dragged him deeper and deeper into a whirlpool that he tried to ignore.

The day after another big purchase, Felix had the same dream of drowning again. He woke up in a sweat and reached for his phone. There were two notifications. He stared at the screen.

A payment is due to be collected...

A payment is due to be collected...

To his horror, Felix realised that the balance in his bank account was not sufficient to cover all his due payments from his credit card bill and his BNPL purchases. But he could not afford to default on his BNPL obligations. He had been receiving regular follow-up messages for his BNPL payments, and not paying the required monthly instalments will incur penalty fees on top of the instalment amount. As Felix tried to add up all the numbers, his head started spinning.

Suddenly, becoming a credit card revolver seemed like not such a bad idea to Felix. It would allow him to pay the minimum outstanding bill on his credit card and roll over the remaining amount every month, which would free up his cash balance to pay his monthly BNPL instalments. So Felix did just that—he became a revolver, and he finally cut down on his spending.

But it was too late. He had no savings and no investments. He could not completely cover the instalments he had accumulated. How did he get to this point? The cycle kept repeating. Felix kept receiving a string of notifications of payments due and seeing an insufficient balance in his bank account.

A payment is due to be collected...

A payment is due to be collected...

A payment is due to be collected...

A payment is due to be collected...

A payment is due to be collected...

Felix was drowning, and he could not wake up from this nightmare. It was his reality.

Reflection #1:**Save your money and spend wisely.****Where did Felix go wrong?**

Felix enjoyed life, like most of us are prone to do. He was earning money, spending it on the usual comforts and material luxuries. He had access to the same payments and financial services like credit cards or “buy now pay later” (BNPL), that we all routinely see when spending money. But somewhere along the way, Felix was overcome by the tendency for instant gratification, or the desire to satisfy our material urges immediately. Eventually, his attitude towards borrowing changed, neglecting to consider the consequences of his decisions.

The dire financial situation Felix found himself in did not happen instantly nor did he intend to put himself there. It was a gradual, inconspicuous process, but at each crucial decision-making point, Felix did not properly evaluate his choices. The easy availability of credit enticed him to skip the important step of assessing his financial situation thoroughly. Felix got access to funds with a simple click of a button. Without this convenient BNPL option, Felix might have realised earlier that he does not actually have the money to buy the bike or the watch. He would have avoided the trap of instant gratification.

The problem of instant gratification is not simply about how much money you have in your bank account. There will always be things that you might desire but are beyond your means. Some people think that if you have a lot of money, then this problem goes away. Unfortunately, this temptation exists regardless of our financial status—the need for gratification is a human instinct.

Felix also did not see the cumulative repercussions of his decisions, or the compounding effect. Certain choices made in isolation may seem manageable, but become unmanageable over time as the financial commitments pile up. Technology that is more targeted and personalised (think the strangely specific advertisements that pop up on your Instagram feed) facilitates quick decision making. This becomes a problem when one is in a susceptible state or is unable to properly consider their financial means.

BNPL allows customers to spread the payments of a purchase over a stream of smaller monthly instalments. Paying by BNPL means you pay only a fraction of the price today; but this increases your liabilities and financial commitments in the future because you still owe money.

The main appeal of BNPL is that it is often positioned as a new, convenient way of making purchases, and not as a loan. With BNPL, your decision to make a purchase is now based on the amount of each instalment and the number of instalments, instead of a larger overall sum. The decision is also more likely to be made item by item; each purchase of an item by BNPL represents a separate credit.

According to many behavioural economics researchers, the danger is that people tend to not see the cumulative cost when using BNPL services. Multiple separate BNPL payments for different items will ultimately accumulate to a total debt amount payable every month. The more BNPL payments you commit to, the greater this monthly debt payable. Because of the human tendency for instant gratification, BNPL is enticing to consumers like Felix. There is a real danger of falling into the BNPL debt trap.

About the Author

Swapnil Mishra has spent over two decades working in the finance industry, building and growing wealth management businesses across various geographies, including Asia, the UK, Africa and the Middle East. During this time, he helped investors of all backgrounds navigate their financial journeys, while also developing innovative products and services to best serve his clients.

Mishra pursues his passion for fintech and aims to democratise access to sound financial advice and services by applying cutting-edge technology in wealth-tech for firms in Singapore. In addition to his work in the finance and technology industries, Mishra has been an Adjunct Teaching Mentor at the Singapore Management University since 2017, where he partners with social service agencies to develop impactful projects.

Mishra is also an accomplished author, having written two books in the middle-grade novel series, *Freddy*, both of which have been well-received by young readers in Singapore. He introduces young readers to the principles of empathy and enterprise, empowering them to become changemakers of tomorrow. In his free time, he searches for challenges that help him venture into uncharted territories like running a marathon or hiking the remote Tasmanian marshlands. He plays bass in a local band and lives in Singapore with his wife, two growing boys and their pet Wally.

Follow him on Instagram (@swapnil_mishra_author) to learn more about his work.

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“Mishra addresses key financial pillars with thoughtful stories that many will be able to identify with.”

-Kenneth Lou, Co-Founder of Seedly

“Valuable insights on good financial hygiene for investors of all backgrounds.”

**-Dr. Madhav S Aney, Associate Professor of Economics (Education),
Singapore Management University**

**When should you start investing?
What platform should you use?
How do you navigate your emotions?**

Swapnil Mishra, a veteran of the finance industry with over two decades of experience, tackles common concerns people face with investing through easy-to-read and relatable stories. From laying the foundation for investing to dealing with the emotions that will arise throughout your journey, this book will empower you to take charge of your financial future.

PERSONAL FINANCE

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