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WEALTH CREATION, MAINTENANCE & GROWTH

"How an economy grows and why it crashes"

by Peter D Schiff:

Once upon a time there were three men—Able, Baker, and Charlie—who lived alone on an island. Far from a tropical paradise, the island was a rough place with no luxuries. In particular, food options were extremely limited. The menu consisted of just one item:
FISH (consider wealth)

This was an isolated place where none of mankind's many advancements in fish-catching technology had arrived. Using the inefficient technique i.e. by bare hands, each could catch one fish per day, which was just enough to survive to the next day. This activity amounted to the sum total of their island wealth. Everything that is produced is consumed! There is nothing saved for a rainy day, and there is nothing left to lend. **(NO SAVINGS, NO INVESTMENT, NO CREDIT)**

One night, looking up into the star-studded sky, Able began pondering the meaning of his life.... "Is this all there is? There must be more to life than this." He decided to create a device i.e. "THE NET," and he set about finding materials to build one. When asked by Baker & Charlie of why he was spending time on making the net rather than fishing he responded **"I have been inspired to create a device that will unlock oceans of fishing possibilities. When I'm finished, I'll spend less time fishing, and I'll never go hungry again."** By day's end Able had completed his net! **He had created capital through his self-sacrifice!**

The next day with the help of the net Able was able to easily fetch 2 fishes whereas his friends took the entire one day to fetch just one fish. For the moment, Able pondered his sudden boon. **"Since I can provide two days of food with only one day of fishing, I can use every other day to do something else. The possibilities are endless!"**

To summarize, Able (and society) can do only five things with savings that could help him to create wealth:

- 1. He can save what he has saved.**
- 2. He can consume what he has saved.**

3. He can lend out what he has saved.

4. He can invest what he has saved.

5. He can try a combination of the other four options.

Thus it could be concluded that by this way he could:

Create Wealth: By fetching 2 fishes that exceed his consumption requirements of 1 fish a day.

Maintain Wealth: He would dry and preserve the other fish for future use.

Grow Wealth: He could because of leisure of not to fish daily for survival could find new ways to create other devices that could help him to fetch more and more fishes without fearing of his daily consumption requirements.

Understanding WEALTH

Wealth measures the value of all the assets of worth owned by a person, community, company, or country.

- Wealth is an accumulation of valuable economic resources that can be measured in terms of either real goods or money value.
- Net worth is the most common measure of wealth.
- The concept of wealth is usually applied only to scarce economic goods; goods that are abundant and free for everyone provide no basis for relative comparisons across individuals.

A person who's net income is positive over time will become increasingly wealthy over time. For countries, Gross Domestic Product can be thought of as a measure of income (a flow variable), though it is often erroneously referred to as a measure of wealth (a stock variable).

Anyone who has accumulated a large quantity of net worth can be considered wealthy, but most people think of this term in more of a **relative sense** (changes depending on what time in history and what part of the world we're dealing with) Research has consistently shown that people's perception of their own wellbeing and happiness depends much more on their estimates of wealth relative to other people than on **absolute wealth**.

At the most general level, economists may define wealth as "anything of value" that captures both the subjective nature of the idea and the idea that it is not a fixed or static concept.

What does it actually mean to be wealthy?

Being wealthy goes much deeper than driving a BMW, owning a vacation home in the Bahamas, and wearing designer clothes.

1. **Being Wealthy Allows You To Give:** By working hard and building wealth, you're giving yourself an opportunity to help others around you.
2. **Being Wealthy Helps You Leave A Legacy:** Building a legacy is about creating something that will outlive you and transform the lives of people you may never even meet.
3. **Being Wealthy Gives You Options:** When you're wealthy, you have more freedom to create a life you *want* to live, not a life you *have* to live. You can spend more time on hobbies or business ideas that you never could before because you've got a built-in safety net of wealth to catch you if you fall.

HOW TO CREATE WEALTH

If you want to become wealthy, follow these four proven steps:

1. **Work And Earn An Income:** Your income is your greatest wealth-building tool. Work hard and increase your income whenever possible—get promoted at work, start a side hustle, cut back on your budget, and be intentional about your lifestyle.

Income is further sub-classified into the following types:

- **Active Income:** Income for which services have been performed. This includes wages, tips, salaries, commissions and income from businesses in which there is material participation. Active income means you are doing something in order to receive that income. Some kind of work. Some kind of effort. You are not hands-off. You have to exert some kind of energy and time towards earning that income.

