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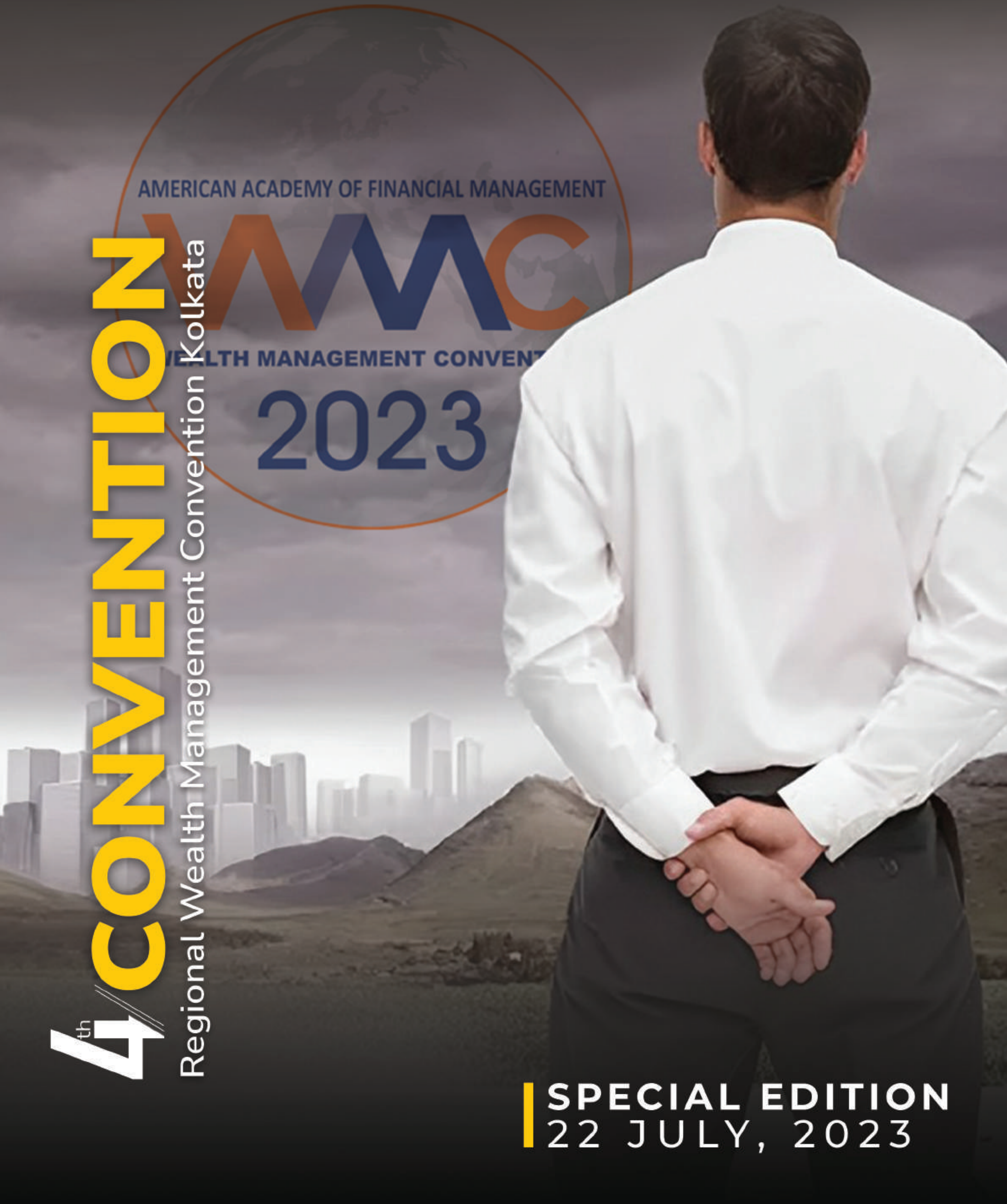

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Regional Wealth Management Convention Kolkata

SPECIAL EDITION

22 JULY, 2023

AMERICAN ACADEMY OF FINANCIAL MANAGEMENT
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DEEPAK JAIN

Director, American Academy of Financial Management® India

From Director's Desk

Embracing the Future of Wealth Management

Welcome to the latest edition of AAFM® India's Wealth Management Magazine! Our commitment remains steadfast in delivering articles at the forefront of the ever-evolving wealth management landscape. We aim to explore the critical intersections between key disciplines within this industry and inspire you to contribute your valuable insights to our magazine.

At the same time, we are delighted to announce the upcoming AAFM® Regional Wealth Management Convention in Kolkata, the 'City of Joy,' also famously known as the 'Cultural Capital of India.' It is no coincidence we are here to promote a 'culture of financial awareness' among the next generation of Indians. This highly-anticipated wealth management convention serves as the perfect platform for industry leaders, stakeholders, educationists, financial professionals and students to exchange innovative ideas, diverse experiences and share in a vision for the future of wealth management industry.

I want to take this opportunity to discuss a key trend in reshaping the Wealth Management and Financial Advisory Space as outlined in **2023 EY (Ernst & Young) Global Wealth Research Report: the rise of revitalized hybrid models.** These models blend human-centered approaches with seamless digital experiences, empowering clients and setting wealth managers apart in a competitive market.

The 2023 EY Global Wealth Research Report has shed new light on this industry's evolution, revealing fascinating insights from over 2,600 wealth management clients worldwide.

The past two years' uncertainty has significantly impacted investors' contact preferences, with a notable surge in the appetite for virtual advisor interactions since the pandemic. Virtual consultations have become the preferred advice channel for investment management, rising from 12% in 2021 to 46% today.

Further exploration of investors' engagement preferences reveals pivotal shifts in key areas:

Digital Expectations: High-quality digital experiences are now a fundamental client expectation, particularly for younger investors. A strong digital offering is the second most crucial driver of wealth manager choice for Millennials, with 32% identifying its importance, just behind a good performance track record (34%).

People Power: Amidst uncertainty, clients value human advice, especially during times of volatility or crucial moments in their investing journey. Three out of four investors seek financial planning advice from a person, but 46% are content to receive it virtually.

Lifecycle Shifts: Engagement preferences shift over the investment lifecycle. In-person interactions remain preferred (44%) when creating a financial plan, while virtual channels gain popularity (48%) for "in-flight" interactions and advice on external variables.

Client Control: A growing virtual appetite does not imply a hands-off approach. Clients desire regular or periodic contact from their advisor and wish to initiate contact themselves. Quick and responsive virtual interactions are key, as clients seek greater control over their interactions with their wealth managers.

In response, next-generation hybrid models have emerged as the optimal solution. To achieve success in this realm, wealth managers must:

Prioritize Human Connection: Placing advisors at the heart of digital transformation is crucial. Frequent and seamless access to advisors, in-person or virtually, strengthens trust and enhances subsequent interactions.

Embrace Digital Enablement: Clear and digitally led onboarding experiences, along with self-service capabilities, allow clients to navigate their financial journey with ease.

Foster Omni-Channel Efficiency: Providing investors with control over their engagement choices and maintaining holistic oversight enable firms to manage client relationships consistently.

Integrate Innovative Digital Capabilities: Leveraging AI for personalized insights, scenario modelling tools, and virtual channels maximize the value of every interaction.

By adopting these strategies, next-generation hybrid models deepen personalization and collaboration, empowering clients to become more involved and informed about their financial journey.

It might be apt to quote from the abovementioned report to summarize the challenges, **"Wealth managers have a valuable opportunity to help clients navigate complexity, but will need innovative thinking to overcome the associated operational challenges."**

We also encourage you to pursue the article on 'The Power of Financial Coaching' in this edition which further explores the critical role of advisors in this evolving landscape. Additionally, if any insights in this edition inspire you, we invite you to share your knowledge with our readers by contributing a well-crafted article.

Thank you for your ongoing support, and we hope you find this edition informative and inspiring. Here's to a future of wealth management that embraces the best of human experience and expertise along with digital innovation.

Best Regards,

Deepak Jain

Editor-in-Chief, Wealth Management Magazine, AAFM® India

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1 Finance

AUTHOR PROFILE

Anooj Mehta is an MBA in Finance with 6 years of experience in the financial industry, where he focused on financial risk management consulting. Currently, he is working towards improving the ecosystem around financial advisors, assisting them to provide service to middle-networth individuals in India, and taking qualified financial advisors mainstream in India.

ANOOJ MEHTA

Vice President - Partner Success, 1 Finance

The Rising Need for **Qualified Financial Advisors in India**

In India today, the demand for qualified financial advisors (QFAs) is on the rise, driven by the changing financial landscape and the increasing awareness among individuals about the need for comprehensive and holistic financial planning. However, there is a significant shortage of such professionals compared to countries like the USA.

With more than 80% of the Indian population projected to be middle-income net worth individuals (MNIs) in the next 10 years, it is crucial to address their unique challenges and provide them with qualified, unbiased financial advice.

