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Turtle Talk
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Ten Commandments of Investing for the decade(s) ahead

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In keeping with the festive spirit, I thought of donning the garb of Moses and impart a light-hearted version of God's ten commandments to investors with a disclaimer that "We do not intend to hurt the sentiments of speculators or day-traders. Resemblance to any person or financial advisor living or dead is purely coincidental".

1.You shall have no God other than Warren Buffett: He is truly a living God in the world of investing. It is difficult to hold a candle to him. Hence believe only in Him and ignore the myriad pretenders to his throne.

2. You shall not worship the trading terminal: The terminal is not your temple. Make it your slave. It will always try to tempt you to over-trade. Do not fall for its (and your broker's) wiles.

3. You shall not take the name of "Investing" in vain: Do not undertake speculative trades and convert them into "long term investments" merely because they are underwater....

4. Remember the Sabbath day: Do not think about stocks on Sunday. Sunday is meant to be enjoyed with your family and not to be spent with CNBC and the Economic Times.

5. Honour your mentors: Do not forget the critical role that they have played in moulding you as an investor when you entered the stockmarket. Treat them with reverence.

6. You shall not murder: By this I mean murdering the definitions of long term investing by treating a day, week or month as "long term". Think in terms of "years".....

7. You shall not commit adultery: By this I loosely mean, do not overdiversify your portfolio. Too many stocks is akin to too many mistresses. It is difficult to maintain all of them.

8. You shall not steal: This applies more to agents and advisors. You shall not steal investors' money by rendering false, biased or unduly optimistic advice. Investors beware....

9. You shall not bear false witness: Do not blindly act and induce others to act on the views and "tips" given by members of the financial media, market experts, technical analysts etc. Doing so will be akin to bearing false testimony to events you never saw.

10. You shall not covet your neighbour's stocks: Never purchase a stock merely because your neighbour has made money in it. The stock and the timing of the purchase may be completely incongruous with your financial and psychological profile. Being envious of your neighbour will not help you in any manner.

As Charlie Munger once noted "Envy is a really stupid sin because it's the only one you could never possibly have any fun at. There's a lot of pain and no fun."

Have a happy and profitable decade ahead.....

Annual Information Report (AIR)

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At the end of financial year, we collect all the relevant documents such as the Form 16, TDS certificates and other information which is essential to complete filing of Income Tax Returns (ITR). While filing ITR, we either overlook or omit other relevant information which needs disclosure. Annual Information Returns (AIR) is one such area which is ignored by us in our ITR.

We also sometime think that our transactions, which require disclosure, cannot be traced by the IT department .However, in the era of computersiation it is possible to trace such transaction by IT department. Although, we may chose to ignore AIR, this information is already available with the Income Tax Authority. Your Bank, Mutual Fund, Credit Card Issuer, Depository Participant, etc have already provided details of your transactions to the Authority. If you do not provide the relevant information in your Income Tax Return, chances are high that your case may be referred for scrutiny.

U/section 285 BA, Income Tax Authority requires us to submit details of the following high-value transaction that we have done during the previous year.

- Cash deposits aggregating Rs.10 Lacs or more in any savings account in any bank.
- Credit Card Payments aggregating Rs. 2 Lacs or more in the year.
- Investment of Rs. 2 Lacs or more for acquiring units of any Mutual Fund Scheme.
- Purchase of Rs. 5 Lacs or more for acquiring bonds or debentures.
- Purchase of Rs. 5 Lacs or more for acquiring RBI bonds.
- Purchase of Rs. 1 lac or more for acquiring shares issued by any single company.
- Purchase or Sale of immovable property valued at Rs. 30 Lacs or more.

If your return is picked for scrutiny and the disclosure is not been made, then a penalty will be levied on you. Penalty for failure to furnish AIR within the prescribed time is as stiff as Rs.100 per day. Make sure you complete the return form in all respect to avoid mental stress and penalty.

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