- **Passive Income:** Earnings an individual derives from a rental property, limited partnership or other enterprise in which he or she is not actively involved. Passive income means you are earning regular income with little to no effort required to keep it coming. You are for the most part hands-off.

As per my opinion; active income is underrated as compared to passive income as everyone wants to earn passive income to the maximum extent possible without understanding the fact that Active income acts as a base to lays a foundation towards the Tower of wealth one wants to create. Stronger the base, better the structure.

In the entire process of accumulating wealth; the proportionate contribution of active income and passive income varies based on time. In the initial stages active income plays a major role whereas the role of passive income is negligible. However if such passive income is managed properly over time may lead to passive income contributing to major of total contribution to the total wealth.

2. **Grow your money:** What do you mean by "grow your money?" Simply put, you must invest your money in order for it to experience **compound growth** and **outpace inflation**. But there's a right way and a wrong way to invest in the stock market. You should spread your money evenly across various type of investment modes such as stock market, money market, real estate, scarce commodities, etc. in order to diversify your portfolio and not take on too much risk in one category.

3. **Stay Allergic to Debt:** Debt isn't your friend—it's your enemy. It steals your number one wealth-building tool: your income. Interest that you pay (on debt) is a

penalty, and interest that you earn (through investments) is a reward. Think like a millionaire and avoid debt like the plague. Approximately 86% of the general population believes that wealthy people use debt in their favour to make more money. But it was discovered just the opposite! Millionaires carefully avoid debt throughout their lives.

4. Have A Long-Term Mindset: Short termism never favours the ones who want to build wealth and sustain it over a long period of time. Have you ever heard the kids' story about the tortoise and the hare? Most people would put their money on the hare to win in a race against the tortoise. But the hare gets easily distracted and makes some impulsive decisions plus, he's a bit arrogant, thinking he's got the race in the bag. Before you know it, he's off course taking a nap. Meanwhile, the tortoise keeps plodding along deliberately, consistently, step after step.

When it comes to investing, be the tortoise. Be wise, patient and steady. Don't withdraw from your retirement accounts, no matter how tempting it is. Don't live above your means. Look for compound growth to work its magic over the long haul, and before you know it, you'll be enjoying the fruit of your wealth-building years!

HOW TO MAINTAIN WEALTH

One may generate wealth but to sustain it over long term is another vital task in itself. Maintenance is often ignored and that is the most important factor that determines as to whether the wealth remains "At a point of time." OR "Over a point of time"

Making money is only half the battle - keeping it is the other half. Yet if you read financial publications, far more than 50 per cent of the articles are about ways to make money. Saving money doesn't make for great headlines, but it's vital to your long-term success. With that in mind, I want to discuss a few important ways that can help maintain your wealth.

1. Diversify: Diversification helps you spread your money around over more and less risky ventures. So you'll want to have a percentage of your assets in the stock market, which should be diversified into several different products, such as fixed income, emerging markets, tech stocks, bonds, etc. You'll also want a percentage of your assets in cash so you have the liquidity to take advantage of any opportunities that present themselves. And you should have a percentage of your assets invested in real estate. Here, too, you can diversify in the different classes of real estate, such as industrial, office, retail strip malls, and apartment's buildings.

2. Get Insured: This is probably one of the most important tips of all. Many businesspeople are under-insured, or not insured at all for certain catastrophes such as hurricanes, high winds, hail, flooding, etc. Make sure you have an experienced, reputable insurance broker who can tailor policies that best suit you and your investments.

3. Stick to what has been working for you - don't go chasing the next hot investment: the newest trends tend to draw too many people all looking to cash in on the same opportunities. There's nothing wrong with dabbling in something new, but look for something that's not so oversaturated that it's impossible for everyone to profit. Many businesses have tried to expand outside of their fields, but few have succeeded.

4. Find a good CA and listen to them: A good tax adviser will stay on top of the latest changes in tax laws and find legal ways to minimize your tax bill to fit your specific situation. Just make sure whomever you're working with is credible and has a good reputation. Bad tax advice or trying to hide money from the government in offshore accounts isn't advisable.

5. Seek Good Legal advise: Good legal advice is essential in preserving your wealth. Face it, when you make it to the top, you can become a target, so you need to protect your assets against predators. Lawyers should also review all business contracts, even those among family and friends with whom you're doing business. And if there's a dispute, ask the lawyer for some advice before saying, or doing, something you may regret.

