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24 SEPTEMBER, 2022

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# EDITOR'S MESSAGE

# DEEPAK JAIN

**Director, American Academy of Financial Management® India**

## From Director's Desk

As AAFM® India completes a decade of its existence, there could be no better way to celebrate it than hosting our first regional Wealth Management Convention 2022 to serve as the perfect platform for the crème de la crème in the financial industry to come together and make this occasion an affair to remember.

The theme of AAFM®'s first Regional Wealth Management Convention 2022 was "Know Your Business, Grow Your Business" aimed at kindling a desire for knowledge and skill acquisition as well as enhancement among Wealth Managers, Financial Advisors and Financial Professionals. In the current edition as well, we have featured articles from industry leaders and experts in their respective domains in the field of finance.

At American Academy of Financial Management® India, we are always striving to promote financial education in every sphere of society with the objective of transforming a slow-paced evolution of the Financial Services Industry into a fast-paced revolution, and help create new avenues of growth for all the stakeholders involved. AAFM® has been at the forefront of innovating and rethinking ways of disseminating financial knowledge and application of theoretical concepts to solve real-world challenges the industry is faced with today.

With evolving regulatory norms, intensifying competition and heightened expectations in the last few years, we strongly feel the industry needs a new advisory as well as delivery model for financial services to continue to offer highest standards of quality and satisfaction for a new generation of consumers. To this end, AAFM® has been involved in several initiatives aimed at facilitating skill development for finance professionals as well as nurturing new talent.

In the Regional Convention held in Delhi, we also conducted a special workshop on "Sales Multiplier for Financial Advisors" to help industry professional realize their true potential by identifying key growth opportunities and streamlining customer interaction and sales process. We understand that in today's environment, it is not only about imparting professional services but also about meeting emerging challenges in an effective manner and developing strategies for tomorrow's industry.

It is no coincidence that we are driven by the three-fold objective of "Wealth Creation, Wealth Protection, Wealth Transfer" which enshrines several key concepts relevant to the needs of consumers as well as advisors. We believe that most advisors are focused on the idea of "Wealth Creation" but relatively few are making concerted efforts to ensure "Wealth Protection" of their clients.

On the other hand, "Wealth Transfer" has become one of the least addressed areas where most advisors lack in the necessary expertise.

To meet this growing need, we offer specialized training and skill development in the area of Estate and Inheritance Planning to equip advisors with the capabilities to assist clients with their unique needs.

As an effort to make a larger contribution towards society, AAFM® also works to spread financial literacy and awareness among different segments of the society through 'Financial Literacy Advisory Body India'(FLAB India), which is a not-for-profit AAFM® initiative. 'AAFM® Finance Club' has also proved to be a phenomenal success as a platform to bring industry stakeholders together, with constantly growing numbers to reach a 5000+ membership base.

In the end, I not only feel proud of our efforts to improve industry standards in multiple ways but can also say that what we do is ultimately an extension of who we are and AAFM® is no exception to that rule. We believe in our journey as an academic organization with the potential to make a positive impact on the industry and also to create industry leaders of tomorrow. Though we have come a long way from where we started a decade ago, there are still many more milestones to achieve and we realize it is not possible without continued support from industry leaders, academicians, professionals as well as upcoming talent to create a shared legacy for the future.

On behalf of AAFM®, I extend a heartfelt thanks to everyone who has been a part of our journey in one way or another.

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ADITYA BIRLA CAPITAL

# KS RAO

**Head – Investor Education & Distribution Development**
**Aditya Birla Sun Life AMC Ltd.**

## 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.

Led by his passion for financial literacy, Rao conceptualized and introduced many of the now successful programmes such as Nivesh Mahakumbh (a mass investor education initiative), ForHER (exclusive financial educational initiative to empower Women), Fauji Nivesh (a customized workshop for defence personnel), Nivesh Abhiyan, Nivesh Paastshala in 12 Indian languages, Mutual Fund Mantra among others. He was also instrumental in introducing digital initiatives such as Investors' Hangout, Mutually Yours(podcast), Smart Selfie (Goal based financial planning), and Mutual Fund Assist as well as in developing unique modules such as Friday Finance, My First Investments, Money Lab, My First Pay Cheque among others. Under his leadership, Samriddhi, the AMC's in-house personal finance magazine for train passengers was launched and has since reached out to more than 50 lakh readers. Rao also works closely with many of the educational institutions, Universities, and media partners, and has (with his team) in the last five years conducted over 12K outreach programmes.