MNIs, as per 1 Finance, are individuals with a minimum financial exposure of over Rs. 20 lacs in assets or liabilities, represent a growing segment that requires tailored financial planning services. Unlike high net worth individuals (HNIs) who have access to financial guidance and low net worth individuals whose priorities may differ, MNIs possess the financial means and intention to engage with financial products. However, they often find themselves misled by inaccurate advice from unqualified sources, leading to poor financial decisions and being sold inappropriate financial products.

This is where the role of QFAs becomes paramount. These advisors, equipped with experience, expertise, and professional qualifications, can provide comprehensive financial planning solutions to MNIs. Their holistic approach encompasses investment planning, liabilities planning, tax planning, estate and will planning, and milestone-based financial planning. By considering an individual's unique circumstances and milestones, they can guide clients towards effective financial decision-making. As the MNI population continues to grow, the demand for QFAs is set to increase.

What do we do at 1 Finance?

Recognising this need, 1 Finance has launched several initiatives to strengthen this segment of the personal finance ecosystem. One such initiative involves creating awareness about the potential of the financial planning profession and supporting individuals who aspire to join it. Qualified financial advisors are invited to become partners and play a critical role in offering financial well-being and planning to our members. We have also established an advisory committee exclusively for QFAs, who endorse the importance of holistic, ethical financial advice.

Additionally, we have initiated the "Employee to Entrepreneur" campaign, empowering professionals currently working in the financial services sector to transition into becoming entrepreneurs. This initiative aims to provide the necessary support and mentorship for these individuals to create a greater impact while enjoying financial gains, respect, and the opportunity to inspire others.

Our mission is to enable millions of individuals in India to achieve true financial independence and well-being by cultivating a strong network of QFAs.

Long story short

As the Indian population moves towards greater financial awareness and a significant increase in the number of MNIs, the demand for qualified financial advisors is growing exponentially. By addressing the challenges faced by MNIs and providing them with expert guidance, we can ensure that individuals receive honest, qualified, and unbiased financial advice, leading to improved financial outcomes and overall well-being.

Aditya Birla Sun Life Mutual Fund

ADITYA BIRLA CAPITAL

AUTHOR PROFILE

KS Rao, Head - Investor Education and Distribution Development, at Aditya Birla Sun Life AMC Ltd. has been instrumental in setting up the award-winning function at the organisation, helping grow its reach to more than 10 million investors and 50K plus channel partners. He was also instrumental in the setting up of NIPUN learning academy, an upskilling platform for channel partners.

K S RAO

Head - Investor Education & Distribution Development, Aditya Birla Sun Life Asset Management Company Ltd

SIP
For Every Need

Mutual fund SIPs can help achieve individual as well as common family goals, and serve children, the mid-aged as well as the elderly

For most of the us the very first investing lesson started from the familiar place we call "ghar". Remember those days when relatives and family friends gave children same money money for "buying treats" on special occasions and visits. For children of that generation, getting those small amounts was thrilling, but it also meant that some or all of it had to be stashed away in a piggy bank. Waiting for the piggy bank to fill up so that we could buy something special with the large amount was an equally wonderful feeling. In the process, children learnt about saving for a financial goal, and the value of money. While one Rs 10 note could buy a chocolate bar, several such Rs 10 notes could eventually help buy a cricket set or a doll's house. Little investments helped achieve bigger goals.

For many, this was also an introduction to the concept of systematic investment plans (SIPs). These instruments have benefits such as inculcating a savings habit and sorting out the finances of individuals as well as families. Let's understand how all this can be achieved through SIPs.

> **"Introducing your family to the power of SIP can help transform many dreams into reality"**

Savings Habit

This habit of piggy-bank savings taught more than just the importance of saving money—it taught the importance of having financial discipline and setting and prioritizing goals. It also taught us the difference between going for temporary happiness and one which could last a longer time. For example, a bar of chocolate would be consumed in one go, but a cricket set or a doll's house would mean gratification multiple times.

It is this simple lesson that makes for the concept of SIPs. It enables an individual to save up a certain amount regularly for a pre-planned goal, bringing a larger sense of fulfilment and achievement.

SIPs not only inculcate a savings habit, but unlike piggy banks, which only store your money, SIPs also make your money grow. SIPs invest your money in equity and debt markets and help you earn returns on your savings.

Today's tech-savvy children are more advanced in their understanding of money and investing. Guiding them from a young age on how to invest using SIPs

SIPs will help inculcate better money values and teach them the power of goal setting.

One Goal, One SIP

In every family, each member has different needs and dreams, and may have individual goals. The parents may want a bigger car or may be looking to start a business, while the elderly in the family may be looking forward to going on a longish vacation with their peers, friends or family. On the other hand, smaller children may want to spend on a new toy or gadget, and theelder ones may be looking to save up for specialized courses.

Each goal may be important to that individual. Some of these goals may have a longer time frame, some need higher investment, while others may be short-term in nature or could be funded with a small amount of money.

In this scenario, can a single SIP satisfy all the requirements? The answer is no. An effective way to distribute your investment is to have one SIP for each of the goals. Depending on the time period and the amount required, every family member can start a separate SIP. For instance, the person who wants to start a business can start an equity SIP for the long-term goal. Similarly, the elderly can also independently fund their needs without the limitation or inhibition of asking their children for monetary support.

Children have the greatest advantage on their side—that of time. If they start investing early, they can save up enough for their future goals. A monthly SIP of just Rs 100 in an equity fund can snowball into a large sum in 10-12 years. Smaller SIPs can help realize specific goals such as buying a new laptop or a cycle, without borrowing money from elders. This could inculcate a sense of responsibility and financial independence in them and lead them towards a debt-free life. More than realizing goals, SIP gives every member of the family financial independence.

Family Goal, Family SIP

While individual goals are important, every family also has some common goals. Sometimes dreams such as buying a new house or planning a big family vacation can take a backseat. You can safeguard family goals with one common family SIP. But ensure that the saving meant for these goals are not used up for individual goals by having separate SIPs for those, as was mentioned earlier.

Every earning member can contribute equally to this common "Family SIP" to ensure everyone's efforts go into achieving a single goal that can be shared by all. A common family SIP could also discourage the reallocation of funds elsewhere. Such steps sometimes also go a long way in determining strong bonds among various family members.

Make It A Way of Life

Contrary to popular belief, investing is not only for those who earn big bucks. With a tool like SIP, even the smallest contribution, if done regularly, can make a big difference.

Such financial discipline aids in realizing not just short-term aspirations but also long-term goals such as retirement planning.

Make SIPs a part of your and your family's lives. Introducing your family to the power of SIP can help transform many dreams into reality. From a person-specific "Har Ek SIP", it's time to get to the next stage of **"Har Ghar SIP"** for a family that SIPs together, and stays happily together!

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Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

Integrow
Asset Management

AUTHOR PROFILE

Ram is the Founder & CEO of Integrow Asset Management and an alumnus of Harvard Business School. He is a leading proponent of India’s real estate industry with a deep interest in bringing transformational change to the sector. He has over 20 years of experience in Construction, Real Estate, Banking & Investment. He has built multiple businesses from scratch. His philosophy is rooted in multiple small steps aggregating to quantum leaps and exponential impact. Intergrow Asset Management, is India’s first real estate-focused asset management company. Integrow is at the forefront of the financialization of Real Estate assets of every class and aims to democratize ownership ensuring every Indian has a Real Estate Wallet. He is also a board member of India’s first listedProptech company Aurum Proptech.

RAMASHRYA YADAV

Founder & Chief Executive Officer, Integrow AMC

Striking the balance.. navigating the active vs passive investing debate for **optimal portfolio growth.**

In the ever-evolving landscape of investment strategies, the active versus passive investing debate continues to captivate the attention of seasoned investors worldwide. The decision of selecting the most suitable approach for achieving optimal portfolio growth demands meticulous consideration and a comprehensive understanding of the merits and considerations associated with each strategy. Allow me to elucidate the intricacies of this conundrum, keeping in mind the unique characteristics of the Indian economy, the role of Alternative Investment Funds (AIFs) in portfolio management, and the profound importance of diversification across various asset classes.

As we traverse the vast financial landscape, I invite you to envision a bustling metropolis where investors congregate to navigate the dynamic Indian economy. This city of opportunities serves as a backdrop for our exploration of investment strategies. Here, the active advantage takes center stage, illuminated by the expertise of skilled portfolio managers armed with a wealth of market knowledge and research acumen. These seasoned professionals employ a proactive approach, diligently leveraging their deep understanding of the markets to identify hidden gems. Their exhaustive analysis and research enable them to capitalize on market inefficiencies, adapt to changing conditions, and unearth lucrative investment opportunities.