6. Set up an SPE(Special Purpose Entity) for each investment: Are you protected against liability? In our litigious society, it's quite easy for somebody to maliciously file a lawsuit against you. How you hold ownership in each of your assets is crucial; you don't want them all to be under your trust. I set up my businesses and properties as separate entities from my trust. I also have all the properties and businesses I own in their own separate SPE (single purpose entity). This means that the members of that LLC are in my trust, so it gives me another layer of protection. You should work with your estate planner and CA to determine what suits you the best.

HOW TO GROW WEALTH

Following are the best Rules if followed in a disciplined way may help one grow its wealth- Over time:

1. You Have To Earn It (Your Money, Your Wealth)

There's no way you're going to get to what you want and where you want to be if you're not trying to get there. With money, this is pretty damn straightforward. You want money? Get out there and start making it. Get a job. Get a second job. Get a third job. Start side hustling and doing side projects to make more money.

The bottom line is, if you want to grow wealth, you have to earn income. There are potentially thousands of ways to earn income, and you need to find the most that you can do and get to work. There is nobody stopping you. There's nothing in your life preventing you. The only roadblock to you earning more is yourself.

So, stop with the excuses and focus on rule #1 to get started – you have to earn your wealth.

2. You Need To Save Until It Hurts

The real "rule" to get rich here is saving until it hurts. How much is that? Well, if you're not hurting yet, it's not enough. The truth is, following Rule 1 makes this rule easier. The more income you have, the easier it is to save more. But even on lower incomes, you can still save.

3. You Need To Optimize Your Spending

The trick here is to simply spend wisely – especially on your biggest expenses. For most people, this could be cars, insurance, healthcare, and more. Too many people here just opt for “whatever” or don’t think about what the choices really are. Wealthy people stop, think, and elect a choice that maximizes their benefits while minimizing their expenses. So, if you’re ready to grow wealth, start identifying and optimizing your spending.

4. You Must Put Your Money To Work For You

It’s all about making your money work for you, not against you. Earning it is your part of the heavy lifting. You need your money and the power of compound interest to work together over time to grow wealth for you.

You need your money to grow and earn you more money. You need to start building income streams with your money. The goal is that your hard work up front can help you build passive income streams for the future.

5. You Need To Marry Smart

Why? Because a great spouse can be a huge force multiplier when it comes to building wealth, while at the same time the biggest destroyer of wealth is divorce. In fact, a recent study found that divorce destroys 75% of personal net worth.

Divorce has the potential to ruin financial lives if you didn’t marry smart.

Example of none other than Jeff Bezos: His ex-wife, MacKenzie Bezos, is now the richest woman in America, with a \$62.3 billion fortune. An author and early employee at Amazon, MacKenzie Bezos walked away from her divorce with Jeff Bezos last July with 25% of his Amazon shares, then worth \$36 billion.

6. You Always Need To Minimize Your Taxes

Taxes can prevent you realizing wealth over time because they consistently eat away at your income and investment returns. If you don’t want to give up your wealth to the government, then taxes should be near the top of your mind when making any money decision.

7. Insure Yourself And Protect Your Family

You need to insure yourself to protect your wealth and your family. I’m not even talking about life insurance here – I’m talking about making sure that you have health insurance and disability insurance.

Don’t watch all of the money you have accrued go away in a moment.

8. You Need To Take Care Of Yourself First

When it comes to building wealth, you have to take care of yourself first – even when dealing with family. This can be really hard for some people, especially those that didn’t

have much, and now have something that they could share. And others may realize it and ask.

If you want to help others, make sure you've put yourself on solid ground first and have followed all the rules. I've seen it too many times where generosity leads to financial ruin.

9. Surround yourself with people better than you.

Find people that will help you with that. You don't have to settle for the life you were born into if that's not what you want.

On the family front – if they are holding you back, distance yourself. Married upward. Don't let family be the reason you aren't achieving your dreams.

Friends? Find ones that are making you a better person. Drop the moochers. Drop the haters. Drop the lazy ones.

Work? Find a mentor that is doing what you want to do and is killing it. If they don't have the bandwidth to meet you, just watch them and see what they do. You can learn a lot from a distance.

10. It's OK to Go Slow

Remember it's okay to go slow. This is especially true for millennial.

I feel like everyone under 30 today wants the next thing, the next job, the next milestone, the next big pay checks. But they haven't even done this thing, learned this job, and achieved the current milestone. Building wealth takes time. It's about learning today, and leveraging time tomorrow.

