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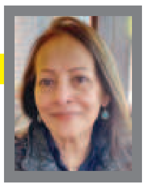


How to protect your money from risky schemes

High interest return is always a temptation, but staying grounded in your investment principles will help you make more rational and less emotionally driven decisions. We have to thoroughly understand the product we are investing in and the background of the financial institution concerned.

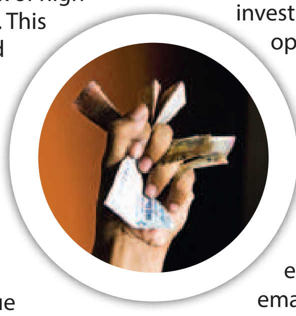
Despite being a banker for many years and writing columns on financial advice, I became a victim of being lured to invest in a high-return product. Alas! Today, with the current situation in many of the financial institutions, I am sad to say that I lost quite a substantial amount.

The officers of the particular financial institution, who used to call me daily, now do not answer my calls, and my messages are ignored. I am sure so many of us are going through this crisis, some more than others.

Here are some tips to help you to invest with caution —

Consider your reasons for investing

Your long-term financial goals should be prioritised. If your objective is stability or steady growth (for example, retirement savings), you should not think of high-risk, high-return investments. This may help you remain focused on your goals and avoid temptations. However, if the financial institution is a sound one with a good track record you can take the risk of investing.



Though investing in a savings account is a sure bet, your gains will be minimal due to the extremely low interest rates. However, do not forgo one completely. A savings account is a reliable place for an emergency fund, whereas a market investment is not.

Do not put all your eggs in one basket

It is always a risk to put all your savings in a single financial institution that is offering you a high return. If anything were to happen to that institution, you might end up losing all your savings. A diversified investment portfolio is a much better option; a balance of low-risk returns and a minimum amount in high-risk returns.

A background check of the financial institution you are investing in should be a top priority.

You are bound to get endless WhatsApp messages, emails, texts, etc., offering you fixed deposits with very high returns. Do a thorough background check before you decide to invest. Always be suspicious of high returns over and above what the market is offering.

Think long-term

A long-term, steady approach to investing tends to deliver more reliable outcomes. Quick returns are often fleeting. The market keeps changing, so be patient and wait for the right time. This will yield better results than chasing high returns in the short term.

Avoid 'Get-Rich-Quick' schemes

High returns often seem too good to be true — and that's because they usually are. If you are promised unrealistic returns with little to no risk, it's a major red flag.

Always be cautious and sceptical of "too good to be true" investment schemes. Just remember the case of Bernie Madoff, who deceived countless individuals and organisations, luring them into his Ponzi scheme with promises of high returns, only to eventually leave them penniless after being unable to pay back their investments.

Investing in Shanchaya Patras/ Government Bonds

This is considered one of the safest financial products available. There are three types of Shanchaya Patras, each varying based on tenure and interest returns. However, the maximum investment an individual can make is limited to fifty lacs. Additionally, you can receive a tax rebate on investments up to Taka five lacs. For more details, please reach out to your branch manager.

Investing in the share market

Investing in the stock market carries higher risks but also the potential for higher returns compared to savings products. Over time, stocks have given the best average returns. However, there are no guarantees of making a profit, making stocks one of the riskiest investments.

Right now, the stock market is in a volatile situation, with most investments dropping in value, even though some are still doing okay. Despite hearing that the market will improve, it still seems pretty bad.

Photo: LS Archive/ Sazzad Ibne Sayed