However, amidst the bustling streets of this financial metropolis, another approach emerges, offering investors a different path to success. Passive investing, characterized by the utilization of index funds and ETFs, presents a more hands-off approach to portfolio management. It embraces the broader market movements and reduces reliance on individual stock selection. This strategy, lauded for its simplicity and cost-effectiveness, bestows upon investors the benefits of broad exposure to different asset classes within the Indian economy. By meticulously tracking an index, passive investors have the opportunity to capture the overall performance of a particular market segment, thereby reaping consistent, market-aligned returns over the long term.

Yet, as we traverse this city of opportunities, the significance of diversification becomes abundantly clear. Just as the metropolis thrives on the interplay of various industries, a well-diversified portfolio thrives on the inclusion of different asset classes. Asset allocation assumes a pivotal role in mitigating risk and enhancing portfolio resilience. Investors can achieve a harmonious balance by blending active and passive investments across multiple asset classes such as equities, , fixed income, real estate,and commodities.

Furthermore, the realm of Alternative Investment Funds (AIFs) adds anew dimension to portfolio diversification, offering access to unique investment opportunities like private equity, venture capital, and hedge funds. By embracing diversification, investors can effectively mitigate exposure to individual security risks while harnessing the strengths of both active and passive approaches.

As we proceed on our journey through this intricate investment landscape, investors are tasked with selecting the optimal strategy, a decision that necessitates a comprehensive understanding of personal objectives, risk tolerance, investment expertise, and the prevailing market conditions. Regular portfolio assessments emerge as indispensable checkpoints to ensure the chosen strategy remains aligned with evolving goals. In this endeavor, the sage guidance of a qualified financial advisor, well-versed in navigating the nuances of the Indian market, assumes paramount importance. Such an advisor assists in designing and implementing a holistic investment approach that seamlessly integrates active and passive strategies, in conjunction with alternative investments, tailored to the unique circumstances of each investor.

As the sun sets upon this vibrant financial metropolis, let us reflect upon the delicate balance required to achieve optimal portfolio growth. It lies in deftly weaving together the active advantage of seasoned portfolio managers, the expansive exposure afforded by passive investing, and the diversification benefits offered by an array of asset classes, including the intriguing realm of AIFs. Through thoughtful consideration, astute decision-making, and the sage counsel of experienced professionals, investors embark on a fruitful journey towards long-term success.

So, as you traverse the investment landscape within the dynamic Indian economy, remember to skillfully intertwine the threads of active and passive portfolio management. Embrace the power of diversification across diverse asset classes, carefully considering the opportunities presented by AIFs. With deliberate discernment, prudent decision-making, and the wise guidance of seasoned professionals, your investment journey in this city of opportunities will be characterized by unwavering resilience, enduring growth, and lasting prosperity.

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AUTHOR PROFILE

Mr. Anil Rego is an esteemed Investment Professional, Entrepreneur, and Author. He founded the Right Horizons Group in 2003 and currently holds the positions of CIO at Right Horizons PMS and Fund Manager for select schemes.
With over three decades of experience, Anil is a pioneer in the Contrarian style of investing. He leverages his profound knowledge of market cycles to deliver superior risk-adjusted returns through a disciplined investment process. Under his leadership, the PMS schemes managed by Right Horizons have consistently ranked among the top performers in recent years.Prior to his entrepreneurial journey with Right Horizons, he completed his CFA/MBA from ICFAI, further enhancing his expertise in the financial domain. Anil worked in the Finance Department of Wipro Technologies in the fields of Business Planning and Mergers & Acquisitions.

Highly distinguished and respected in the personal finance industry, Anil is highly regarded for his deep insights and extensive knowledge. He is frequently quoted in leading print publications and contributes articles on various financial topics. Furthermore, Anil is a sought-after expert and regularly invited to share his expertise on leading business channels such as ET Now and CNBC TV18.

ANIL REGO

Founder & CIO, Right Horizons PMS

DELIVERING SUPERIOR RISK-ADJUSTED RETURNS

We at Right Horizons follow an investment type generally known as Contrarian investing which means investing contrary to the prevailing direction of the market, meaning buying when others are selling and selling while others are buying. A contrarian looks for an opportunity to buy securities when it is priced lower relative to their intrinsic value, which might be the case since the market is pessimistic and has reacted adversely due to an event unfolding impacting the short to medium term that is typically transitory in nature. The principle behind this is that market trends are based on optimism and pessimism rather than rationale, which gives rise to the mispricing of securities, and this is what a contrarian investor looks to exploit.

GARV STRATEGY

Acronym for Growth at a reasonable valuation, the strategy benefits from the best of both Growth investing and Value investing that are well known amongst the investors.

To brief, Growth investing focuses primarily on investing in companies with immense growth potential in the future. It is often characterised by solid revenue and earnings growth trading at higher multiples. While following growth investing can be profitable, it typically carries a higher level of risk relative to other strategies because growth stocks tend to be more volatile.

Flipping the coin, Value investing prioritises identifying businesses undervalued by the market. Characterised by companies trading at a discount to their intrinsic value, which can be determined reasonably by analysing the financial statements, market trends, and economic and other indicators. Investors following the value strategy typically look for companies with strong fundamentals, low price-to-earnings (P/E) ratio, high dividend yield, or low price-to-book (P/B) ratio—such metrics aid in distinguishing between Overvalued, Undervalued, or Fairly Valued in comparison. Observed commonalities of securities falling under the category include a strong balance sheet, a history of consistent earnings, and a competitive advantage in their respective industry. While it is a profitable strategy, it is probably mistaken as undervalued securities in peculiar instances as the company may be trading at low multiples masking it as a discounted security.

Still, it is justified because these companies face challenges likely to persist or have weaker growth prospects than their peers, making them riskier investments.

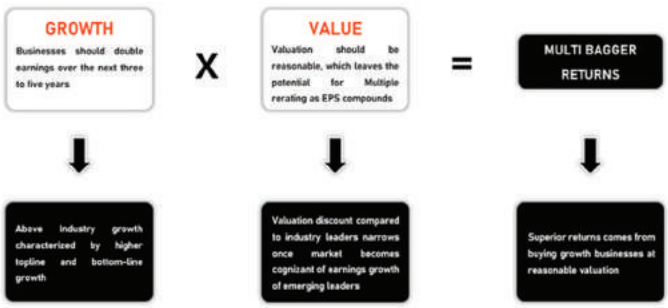
Following either of the strategies, one can be profitable, but each one works well on different occasions. For example, value stocks are likely to outperform during bear markets, economic recessions and expectations of a slowdown in the economy. In contrast, growth stocks usually excel during bull markets or in periods of economic expansion cycles.

Growth and value investing are diametric approaches where value investors look for companies that trade below their intrinsic or book value.

Growth investors look for companies that appear overvalued but have the potential to grow at a rate superior to peers or industry. To overcome the shortcomings of both investing styles, investors can follow growth investing through valuation filters that combine the best of both worlds.

Growth at reasonable valuation is a fundamental-driven strategy that balances the diametric approaches of growth and value in favour of investing in companies with consistent earnings and sales growth, available reasonable valuation, and solid financial strength that can lead to earning higher risk-adjusted returns over the long-term.

GARV'S MULTI-BAGGER FRAMEWORK



EARNINGS GROWTH + MULTIPLE RE-RATING = WEALTH CREATION

(CASE STUDY FROM RH SUPER VALUE PORTFOLIO HOLDINGS: FROM 2019-22)

SECURITY	INITIAL PE	EXIT PE	EARNINGS GROWTH	RETURN FROM MULTIPLE RE-RATING	ABSOLUTE RETURNS
TOUR, TRAVEL RELATED SERVICES	35	105	2X	3X	6x
SPECIALTY CHEMICALS	30	75	2X	2.5X	5X
WIRES & CABLES	18	36	2X	2X	4X
CONSUMER ELECTRONICS	35	105	2X	3X	6X
IRON & STEEL PRODUCTS	20	50	2.5X	2.5X	6X
INDUSTRIAL PRODUCTS	35	90	1.5X	2.5X	4X

*Data is an approximation and used for illustrative purposes
**Earnings growth is Normalised for covid impact

*Data is used for illustrative purposes
**Earnings growth is Normalised for covid impact
The tables above indicate how the GARV strategy has assisted in building the multi-bagger framework. Earnings growth and multiple re-ratings over time due to businesses with strong fundamentals and solid growth lead to higher price appreciation. To identify such companies, investors can look at metrics like the three-year net sales and earnings growth which capture a company's growth, and to sustain the growth momentum, the company needs to be highly profitable, indicated by a consistently high ROE and the company must not have excessive leverage (permissible range for the ratio varies depending on the sector). For relatively reasonable valuation, investors can look at PE, EV/EBITDA, earnings yield and industry-specific multiples.

These factors, along with others, effectively capture the characteristics of the GARV strategy, balance growth and valuation exposures, and lead to better long-term risk-adjusted returns.

Adhering to the strategy and investing in fundamentally stronger businesses with relatively higher growth at reasonable prices will deliver superior risk-adjusted returns over the long term.

