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The Daily Star

DHAKA, FRIDAY, FEBRUARY 22, 2019

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NEXT STEP

YOU ARE LOSING MONEY EVERY MONTH (PART 2)

And how to stop that

In the first part of the article, I wrote about how you are losing money every month by keeping it in a current account. You're losing even more money by keeping it idle. This happens due to inflation. To combat that, and to make more money in the process, invest in stocks. On speaking to Mr. Saad Niamatullah, an Assistant Manager at LankaBangla Asset Management Company, I have devised the following guideline for investing in stocks:

First thing first: Write down all your financial goals, along with how important each goal is.

Before anything else, ask yourself what financial goals you are trying to achieve, and how important it is to reach each goal. The more important a goal is, the less risk you can take with your investment to reach that particular goal. This is important to know, because riskier investments generally have higher returns.

Sit down with your loved ones and try to approximate how much money you will need to meet your financial goals, say 25 years from now. For example, a nice house may cost BDT 1 crore and be of medium importance and traveling may cost BDT 15 lakh and be of low importance. Similarly, include medical emergency, higher education and other expenses, and sort them based on importance. The approximations and goals will wildly vary between individuals.

An element of risk is always there

Accept the fact that an element of risk is always there; it could be because of a lack of corporate governance (very few companies in the past have been rumored to have run away with investors' money without consequences) or just due to a bad year for the capital market. That is exactly why the returns are so high. However, in almost all cases, good long-term investors who waited out bad periods, made more than they invested, unlike those who sold their stocks in panic. If you feel that you can't take that, then stock investment might not be for you. But even if you are willing to take the risk, remember to always invest the money that is left after necessary expenses and fixed deposit savings.

Gain some foundational knowledge

If you want to experience the excitement of trading your own stocks, you need to arm yourself with some financial knowledge. If you jump into it without any basic knowledge, you are essentially gambling. The odds of you winning in this stock market casino is pretty low and no one wants to play Russian Roulette when their lifetime savings are at stake.

Most top investors suggest specific books to get started. And according to them, that's really all you need.

So, start off by reading the book, "One Up on Wall Street" by John Rothchild and Peter Lynch. It is the best book on the

market which can give you a solid introduction. Other good books are "The Intelligent Investor" by Benjamin Graham and "The Little Book of Common Sense Investing" by John Bogle.

The secret formula

If you read these books, you will realize the best strategy as endorsed by top investors is called 'value investing'. Simply speaking, the strategy is to identify a great company through personal research, wait for the price to go down due to reasons irrelevant to the company's operations, buy the stocks at that low price, sit back and see the price soar high and then finally sell the stock at a high price when you feel like selling it will give you the money you need.

This is where the famous quote "Buy low and sell high" by Warren Buffett comes from.

Invest without the personal research work – Mutual Funds

Through open-end mutual funds, you can easily invest in stocks without having to do your own research. You buy fund units from an asset management company at a certain price called the net asset value (NAV). The fund manager then manages the day-to-day business of researching and trading stocks, and if they are successful, the NAV of the fund increases. Then you may redeem your fund units at the new NAV or wait till the end of the year when

they send you a dividend based on the profits made throughout the year. Open-end mutual funds are available from large financial institutions like IDLC and LankaBangla. There are smaller fund managers too, like VIPB, Impress Capital, EDGE and AT Capital. You can easily compare the performance of different mutual funds online.

The long run

You can easily monitor your stock portfolio performances through your DSEX app.

You can learn about the listed companies by checking their financial metrics from Dhaka Stock Exchange website. You can find price charts at AmarStock's website.

At times, you will see the stock prices of good companies collapse. Don't panic and go on to selling them. Wait like any good long-term value investor would. If it's a good company, the stock prices will go up again. Remember the secret is to buy low, wait, wait, wait and sell high.

Finally, keep reading more scholarly books on relevant topics, follow economic trend journals from top Bangladeshi financial institutions like LankaBangla, IDLC or just read the business section of your newspaper regularly.

Start tomorrow.

SEEM SHAHID NOOR

INTRODUCTION TO INVESTING IN STOCKS

Getting the paperwork ready for stock investment in Bangladesh

You know why and how to invest in stocks, now what? Get started on the paperwork. This article will be your comprehensive guide to stepping into the stock market scene.

First, you need your NID (a photocopy of your passport also does the job), multiple passport size copies of your photograph and a small amount of cash to open different accounts.

Once you have all that, you have to open a bank account. It can be any bank account but it will be a smart move to look into which bank provides the best deals for students or young professionals. Every detail can be found online; all you need to do is look it up.

Once your bank account is ready, open a brokerage (BO) account from any broker house, preferably a subsidiary of a reputable bank or

financial institution, just to be safe. This will take roughly BDT 500.

When you are trading stocks, you will be charged a small amount of money for every transaction. The percentage could be something like 0.04% of the transaction. You can compare the rates online and choose the broker house with the best rate. Make a judgment call based on the rates and the reputation of the broker houses.

In order to improve your investment experience, link your BO account to the DSEX (Dhaka Stock Exchange) mobile app. This app will help you trade stocks with the

single click of a button.

You now have your bank account and your BO account. In the final step, simply transfer some money from your bank account to your BO account and start investing.

SEEM SHAHID NOOR

Seem Shahid Noor is a 2nd year student at Harvard University studying Applied Mathematics and is passionate about inspiring professional development in communities around him. Email him at seamnoor@college.harvard.edu to express opinions, requests and compliments.

Making a DIFFERENCE

Bangladesh is rapidly moving towards middle income status by 2021. Our businesses definitely offer immense opportunities for the growing economy and this diversity needs a stage for the stories untold. See Bangladesh make its mark on the global map as Making a Difference brings you our proudest success stories from across the country.

Using the internet for research

4 things to know for doing it right



Libraries are long-forgotten when it comes to research. Internet is everyone's preferred method because it's fast and accessible. But are you making optimum use of your favourite search engine?

Google Scholars

If you are writing a paper or making a presentation that requires citations and thorough articles by academicians, Google Scholars is your best bet for it. Go to the settings option of Google Scholar, click on 'Metrics' and find your preferred category. The top publications are arranged from order and number of credible citations. You can easily filter out click bait articles and save your time by using this as it directs its users to academic resources with reliable references.

Academic journals

For students and research associates who require journals for their thesis or term papers, sites like MSN Live Academic, InfoMine, Resource Discovery Network, SearchEdu.com are very useful. They store academic journals with specific research focus along with necessary instructions to follow through the research.

Check your references

If you are using the good old method of a quick Wikipedia page surfing, make sure to cross check the references cited. Encyclopedia websites like Uncyclopedia, Investopedia (for business studies) are all websites that collect information from other sources. So it's best to check the original articles they collect the information from, which are usually listed below

every page.

Using minus (-) operation

The minus operation is extremely useful to filter unwanted websites and ads of companies that have the same name as your search tag but are irrelevant to your research. If you are looking for a study on the daily lives of jaguars and you don't want Google to return 10 results about Jaguar the car company, type in jaguar-car. Your search results will exclude any content that features the car company.

NOSHIN SAIYARA

Noshin Saiyara is a student of IUB studying environmental management, deluded into thinking that she can actually save the planet. Reach her at nsaiyara12@gmail.com to bring her back to reality.