Keep that in mind on your wealth building journey.



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NEGOTIATION SKILLS

- INTRODUCTION
 - Why we negotiate?
 - What is negotiation?
 - Elements of negotiation
- MODES OF NEGOTIATION
 - Win-Win
 - Win-Lose
 - Lose-Lose
 - RADPAC
- NEGOTIATION STRATEGIES MATRIX
- PREPARATIONS FOR NEGOTIATION
- TYPES OF NEGOTIATION
 - Distributive
 - Integrative
- ESSENTIALS OF NEGOTIATION
- CHALLENGES OF NEGOTIATION

INTRODUCTION

In words of **HARVEY MACKAY**, "You do not get what you want, you get what you negotiate."

- WHY WE NEGOTIATE
 - Achieve whatever we want without fear of conflict and misunderstanding
 - To reach an agreement
 - To settle an argument
 - Better outcomes achieved from negotiating situations
 - Creating better business relationship
 - Reduce costs through better deal making
 - More opportunities for business development
 - Avoidance of the cost of failing to make crucial deals
- WHAT IS NEGOTIATION
 - The process through which two or more parties who are in conflict over outcomes attempt to reach agreement. It is the constructive, positive alternative to haggling or arguing; it is aimed at building an agreement rather than winning a battle. It helps in reaching to a conclusion benefiting and satisfying all parties involved in discussion.
- ELEMENTS OF NEGOTIATION

SUBSTANCE + BEHAVIOUR + PROCESS = NEGOTIANION

MODES OF NEGOTIATION

WIN-WIN

- Every individual involved in negotiation wins, and nobody is at loss.
- Everyone is benefited out of the negotiation.

WIN-LOSE

- One party wins and the other party loses.

LOSE-LOSE

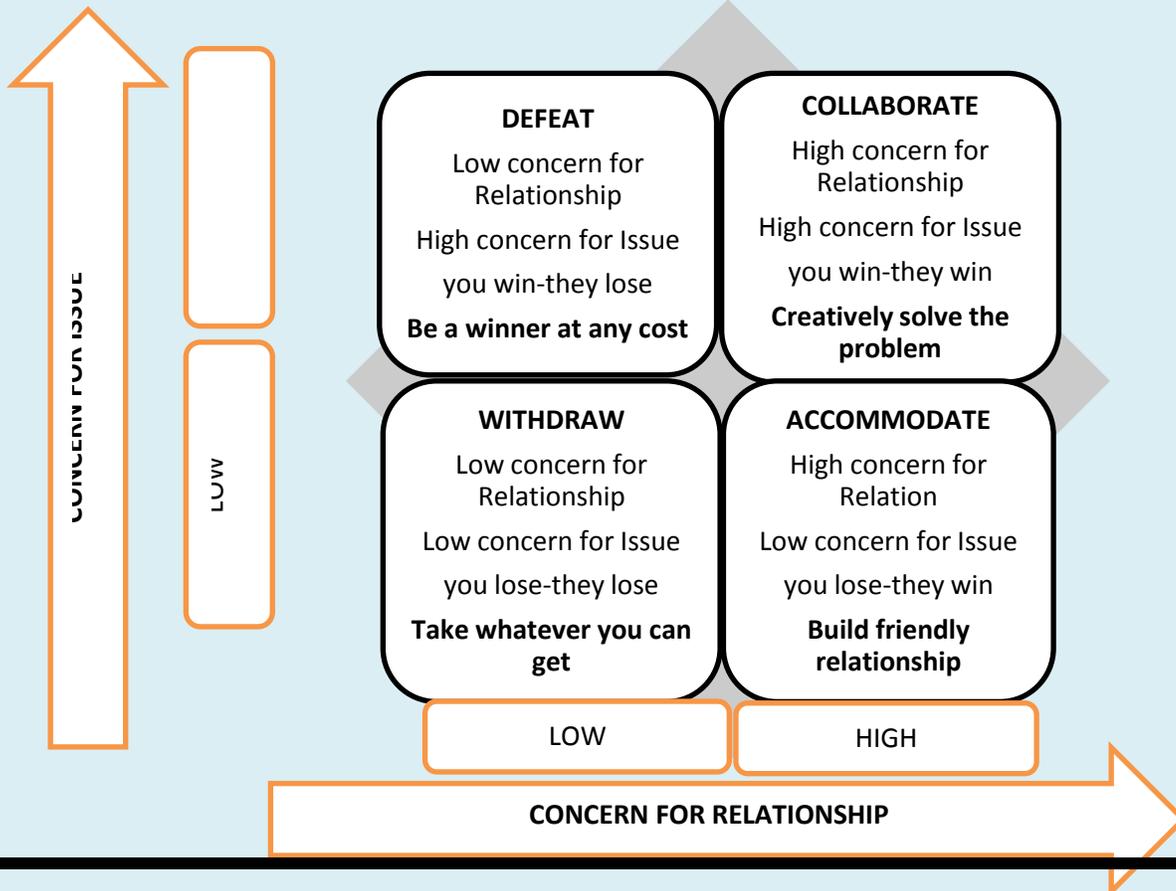
- The outcome of negotiation is zero.
- No party is benefited out of this model.
- The two parties are not willing to accept each other's views and are reluctant to compromise.
- No discussions help.