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CONSISTENT PERFORMANCE

PORTFOLIO MANAGEMENT LEGACY

10+ YEARS

FINANCIAL EXPERTISE & BEST IN CLASS RESEARCH

RETURNS	3Y ANNUALISED	CRISIL RANKING	CATEGORY
RH FLEXICAP	30.0%	★★★★	MULTICAP
RH SUPERVALUE	43.9%	★★★★★	MIDCAP
RH UNDERSERVED	48.8%	★★★★	SMALLCAP
BSE 500 TRI	26.4%		INDEX-TRI

*PMSBAZAAR DE'22 QUARTER RANKING AS PER CRISIL METHODOLOGY

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- Probate Letter of Administration
- Trusts (Regular & Special Child)
- Letter of Guardianship
- Power of Attorney Services

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How to offer These Services? – Partner with NexGen

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- Extensive Training
- Free Tele-Consultation with Estate Planning Experts
- Associate with a Reputable Brand Name
- Client Focused & User Friendly Online Platform

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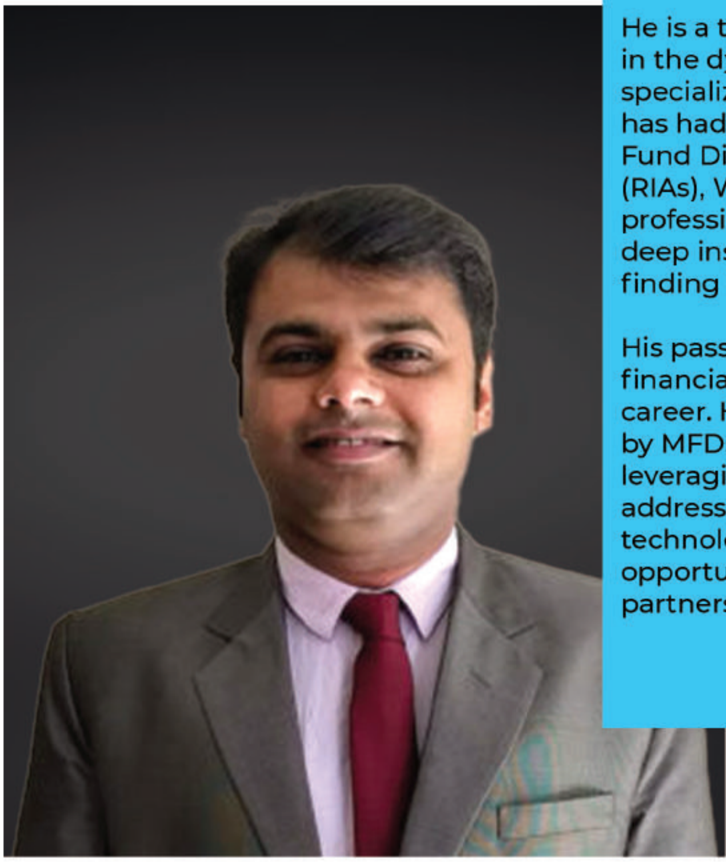
- Get the Training & the Tools of Client Engagement
- NexGen Advises the Solutions Required & Creates theTools
- Conduct an Estate Audit of Your Client
- You Deliver the Solution to the client

AUTHOR PROFILE

He is a technology enthusiast with over 15 years of experience in the dynamic fields of fintech and wealth management, specializing in the B2B segment. Throughout his career, He has had the privilege of collaborating closely with Mutual Fund Distributors (MFDs), Registered Investment Advisors (RIAs), Wealth Managers, Brokers, and other industry professionals. By actively engaging with them, he has gained deep insights into their challenges and worked towards finding innovative solutions.

His passion for technology and its potential to transform the financial industry has been a driving force throughout my career. He is dedicated to understanding the problems faced by MFDs, RIAs, Wealth Managers, and other stakeholders and leveraging technology to develop practical solutions that address their specific needs. By staying abreast of the latest technological advancements, He is able to identify opportunities and unlock new possibilities for my clients and partners.



ANKUR JOSHI

Head of Sales, Mercury

How is tech changing the game of Wealth Management?

Mutual Funds, FDs, Insurance, P2Ps... The choices to manage your clients' wealth are endless. It makes them good money and gives you great returns as well.

If you think your current status quo is beautiful, think again.

Multiple platforms to manage. Each with its own login, demands and functions.

In today's trends, the real currencies are time and convenience. Money is just what you make of it.

With different platforms at play, the struggle is real, isn't it?

Wouldn't it be nice to have a platform that connects all of these disconnected, standalone, isolated ones? One that truly integrates every aspect of money & its different instruments?

One that speaks to your concerns?

Presenting Mercury, the all-in-one platform that makes managing wealth easy. Real easy.

Now what exactly does Mercury do?

Mercury consolidates and simplifies the fragmented financial ecosystem by building, integrating, or acquiring various software solutions. It integrates front-office and back-office functions, including data management, reporting, automation, and real-time updates, ensuring a seamless workflow.

What can you expect?

1. A fully integrated, connected eco-system comprising mutual funds, stock broking, insurance, lending, PMS/AIF, equities and the like.

2. One place to access BSE Star, NSE NMF, MFUs, RTAs, AMCs, Odin, Rupee Seed, Class, and more.

3. One subscription to manage all your preferred platforms

Features & Benefits:

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- Goal & Portfolio Management
- Smoother UI & Enhanced experience
- Unique Portfolio Analytics
- Customized Notification Centre
- Dynamic Client Dashboards & Reporting

How we are moving towards our goal of 'Connecting the Disconnected Financial Ecosystem':

Mercury is bringing a revolution in the wealth management industry by connecting the disconnected financial ecosystem through its seamless integration with various third-party platforms by providing a unified solution that eliminates the need for multiple software and platforms.

With Mercury, financial professionals can effortlessly connect and streamline their operations, saving valuable time and effort.

By integrating with other platforms such as BSE Star, NSE NMF, MFUs, RTAs, AMCs, P2P, Rupee Seed, and many more, Mercury enables advisors to access all their necessary tools and information from a single interface. This connectivity empowers advisors to efficiently manage their clients' investments, access real-time market data, and make informed decisions.

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In short, here are three broad services Mercury provides:

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2. <u>Financial Intermediation Services:</u> Mercury facilitates seamless integration with various financial institutions, simplifies data aggregation, and enables efficient account management.

3. <u>Technology Solutions:</u> With advanced technological features and capabilities, Mercury, is able to provide solutions such as automated workflows, secure data management, and customizable interfaces

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MIRAE ASSET
Financial Services

AUTHOR PROFILE

A Chartered Accountant & Cost Accountant by education and over 22 years of Experience, Krishna leads as Chief Executive Officer for Mirae Asset Financial Services.

KRISHNA KANHAIYA

CEO of Mirae Asset Financial Services

Why retail investors need to protect long-term and it is as important investments as investing for long-term

Everyone wants to get rich! Most retail investors want to generate wealth for different life goals like buying a home, retirement, marriage expenses and other long-term goals. Hence most retail investors plan for their long-term goals with long-term growth-oriented investments. This is clearly visible from AMFI data as on 31st March 2023, individual investors hold 10.17 lac Cr in mutual funds and out of that around 92% (9.38 lac Cr) is held in equity & Hybrid schemes.

However, most retail investors don't plan for short-term needs. Individual investors hold less than 1% (0.10 lac Cr.) in Liquid and money market mutual funds which are generally parked for short-term expenses. Only ~55% of retail equity investments are held for more than 2 years.

The number, though not available for 5 years, will be even less. This simply highlights retail investors redeeming their investments in equity schemes (meant for long-term goal) to cater to their short-term or unplanned money needs.

Benchmark numbers indicate that staying invested for 5 years or above has in most cases generated wealth for retail investors. By redeeming these investments retail investors delay or compromise on long-term goals.

So, the next question is **what is the solution?** Loan Against Securities

What is Loan Against Mutual Funds and Shares?

A loan against mutual funds and shares is a financing option that allows individuals to borrow money by lien marking/ pledging their mutual funds and/ or shares as collateral. The borrower retains ownership of the mutual funds and shares and continues to receive dividends and benefits associated with them while using the borrowed money for their immediate requirements.

Retail investors should make use of their long-term investments to generate the liquidity they need via loan against shares & mutual funds to cater to these short-term unplanned needs instead of redeeming.

How does it work?

Often loan against mutual funds and shares are made available as an overdraft facility. Against the value of the securities, the investor gets an overdraft limit and can withdraw money as needed and repay them at his/ her convenience anytime during the loan tenure which is one year.

Example: If an investor holds equity investments worth Rs 10 lacs then he/she can avail an overdraft limit of Rs 4.5 lacs (assuming 45% LTV).

