Coping with change

Sucheta Dalal : "As we learn to cope with the disappearance of safe investment avenues, it is vital that we work at creating networks and support groups that will give investors a voice and exert pressure on the government's regulatory machinery."

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In the rich European nations, the 70 plus population is considered prosperous. Having worked hard to rebuild their countries after World War II and struggled to attain steady economic prosperity along with low inflation, they are now comfortably off during their well-earned retirement.

In India, this is the age group has been hit the hardest by rapid economic and social transition. Many are living without the support of the joint family structure, and having actively encouraged their children to explore growth and betterment avenues in large Indian cities or overseas they now prefer to live alone in India rather than make a new life abroad.

Unfortunately, there is no escaping change even at home. It comes in the form of rapidly changing technology, changing geographical boundaries, and at a personal level in the form of fluctuations in investment returns and ones physical health.

My friend Russi Colah, who will soon turn 90 was once an investment expert for the Tata Group. An active and extremely successful investor who has a razor sharp memory even today, he often points to the amount of change he has witnessed in his own lifetime. Born in the early decades of the 20th century, he has welcomed the 21st, having lived through the British rule and times of horse drawn carriages and moving on to the industrial age with its steam engines and rickety typewriters scarce telephones. That was soon followed by the Information Technology revolution, mobile telephony and dealing with cyberspace through snazzy notebook computers. And he is now witnessing the biotechnology revolution triggered by the cracking of the DNA code. These dramatic changes have been accompanied by equally radical swings in economic and social policy and political formations around the world.

Mr.Colah's generation learnt to adjust and adapt to every change that came their way. But unlike him, his contemporaries and juniors are not investment experts. A majority of those in the 60 to 70 age group had shunned capital market and are struggling to cope with the sharp fluctuations in what they had hoped would be a steady post-retirement fixed income. Gold and real estate, which have been the safest investment options for nearly half a century, can't be taken for granted anymore. Interest rates on bank fixed deposits have shrunk dramatically and institutions such as Unit Trust of India have betrayed investors' trust twice over. Here too, senior citizens were among the worst hit.

Many of those who have cobbled together a Retirement Fund, after a lifetime of paying hefty taxes, have been repeatedly devastated by dwindling returns, financial scams and institutional failure.

The impact is exacerbated because India provides no social security to people. Formal pensions cover less than 10 per cent of the work force and the private pension fund market has still to be established. Even mutual funds, which are a relatively low risk investment option abroad, have failed to make a mark here.

Senior citizens are slowly learning to copy with these changes. While their primary concern is to ensure the safety of their investment, they are also very keen on enhancing returns, by experimenting with capital market investment or at least low risk mutual funds.

It is possible to achieve these objectives with a few simple precautions and a little effort. As a journalist, with a published email ID, I receive scores of letters from people who have been cheated by market intermediaries, or are struggling to get back their money. Based on these, I would venture to make the following suggestions.

First, you can never invest your money and expect the government to keep it safe. You have to track it diligently. Even where the Unit Trust of India (UTI) was concerned, the danger signals became apparent at least three years before the debacle and many smart investors who followed the news, did get their money out in time. The same is true of other government institutions and banks.

It is always better to be safe than sorry. So move your money out when you read bad news instead of believing management claims that the 'financial problems' will blow away.

Secondly, if you invest in the capital market, avoid shortcuts. Always ensure that your paperwork is in perfect order. Take the trouble of signing a "know your client" form with your broker, specify the terms of your dealings, set up a depository account and take responsibility for every transaction and have it on record.

I have received at least a dozen complaints from senior citizens who hand over several lakhs of rupees to brokers for "trading on their behalf" with no documentation. Such 'trust' is dangerous and illegal and eliminates any chance of redressal if the broker dupes you.

Thirdly, it pays to learn how to use the Internet (Broadband connectivity is making it easier everyday). With broadband connectivity more easily available and the proliferation of cyber-cafes, it has become easier to learn how to surf the Internet to open up a whole new world of knowledge and information or simply to connect instantly with people and family.

Most people who have children abroad have enthusiastically adopted the Net and since most people these days are on-line most of the time, they virtually have instant access to the loved ones.

The Net makes it easier to reach investor grievances to the appropriate authorities, and also provides access to quick research and information websites such as www.watchoutinvestors.com. This particular site also provides all the information on where and how to file complaints.

Finally, it is a lot easier to learn about new investment opportunities, spot danger signals or have your complaints redressed through an investor group or Forum. Unfortunately, most people fail to understand the importance of such networking. Even those who devote several hours everyday to their investment activities, rarely join an investor association. Consequently, India has 23 stock exchanges but barely nine investor associations registered with the Securities and Exchange Board of India (SEBI).

That needs to change. As we learn to cope with the disappearance of safe investment avenues, it is vital that we work at creating networks and support groups that will give investors a voice and exert pressure on the government's regulatory machinery to markets safe and scam free. And senior citizens are best placed to take on this responsibility.

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