RADPAC

Every alphabet in this model signifies something:

- R - Rapport
- A - Analysis
- D - Debate
- P - Propose
- A - Agreement
- C - Close

NEGOTIATION STRATEGIES MATRIX



PREPARATIONS FOR NEGOTIATION

FOLLOWING ITEMS SHOULD BE CONSIDERED BEFORE PROCEEDING FOR NEGOTIATIONS:

- BATNA -Best Alternative To A Negotiated Agreement
- WATNA- Worst Alternative To A Negotiated Agreement
- WAP- Walk Away Price
- ZOPA- Zone Of Possible Agreement (Area In Which Final Price Will Be Settled)

BY IDENTIFYING THE ABOVE ITEMS, A NEGOTIATOR CAN:

- Avoid being forced into an unsuitable agreement.
- Assess potential outcomes against the BATNA to decide whether a negotiated agreement is better than the alternative.
- Understand when the other party does not need them to achieve their goals i.e. the other party has leverage.
- Understand when they will damage the other party's interests if negotiations fail i.e. they have leverage.

TYPES OF NEGOTIATION

- Distributive Negotiation
 - Parties compete over the distribution of a fixed sum of values.
 - The key question is: "Who will claim the most?"
- Integrative Negotiation
 - Parties cooperate to achieve maximum benefit by integrating their interests
 - The key question is: "How can the resource best be utilized?"

CHARACTERISTIC	DISTRIBUTIVE	INTEGRATIVE
Motivation	Individual gain	Joint and individual gain
Outcome	Win-lose	Win-win
Interests	Opposed	Different but not always opposite
Relationship	Short-term	Longer or short-term
Issues involved	Single	Multiple
Ability to make trade-offs	Not Flexible	Flexible
Solution	Not creative	Creative

ESSENTIALS OF NEGOTIATION

1. PROPER PREPARATION – HAVE KNOWLEDGE

- Knowledge is power
- You should be well prepared before going for a negotiation
- Ask yourself
 - Why this negotiation?
 - What is the objective of the negotiation?

- What information may I need in this negotiation?

2. SET SPECIFIC EXPECTATIONS

- The purpose of the negotiation must be clear.
- Don't:
 - Quote anything just for the sake of it, be reasonable.
 - Quote imaginary or unusually high figures.
 - Ask for anything you yourself know is not possible, it will just be wastage of time and no one would benefit out of it.
 - Be in a confused state of mind.
 - Be focused and don't change your mind quite often. It is important to have realistic expectations.

3. SET AN ALTERNATE PLAN

- Don't rely on a single plan. It might not work out sometimes
- You should always have some other options to offer to the other party else you might end up sitting blank at the time of discussion.
- For example:
If you want to purchase a laptop and you have decided to ask for a discount but you realize that the shopkeeper is a little reluctant to offer the discount, don't start fighting with him< Don't be adamant. You can always ask for a laptop bag or probably some accessories. Learn to be a little tactful and intelligent

4. HAVE A POSITIVE ATTITUDE

- Adopting a negative attitude will lead to negativity all around.
- Don't pretend, just be yourself and things will definitely fall into place.

5. TAKE CARE OF YOUR DRESSING

- You must be well dressed for a negotiation.
- Prefer wearing formals to create the desired first impression on others.