Now if the investor withdraws Rs. 1 lac for 40 days the interest is charged only on Rs 1 lac for 40 days and not on the entire overdraft limit. In this example, interest payable is only (100,000*9%*40)/365 = ~Rs. 987/-

The investor also gets other benefits like no prepayment/ foreclosure charges, interest-only monthly payments, etc.

How can one avail?

Most lenders have a physical application process or partial digital process and one can avail by visiting a branch or reaching out to RM or fill up an enquiry on their website.

However, at **Mirae Asset Financial Services** we have created an end-to-end digital process. Investors can avail loan against mutual funds in just 15 minutes and Loan against shares on the same day via our mobile app or website. With the digital process, we have made the entire process hassle-free and super quick. Also, not just application if you want to de-pledge your securities the same can be done online instantly without visiting any branch.

We have a simple 6-step process.

1. Select the type of loan and apply
2. Complete KYC using PAN & Aadhar details
3. Enter bank account & additional details
4. Pledge securities online as collateral via CAMS, KFintech or NSDL platform.
5. Verify your bank account via Net banking/ Debit card
6. E-sign loan agreement

Your loan account is ready.

What are its benefits when compared with other unsecured & secured loan types?

When you compare it with other unsecured loans like personal loans, credit cards etc. you get

1. Lower Interest Rates
2. Lower processing fee
3. Flexible Repayment Options
4. Credit score required is less

While comparing with other secured loan options like gold loan, loan against property, etc. you get

1. Lower Interest Rates
2. Lower processing fee
3. Quick Processing
4. Ability to pledge securities as per need
5. Partial security withdrawal option

However other lending products also have some benefits over loan against mutual funds and shares and individuals should select the product best suits his/ her requirements.

Should one sell investments, or should one borrow? There is no one size that fits all and one should carefully assess their financial situation, goals, risks, and the potential impact on the investment portfolio.

If your investments are part of a long-term financial plan and selling them would disrupt your investment strategy, opting for a loan against mutual funds and shares may be a more suitable choice. This way, you can retain ownership of your investments and continue to benefit from potential market gains and compounding effect. Investors should also consider other parameters like tax implications, interest rates and costs, loan repayment ability, etc.

One can also follow a golden rule, one should not use long-term investments for short term needs and vice versa.

If one trusts their long-term investment strategy, then one should stay invested for the long term to allow your investments to generate better returns.

To conclude we can say - to generate wealth it is important not only to invest money in good growth-oriented assets, but it is equally important to protect these investments from untimely redemption to meet unplanned & sudden expenses.

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- Bhavik has around 18 years of experience in Financial Services.
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- Bhavik has worked across Retail Banking, Wealth & Investment Management. This experience includes Client Relations, Investment Advisory and Product Management.
- He has worked across organization like Kotak Mahindra Bank, Aditya Birla wealth and Standard Chartered Bank before joining Abans Group.
- Bhavik joined Abans Group in 2019 and has been instrumental in setting up the investment Management vertical.

BHAVIK THAKKAR

CEO, Abans Investment Managers

Market Linked Debentures.. Predictable Passive, Portfolio Placement

SEBI reduced Market Linked Debenture (MLD) ticket size from Rs. 10 lac to Rs. 1 lac from 1st January 2023 and Finance Minister Ms. Nirmala Sitharaman announced changes in taxation for MLD in Union Budget 2023. From personal finance point of view, lot of investors and financial intermediaries are curious to know more about how MLD as "predictable passive" instrument can help enhance their investing experience?

Isn't MLD same as Derivatives and Derivatives mean speculation?

Derivatives in financial markets are hedging/risk management tool. Within mutual funds, Equity Arbitrage Funds also use derivatives to create arbitrage position (buy stock and sell stock's futures contract) to achieve desired outcome (arbitrage profit in this case). So, derivatives (futures & options) are not tools for speculation. It's a different thing that traders use them to have leveraged position to trade and because of leverage, the risk is higher and hence general perception is derivatives are risky and meant for speculation. So, the way Equity Arbitrage Mutual Fund's fund manager uses derivatives to achieve desired results, the issuer of MLD also uses derivatives to generate returns promised to investors.

Hasn't MLD become a thing of the Past Given Changes in Taxation Introduced in Budget 2023?

In India, MLD issuers can be divided in 2 categories. The first category who offered pure "fixed income" oriented MLD purely from better tax efficiency perspective. For example, say ABC Ltd offered normal NCD at 9% rate of interest and MLD at 8% rate of interest. An investor in 30% tax bracket found it lucrative to invest in MLD as he had to pay only 10% tax on 8% MLD as compared to paying 30% on 9% NCD. Since "post-tax" returns were better in MLD and it also reduced the cost of borrowing for ABC Ltd by 1%, it was a win-win proposition which led to almost Rs. 75,000 cr worth of MLD being issued in last 5 years. For this category to survive, the borrowing cost (interest rates) have to match up with post-tax returns from other debt instruments such as Bank FD, Debt Mutual Funds or Corporate FDs.

The second category of issuers are "Wealth/Investment Management" entities who offered Nifty 50 index linked MLDs which generate variable returns based on performance of Nifty 50 index on similar lines as how a Stock Portfolio or Large-cap Mutual Fund or Index fund would perform. So, MLDs generating returns based on performance of Nifty 50 Index is also one additional instrument available to investors along with Large-cap Mutual Funds or Index Funds.

How is MLD – a Predictable Passive? How is it Useful to the Investor?

If you compare last 5 years return of Nifty 50 Index and that of Large-cap Mutual Funds, you would notice that Nifty 50 Index has out-performed almost 80% of funds. This clearly explains why investors are incrementally looking at investing in passive instrument like Index Funds. But, when you invest in Index Funds, you get index returns. How do you outperform an index? By investing in MLDs which are "designed" to outperform Index. So where a mutual fund's fund manager uses "stock selection" as method to outperform Nifty 50 Index, an MLD allocates money to Nifty 50 Index derivatives to outperform Nifty 50 index by "design" eliminating human bias/error of judgement. For example, if you invest in an MLD which says it will generate 200% participation (2 times) of Nifty 50 Index returns upto next 20% growth in Nifty in next 2 years.

This would mean, if Nifty 50 index delivers say 20% or more returns, the MLD would generate 40%. There is no magic here, the MLD allocated funds to Nifty derivatives in such a way that the derivatives will yield 40% if Nifty 50 index grows upto 20%. This brings in predictability aspect, before you invest in MLD, you get scenario analysis table showcasing what will be MLD return for a given level of Nifty 50 index return (even for negative returns) so based on investor's view for future growth of Nifty 50 Index, one can select MLD. There are also MLDs which provide best of debt or equity returns which may suit conservative investors especially in current environment where Nifty 50 Index has generated nil return in last 18 months.

Wouldn't higher tax on MLD make it unattractive compared to Mutual Funds?

Only 1 cr people in India are in 30% or higher tax bracket. In example quoted above where MLD generates 40% return, evenif one pays 30% tax on it, the post tax return would be 28% and as we know that since most of Large-cap Mutual Funds are generating same or lesser than Nifty 50 Index returns, it would mean Nifty 50 Index/Large-cap MF will have to generate around 31% pre-tax return and when 10% Long Term Capital Gains Tax is paid on 31%, the investor generates 28% post tax return. So, to generate same level of post tax return, a mutual fund would require Nifty to generate 31% whereas MLD would do the job even at 20% Nifty growth. People who are in lower or Nil (lot of people in 30% tax bracket would have family members in lower or Nil tax bracket) would find it much lucrative to investing in MLDs as their tax outflow will be much lower.

Mutual Fund Industry is 40 lac crore now.... What is future of MLD industry?

MF industry had its challenges in early 2000s with respect to investor and distribution community's confidence (US 64 scheme of UTI), regulatory changes related to entry load ban, exit load ban, ban on upfront commission, lower expense ratio etc.. Despite all these challenges, the industry grew leaps and bound as it offered "solution" of investing in debt and equity markets with "fund management expertise"- a pooled vehicle for mass fund management. It is this ease and expertise that helped the MF industry grow. MLD as product category brings in "predictability" as unique aspect which is need of people who have grown as "investors" in last 2 decades along with growth of Mutual Funds and Insurance. Emergence of technology has led to free, easy and quick availability of information/analytics which coupled with MLD's capability of being "designed" to generate targeted pay-off is perfect bled for MLDs to grow and become.... The Predictable Passive.

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KANIK MAHAJAN

Assistant Manager - Knowledge Management
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Demystifying One-Person Companies: A Guide for Indian Entrepreneurs

Introduction

One Person Company (OPC) is a unique business structure that combines limited liability and sole ownership. It allows a single individual to establish a separate legal entity while enjoying protection for personal assets. OPCs promote formalization and are regulated by the Companies Act, 2013. They offer advantages like limited liability, ease of management, and perpetual succession. OPCs are ideal for small entrepreneurs, professionals, and freelancers seeking a hassle-free and secure business option. However, there are certain eligibility criteria and compliance requirements to consider. OPCs have a promising future as they cater to the growing trend of self-employment and individual autonomy in the business world.

Purpose of Forming an OPC:

Limited liability protection: Protects owner's personal assets from company obligations.

Separate legal entity: Enables OPC to enter contracts, own assets, and assume liabilities.

Simplified management: Streamlines decision-making with sole owner in control.

Continuity and perpetual succession: Ensure business runs smoothly even after owner's demise or incapacitation.

Benefits of Forming an OPC:

Sole ownership and control: Owner have full authority over company affairs and decision-making.

Limited compliance burden: Simplified compliance requirements reduce administrative workload and costs.

Access to funding and credit: Registered OPCs have improved access to funding with limited liability.

Professional image and credibility: OPC status enhances trust and credibility among stakeholders.

Limited personal liability: Owner's personal assets remain protected from OPC's financial and legall obligations.

Tax benefits and incentives: OPCs may be eligible for specific tax benefits to promote small businesses.

Advantages that Make One Person Companies (OPCs) an Attractive Business Option

Limited Liability: Shareholder's liability is limited to their shareholding, separate from personal assets.

Separate Legal Entity: OPC is a distinct legal entity, able to enter contracts and incur liabilities.

Perpetual Succession: Company continues even if shareholder dies or is incapacitated, nominee director ensures continuity.

No Minimum Capital Requirement: No minimum capital needed; capital determined by the shareholder.

Statutory Compliance: Must comply with certain obligations like maintaining accounts and filing financial statements.

Limited Borrowing Capacity: Cannot issue shares or invite public investments.

Conversion to Private Limited Company: Can convert to a private limited company if eligibility criteria are met.

Name Structure: Name must end with "Private Limited" to indicate its legal structure.

What are the Eligibility Criteria and Requirements for Establishing a One Person Company (OPC)?

Single shareholder: Only one shareholder allowed, simplifying formation.

Sole director: Shareholder also acts as the sole director, ensuring complete control.

Nominee director: Required for continuity in case of owner's death or incapacitation.

Capital: No minimum capital required; maximum limit set to prevent misuse.

Turnover limit: Prescribed annual turnover limit for promotion of small businesses.

What is the Step-by-Step Process for Incorporating a One Person Company (OPC)?

Name reservation: Choose a unique name and get ROC approval.

Obtain DIN: Apply for Director Identification Number online.

Get DSC: Obtain Digital Signature Certificate from certifying authority.

Draft and file MOA and AOA: Prepare company's objectives and regulations and file with ROC.

Pay registration fees and get COI: Submit required documents and fees for Certificate of Incorporation, establishing OPC as a legal entity.

What are the Legal and Compliance Requirements that One Person Companies (OPCs) need to Fulfil to Ensure Smooth Operations?

Maintenance of books of accounts and financial statements: OPCs must maintain accurate books of accounts and prepare financial statements like balance sheet, profit & loss statement, and cash flow statement.

Filing of annual returns and financial statements: OPCs should file their annual returns and financial statements with the Registrar of Companies (ROC) within prescribed time limits.

Statutory audit requirements: OPCs with certain turnover or paid-up capital must undergo a mandatory audit by a qualified auditor to ensure compliance with accounting standards.

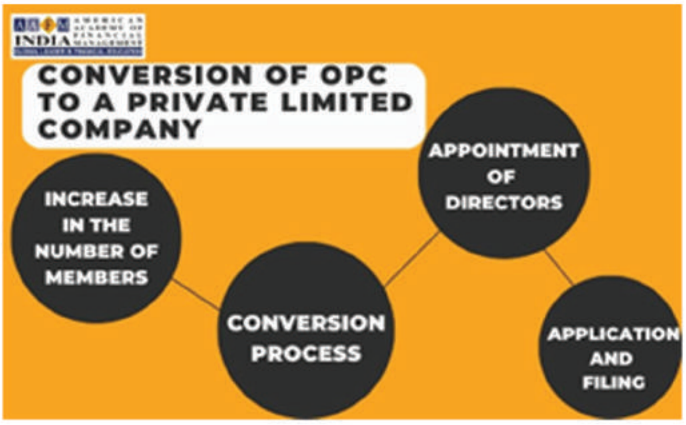
Compliance with tax regulations: OPCs must obtain a PAN, file income tax returns on time, and may need to pay GST if turnover exceeds the threshold.

Compliance with other applicable laws: OPCs must adhere to labour laws, intellectual property laws, environmental regulations, data protection laws, and industry-specific regulations based on their business activities.

What is the Conversion Process for One Person Companies (OPCs)?

Conversion of OPC to Private Limited Company:

An OPC can be converted into a Private Limited Company under certain circumstances. To convert an OPC to a Private Limited Company, the following steps typically need to be followed:



Increase in the number of members: The OPC must have completed a minimum period of two years from the date of its incorporation.

Conversion process: The OPC should convert into a Private Limited Company by altering its Memorandum of Association (MOA) and Articles of Association (AOA) to comply with the provisions of a Private Limited Company.

Appointment of directors: At least two additional directors must be appointed to meet the minimum directorship requirements of a Private Limited Company. The OPC's sole shareholder becomes a member of the Private Limited Company.

Application and filing: An application, along with the necessary documents, should be filed with the Registrar of Companies (ROC) for approval. This includes the altered MOA and AOA, updated financial statements, and other required documents.

Conversion threshold and time limit:

Threshold: An OPC must convert into a Private Limited Company if it exceeds the threshold based on paid-up capital and annual turnover. There's no fixed time limit, but conversion must happen within the stipulated period after crossing the threshold.

Time Limit: There is no specific time limit for conversion, but an OPC is required to convert within the stipulated period once it crosses the threshold. The exact time limit may vary depending on the jurisdiction.

What is the Process for Dissolution and Closure of a One Person Company (OPC)?

Voluntary closure of an OPC involves these steps:

Board Resolution: Owner/director passes a resolution to begin the closure process.

Declaration of Solvency: Statement confirming no debts or liabilities within one year.

Filing of Documents: Necessary forms and declarations filed with the ROC.

Liquidation and Distribution: Assets sold to pay debts; remaining assets distributed among shareholders.

Winding up occurs in cases of:

Insolvency: Unable to pay debts.

Compulsory Winding Up: Court-ordered due to fraud, public harm, or failure to start business within a year.

Comparison with Other Business Structures:

One Person Company (OPC): Single owner, separate legal entity, limited liability, perpetual existence, no minimum capital, single owner control, moderate compliance, individual tax, sole owner shares profits/losses, can convert to Private Limited Company.

Sole Proprietorship: Single owner, not a separate legal entity, unlimited liability, dependent on owner, no minimum capital, single owner control, minimal compliance, individual tax, sole owner shares profits/losses, cannot be converted.

Partnership: Two or more owners, not a separate legal entity, unlimited liability, dependent on mutual agreement, no minimum capital, shared management, moderate compliance, individual or partnership tax, shared profits/losses, can convert to LLP or Private Limited.

Private Limited Company: Two or more owners, separate legal entity, limited liability, perpetual existence, minimum capital required, shared management, extensive compliance, corporate tax, shared profits/losses, can convert to Public Limited Company.

Exploring One Person Companies (OPCs): A Comparative Analysis and Inspiring Case Studies:

XYZ Consultancy (Consulting): Started as a solo consultant, grew into a reputable firm with multiple clients.

ABC E-commerce (E-commerce): Began as an online store selling handmade products, expanded product range, and gained a loyal customer base.

PQR Creative Agency (Graphic Design): Founded by a talented designer, gained recognition for innovative designs, and became a trusted name in the industry.

Popular industries and sectors suitable for OPCs:

Consulting: Services across management, finance, HR, IT, and marketing domains.

E-commerce: Online retail and digital platform businesses.

Graphic Design: Creative solutions for branding, advertising, web design, and visual communication.

Content Creation: Services in writing, editing, blogging, social media, and digital content production.

IT Services: IT solutions, software and web development, cybersecurity, and consulting.

Digital Marketing: Online marketing via social media, SEO, and digital advertising.

Coaching and Training: Personal development, career coaching, and skill training services.

Professional Services: Accounting, legal advisory, tax consultation, financial planning, and insurance services.

Health and Wellness: Health coaching, fitness training, wellness products, alternative therapies.

Creative Arts and Crafts: Artistic services, handmade products, craftwork, and creative expression businesses.

Conclusion

In conclusion, One Person Companies (OPCs) provide limited liability protection, separate legal entity status, and ease of formation and management. They are ideal for solo entrepreneurs and professionals seeking complete control of their business. However, compliance requirements and eligibility criteria should be considered. OPCs have promising future prospects, especially in the gig economy, catering to niche services and adapting to market dynamics. Overall, OPCs offer a beneficial and viable business structure for individual entrepreneurs.

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ANKIT JAIN

Fund Manager, Mirae Asset Investment Managers (India) Pvt. Ltd.