6. BE A GOOD COMMUNICATOR

- Make sure you carefully chose relevant words.
- Avoid using foul words against anyone- it goes a long way in spoiling the ambience. There are other ways by which you can show your displeasure.
- Avoid being rude to anyone.
- Take care of your tone and pitch as well. It should not be too high and must be audible to all.
- Be a Good Listener and don't jump to conclusions

7. BE HONEST

- Lies and manipulations never help.
- Honesty always pays in the long run.
- Don't hide anything from the other party.
- If you hide the terms and conditions, the deal might turn in your favour but you might land yourself in trouble later.
- If you are honest with the second party, you will be at peace and there is no need to worry at all.

8. BE CONFIDENT

- You need to be confident enough for an effective negotiation.

- You might need something but never show your desperation to anyone
- Take care of your facial expressions.
- Never be nervous in front of the second party
- Show a positive attitude and don't make it very obvious that there is no way you can afford to miss the opportunity.

9. UNDERSTAND THE SECOND PARTY WELL

- Try to find out more about needs and interests of the other party and put them in consideration.
- Do not decide on something which would not be feasible for the other party
- You should try to come to a conclusion that makes both parties happy

10. REACT SENSIBLY

- You should never lose your temper or over react.
- If you are unhappy with the deal, show your displeasure.
- Don't keep things to yourself or assume that the others will understand it on their own.

11. BE PATIENT

- Voice your opinions
- It is not always that the other person will accept your suggestions in the first attempt itself.
- You need to convince him, and it needs patience.
- Never be in a hurry to close the deal.

12. LEARN TO COMPROMISE

- You have to know when to compromise, as it is important to reach to a conclusion.
- Remember you can't get everything.
- If everyone is rigid on his views, no conclusion would ever come out.

13. BE DIGNIFIED

- You should maintain the decorum of the place and should not stoop to any level for getting the best deal.
- Present your ideas in a dignified way.
- Remember it is just a discussion, not a battle field.
- Avoid shouting or using derogatory statements against anyone.
- If you are not satisfied with the deal, its better to quit rather than fighting and using abusive languages.

14. GET READY TO FINISH

- Once you are done with the negotiation, do sign contracts and agreements in the presence of both the parties.
- Make sure that all the necessary terms and conditions are mentioned clearly in the contract.

CHALLENGES OF NEGOTIATION

1. LACK OF PATIENCE

- Every individual has the right to express his views and one should not interfere in other's speech.
- You might not agree to him but at least listen.

- Explain to the second party and make him realize how the deal would benefit you as well as him.
- If possible, take a note pad and a pen with you to explain things in a better way.
- Carry all the necessary documents which you might require at the time of negotiation.

2. NOT READY TO UNDERSTAND THE OTHER PARTY

- There are individuals who only think about their interests and tend to ignore interests and needs of the other.
- Don't quote an unusually low price as it may lead to zero outcome
- Try to find out the expectations of the other party as well.
- You will definitely be appreciated if you save your organization's money but remember the other party is also doing business
- Quote something which will save your company's money as well as earn some profits for the other party as well.

3. BEING TOO RIGID

- Be a little flexible.
- Compromise to your best extent possible and don't crib always.
- You should adopt a positive attitude and try your level best to adjust with each other and find out a solution which will satisfy all.
- Price is not the most important factor, other factors like quality, brand name, durability must also be taken into consideration.
- Be a little sensible and understand things.

4. LACK OF CONFIDENCE

- Make an eye contact with the person sitting on the other side of the table.
- Be straightforward and crisp in your communication.
- Take care of your dressing and appearance as well.

5. GOING UNPREPARED FOR A NEGOTIATION

- Don't underestimate the second party.
- You should do your homework carefully.
- Check out even the smallest details before going for a negotiation.
- Don't think that the other person is not as smart as you, remember he will try his level best to convince you.
- You need to have valid answers for his questions.

6. LACK OF TIME

- One should never be in a hurry.
- You need time to convince others.
- Never be in a rush to purchase things or close a deal.
- Analyse things carefully and then only come to conclusions.

7. AVOID LAST MINUTE CHANGES

- Avoid last minute changes as it results in confusion and misunderstanding
- The two parties must be very clear on what they expect from each other, and must stick to it.
- Don't change statements every now and then

- Once a conclusion is reached or a deal is cracked, it's always better to sign an agreement in presence of both the parties.

CONCLUSION

In words of **TONY BUZAN**,

"True negotiation takes place when each side respects the other, and their point of view, and enters into the discussion positively. If you are determined that your solution, and your particular solution only, is the correct one – to be imposed on the other side if necessary – that is not negotiation; it is dictatorship."