Multi Cap Fund - A perfect blend to manage risk and returns

There is a phrase, "A rising tide raises all boats." We are witnessing something similar in the current market rally where we have seen an upswing in most of the stocks. Now, equities tend to outperform over the long term, and among equities large cap stocks tend to be more resilient in a dynamic environment better able to withstand external shocks and often come up stronger. There is also relatively lesser volatility in large cap stocks, making it a sought-after category for the more risk-averse investors. However, in a strong market, the swing and upside in mid-caps and small caps can be that much greater, delivering higher returns, as has been seen in the increasing investments in mid and small cap stocks and funds in recent times.

As an investor who is looking at investing in equities over the longer term, diversification is the answer to getting potentially the best of both worlds – consistent returns from large caps and leveraging the momentum of mid and small caps.

For these investors looking for an optimal participation at all points in time, a Multi Cap Fund is worth consideration. A Multi Cap Fund, as the name suggests, is diversified across large, mid and small cap companies. It has the mandate to have a minimum of 25% allocation each to large, mid and small cap companies at all points of time leaving room for the balance 25% to be invested in any of the three market caps basis the fund manager's choice.

Another differentiating factor that Multi cap index and consequently, Multi Cap Funds bring to the table as against, say, the Nifty 500 Index is sectoral representation. This is again an outcome of the way the benchmark weights are managed within the three market cap segments. Particularly, those sectors that are predominantly represented by mid and small cap companies tend to get relatively higher weights in the Multi cap index and conversely, those sectors that are represented by large caps tend to get relatively lower weights as compared to Nifty 500 index. For Instance – Capital goods sector has ~3.6% higher allocation in Multicap index as compared to Nifty 500 index. On the contrary, Financial Services sector has a ~4.0% lower allocation in Multicap index. Hence, a Multi Cap Fund provides more sectoral diversification in addition to market cap diversification.

From an investor's standpoint, a Multi Cap Fund is positioned to offer a very balanced investment experience wherein the returns tend to be better than those offered by large cap fund and at the same time volatility tends to be lower than that of mid and small cap funds. Thus, given the risk appetite and time horizon, an investor who intends to invest in a diversified portfolio of equities and pursues to avoid the hassle of investing discretely and dynamically in large, mid and small cap funds, can consider a Multi Cap Fund. By investing in a single fund, , an investor can participate across the three market cap segments in a disciplined manner as the allocations get rebalanced on a regular basis.

And the cherry on the cake is the tax efficiency that Multi Cap Funds bring along as there are no tax implications for any portfolio rebalancing which is done by the mutual fund. Furthermore, an investor can consider investing through the systematic route - systematic investment plan (SIP) in order to alleviate the inherent volatility of Multi Cap Funds. A SIP in a Multi Cap Fund offers the benefit of having a set allocation of 50% large cap and 25% mid and small cap each and generate a better risk adjusted return over the investment horizon.

A Multi Cap Fund is distinct from a fund manager's perspective too, as it allows the fund manager to express his/ her conviction in each of the three market cap segments; to come up with the best ideas across the market spectrum.

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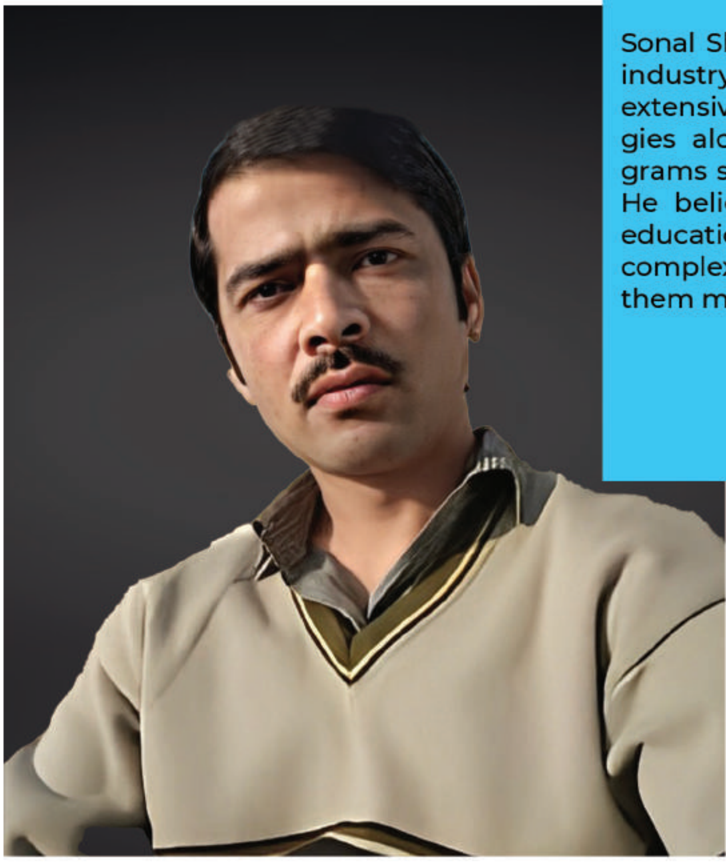
AUTHOR PROFILE

Sonal Sharma is a content development professional with an industry experience of 15 years and has been writing extensively about financial concepts and investment strategies along with finance and professional certification programs since 2014 with a view to promote financial education. He believes that everyone should have access to financial education and it is only possible if we impart the knowledge of complex financial concepts in layman's language to make them more accessible.



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The Power of Financial Coaching: **Unlocking Financial Success**

Take Control of Your Finances, Achieve Your Goals, and Build a Secure Future with the Guidance of a Financial Coach

The Power of Financial Coaching: Unlocking Financial Success

What is Financial Coaching? (And What Is It Not?)

Financial coaching has emerged as a powerful tool for individuals seeking to take control of their finances and achieve their long-term financial goals. Unlike traditional financial advising, which often focuses solely on investment strategies, it adopts a holistic approach to personal finance. It provides individuals with the knowledge, skills, and support needed to navigate the complexities of money management, budgeting, debt reduction, and wealth creation.

Financial coaches play a vital role in helping clients work their way out of debt, build emergency funds, and improve their overall financial well-being. They provide mentorship and teaching, diving into the emotional, behavioral, and educational aspects of money. The coaching relationship is highly client-driven, with the coach supporting the client's goals and values.

Financial advisors and coaches have distinct focus areas, both playing crucial roles in effective money management and achieving financial goals. While coaches empower individuals to understand their finances and become independent, advisors provide comprehensive planning once clients reach specific milestones.

Financial Coaching is not about quick-fix solutions or explicit investment advice, but rather about fostering a deeper understanding of financial habits and mindset. The goal is to equip clients with the skills and knowledge to manage finances autonomously, reducing their reliance on ongoing coaching assistance.

Who is a Financial Coach?

A financial coach is a professional who works closely with individuals or households to improve their financial well-being.

They provide guidance, support, and education to help clients gain control over their finances, make informed decisions, and achieve their financial goals.

Financial coaching focuses on the fundamentals of personal money management, behavioral change, and accountability. The primary goal of a financial coach is to empower clients with the knowledge, skills, and behaviors necessary to improve their overall financial health.

Financial coaches take a holistic approach to money management, addressing both the practical and emotional aspects of finance, identify psychological challenges and provide strategies to deal with them effectively.

In a coaching relationship, the financial coach acts as a mentor and educator, providing personalized advice and resources tailored to the client's specific circumstances, help setting financial goals, developing action plans, tracking progress, and adjusting strategies as needed.

It's important to note that financial coaches do not manage investments or sell financial products. They focus more on the foundational aspects of personal finance, such as budgeting, saving, debt management, and financial behavior.

Understanding the Role of a Financial Coach

Here are some key aspects of a financial coach's role:

Education and Guidance: A financial coach educates his client on budgeting, debt management, saving, investing, and retirement planning. They simplify complex financial information and empower clients to make informed decisions.

Goal Setting and Action Planning: Financial coaching help clients create action plans by breaking down goals into smaller, achievable steps. Coaches provide guidance on prioritizing goals and allocating resources effectively.

Budgeting and Cash Flow Management: Financial coaches work with clients to track income, expenses, and savings, and provide strategies to improve cash flow management and identify areas for potential savings.

Debt Management: Many individuals struggle with debt, and financial coaches provide guidance on developing strategies for efficient debt management and help establish healthy debt repayment habits.

Behavioral Change and Accountability: Financial coaches address the behavioral and psychological aspects and help clients identify and overcome negative money beliefs or behaviors, provide motivation, support, and accountability to help inculcate positive financial habits.

Financial Empowerment and Independence: Coaches aim to build clients' financial confidence, knowledge, and skills so they can make sound financial decisions independently. The goal is for clients to become self-sufficient and no longer rely heavily on the coach's guidance.

Benefits of Working with a Financial Coach

Financial coaching can provide numerous benefits for individuals seeking to improve their financial well-being. Here are some key advantages of engaging a financial coach:

Clarity and Goal Setting: A financial coach helps you gain a clear understanding of your financial situation and assists in setting realistic and achievable financial goals, whether it's paying off debt, saving for a down payment, or planning for retirement.

Personalized Guidance: With a focus on your specific needs and circumstances, a financial coach provides personalized recommendations and strategies, taking the time to understand your financial objectives, challenges, and values.

Education and Empowerment: By imparting knowledge on financial concepts, budgeting, saving, investing, and other essential topics, a financial coach empowers you to make informed financial decisions and build confidence in managing your finances.

Behavior Modification: Beyond just numbers, a financial coach addresses behavioral aspects, helping you identify and change any negative financial habits or attitudes that may hinder your progress, fostering healthier financial behaviors that lead to long-term success.

Budgeting and Financial Management: Financial coaching assists you in creating a budget and developing effective money management strategies, enabling you to track income, expenses, and make intentional spending decisions.

Debt Management: If you're dealing with debt, a financial coach provides expert guidance in developing a customized debt repayment plan, offering strategies to pay off debt efficiently, negotiate with creditors, and maintain motivation throughout the process.

Accountability and Support: Acting as your accountability partner, a financial coach keeps you focused on your goals, offering ongoing support, encouragement, and motivation during challenging times.

Long-Term Financial Planning: Financial coaches assist in long-term financial planning, whether it's retirement planning or saving for significant life events, helping you understand the necessary steps and create a roadmap to achieve your future goals.

Independence and Self-Sufficiency: The ultimate aim of a financial coach is to empower you with the knowledge, skills, and confidence to become self-sufficient in managing your finances, making sound financial decisions independently.

Working with a financial coach allows you to build a strong foundation for your financial future, fostering greater financial security and peace of mind.

Financial Coaching vs. Financial Advising

Financial Coach	Financial Advisor
Focus on personal money management, behavioral change, and accountability to a client-driven spending plan.	Focus on implementing financial products and strategies.
Help clients build wealth and develop positive financial habits.	Help clients manage existing wealth and provide recommendations on investments and insurance.
Educate clients on basic financial concepts like insurance, investing, and diversification.	Provide specific recommendations on where to invest and manage investments.
Do not manage investments or sell insurance products.	Manage investments and may sell insurance products.
Work with clients who may be in debt or building emergency funds.	Work with clients who have already accumulated wealth and need comprehensive planning.
Emphasize mentorship, teaching, and emotional support.	Emphasize comprehensive financial planning and strategy implementation.
Highly client-driven relationship, focusing on the client's goals and values.	Provide guidance based on expertise and industry knowledge.
Help clients become self-sufficient in managing their finances.	Continue to provide ongoing management and advice for clients' existing wealth.

Finding the Right Financial Coach

Determining Your Financial Goals and Needs

Before searching for a financial coach, it's crucial to have a clear understanding of your financial goals and needs. Assess your current financial situation and identify the specific areas where you need assistance, determine whether you need help with budgeting, debt management, saving for specific goals, or overall financial planning.

Researching and Evaluating Potential Financial Coaches

Once you have a clear idea of your goals and needs, it's time to research potential financial coaches. Here are some steps to follow:

Seek recommendations: Ask for a recommendation from friends, family, or colleagues if they have worked with a financial coach. Personal referrals can be valuable in finding a trust-worthy and effective coach.

Check credentials and certifications: Look for financial coaches who hold relevant certifications or credentials, such as Certified Financial Planner® (CFP®) or Accredited Financial Counselor® (AFC®). These designations indicate that the coach has met certain professional standards and possesses the necessary qualifications. Another high-value credential for a financial coach can be Chartered Wealth Manager® (CWM®) offered by American Academy of Financial Management® (AAFM®) that offers comprehensive knowledge of various financial domains and builds necessary skills to function as a professional practitioner or a coach.

Review experience and specialization: Consider potential candidates' experience and expertise in the field. Some coaches specialize in debt management, retirement planning, or small business finances. Make sure his/her specialization aligns with your specific needs.

Read client testimonials or reviews: Look for testimonials or reviews from previous clients of your prospective coach. Verified past success stories can indicate the coach's effectiveness and ability to help clients achieve their financial goals.

Evaluate communication style and approach: Contact potential financial coaches and have initial conversations, pay attention to their communication style, listening skills, and the overall impression you get from the interaction. It's essential to find a coach who communicates effectively and makes you feel comfortable discussing your financial matters.

Selecting the Right Financial Coach for You

After researching and evaluating potential financial coaches, it's time to select the right one for you. Consider the following factors:

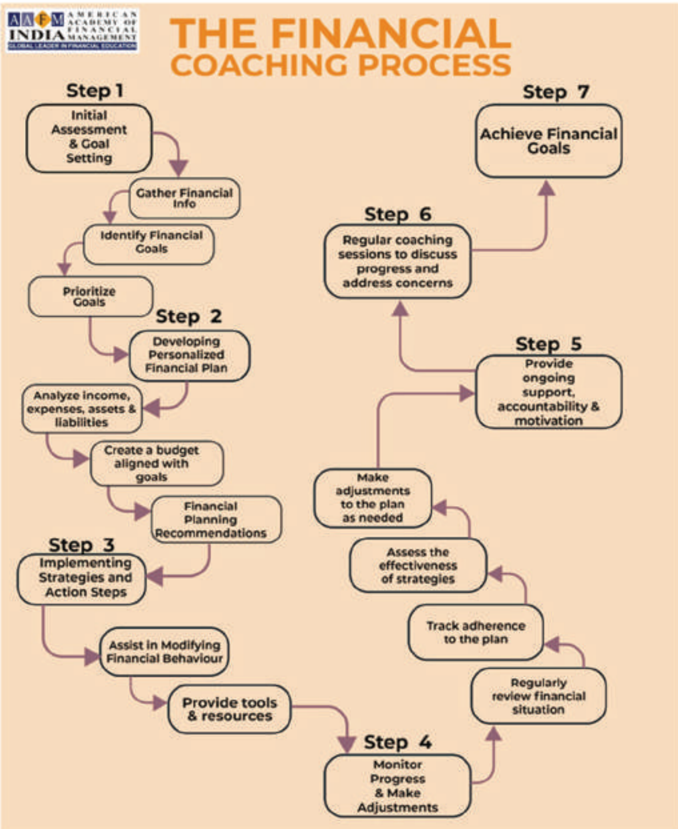
Compatibility and trust: Choose a financial coach with whom you feel comfortable sharing personal financial information. Trust and a good rapport are crucial for a successful coaching relationship.

Alignment with your goals and values: Ensure that the financial coach's approach and philosophy align with your financial goals and values and have a clear understanding of your objectives to tailor their guidance accordingly.

Clear expectations and pricing: Discuss the services, fees, and what you can expect from the coaching relationship. Make sure you understand the coaching process, frequency and duration of sessions, as well as any additional support provided.

Contract or agreement: It's advisable to have a written agreement or contract that outlines the scope of the coaching relationship, confidentiality, and any other important details and it's important to review it carefully.

Remember that finding the right financial coach is someone who can effectively address your specific financial needs and help you achieve your goals.



The Financial Coaching Process

Initial Assessment and Goal Setting

During this stage, the financial coach will gather information about your current financial situation, including income, expenses, assets, liabilities, and financial goals. They will work with you to identify your short-term and long-term objectives, prioritize them, and set realistic and achievable goals.

Developing a Personalized Financial Plan

This plan will outline the specific steps and strategies you need to take to reach your goals. The coach will analyze your income, expenses, and savings potential to create a budget that aligns with your objectives. They may also provide recommendations on debt management, saving strategies, investment options, and risk management, depending on your specific needs.

Implementing Strategies and Action Steps

They will guide you through the process of making necessary changes to your spending habits, saving practices, and financial behaviors. The coach may provide resources, tools, and techniques to support your progress and help you overcome any challenges or obstacles along the way.

Monitoring Progress and Making Adjustments

Financial coaching is an ongoing process, and the coach will monitor your progress regularly. They will review your financial situation, track your adherence to the plan, and assess the effectiveness of the strategies implemented. If necessary, adjustments may be made to the plan to ensure it remains relevant and aligned with your evolving circumstances and goals.

Remember that this process is highly personalized and tailored to your unique financial situation and goals. The coach will work closely with you to ensure that the strategies and action steps are suitable for your specific needs and that you feel empowered and supported throughout your financial journey.

Conclusion

The Value of Financial Coaching

Financial coaching offers significant value in improving financial well-being by addressing personal money management, behavioral change, and accountability. Coaches help set meaningful financial goals, develop budgets, manage debt, save, invest, and make informed decisions. Through education and support, they empower clients to take control of their finances and work towards their goals, providing encouragement and expertise. Engaging a financial coach is an investment in your financial future, leading to greater confidence and success.