Under his leadership, ABSLMF has sealed its place as the best in the industry and has won the **Asia Asset Management's Best Fund House for Investor Education** award 6 times over last 5 years (four times in a row) as well as Innovative Approach to Investor Education- **Best Fund house for Investor Education Gold Category award from Outlook Money three times in row**, to name a few.

Rao was recognised as one of the **TOP-50 Most Influential Marketing Financial Services Professionals** by CMO ASIA for the years 2018 & 2019, **100 Topmost Influential BFSI Leaders** at BFSI Congress 2019 , Top **101 Most Influential Business Leaders** at BFSI Congress &ETNow in 2020 and AIWMI ( Association of International Wealth Management of India ) recognized him as one of the top 30 **India's Best Finance Teachers in 2021.**

He is a member of the esteemed Financial Literacy Committee of Association of Mutual Fund Industry (AMFI), Member of Advisory Committee – School for Investor Education & Financial Literacy, Member of Mutual Fund Examination Committee at National Institute of Securities Market (NISM).

He is also an executive coach at ABG certified from CFI and ICF.

He is an alumnus of IIM, Calcutta, and holds a Master's in Business Administration in Finance. He is also a certified Chartered Wealth Manager (American Academy of Financial Management) and holds a Post Graduate Diplomas in Portfolio Management & International Business).

ARTICLE

# HOW THE PANDEMIC HAS

## Redefined VUCA At Every Stage

In 2020, the world woke up to an unprecedented scale of turmoil with no end in sight. The word 'pandemic' entered the global lexicon surpassing language barriers and geographical boundaries. As infection rates soared and governments of numerous countries started implementing stay-at-home orders, the world as we knew it changed overnight and the humdrum of human existence was reduced to an eerie silence. The global economy found itself in choppy waters with supply chains being disrupted, businesses having to either shut shop, adapt, or embrace the digital path overnight and stock markets tumbled.

The concept of VUCA — which stands for volatility, uncertainty, complexity, and ambiguity – became an appropriate lens to encapsulate the milieu brought about by the coronavirus in 2020. VUCA stands for volatility, uncertainty, complexity, and ambiguity. Wikipedia says the acronym was first used in 1987 and has its underpinnings in the leadership theories of Warren Bennis and Burt Nanus – to describe or to reflect on the volatility, uncertainty, complexity and ambiguity of general conditions and situations.

**A new 'VUCA' and the onslaught of the pandemic**

The pandemic put almost all aspects of human existence on an extremely unfriendly terrain – it would not be an exaggeration to say that the VUCA terminology made more sense with a different elaboration as the country tried to make sense of the new normal – Virus, Unpredictability, Chaos, and Anxiety.

The Virus set in motion a series of lockdown restrictions that upended human lives. The economy and the market too received a jolt. Unpredictability became the buzzword in 2020 with chaos reigning supreme and there being little room to predict as to how long the pandemic and the lockdown would continue to impact daily lives. Jobs and livelihoods danced on slippery slopes with fear of significant income losses. Chaos replaced any semblance of order in our daily lives – be it the effects of the lockdown life, worries about income disruptions and most importantly the fear of our loved ones getting infected or seeking appropriate medical intervention for those suffering. In the business environment too, chaos assumed colossal proportions and businesses struggled to forge the way ahead with constrained analytical abilities. Anxiety stemming from the lack of enough information for navigating the way forward in terms of finances, health and work hung heavy over people's minds as it became clear that absolute normalcy may be a distant dream for a while.

**Redefining VUCA in 2021: Vaccine, Understanding Clarity, Alertness**

Following the doom in the first quarter of 2020, the economy showed significant recovery in the second quarter. This was congruent with the optimistic sentiments among the populace that was fanned by the imminent commencement of vaccination along with the calibrated reopening of the regional economies since July 2020 and the decline in COVID-19 cases across the country.

However, the period of sunshine did not last long, and the second wave of the pandemic fuelled by the Delta variant dimmed hopes of a smooth economic recovery. By April 2021, India was in the throes of a colossal human tragedy with skyrocketing caseloads and deaths. While a nationwide lockdown was not implemented and it was up to the state governments to impose restrictions to curb the spread of the virus, normal lives were thrown completely off gear.

However, as infections began to ebb July 2021 onwards and vaccine uptake increased, it became clear that although the virus was here to stay, and subsequent waves would be inevitable vaccines considerably reduced the threats posed by the disease.The fallout on the economy too, thankfully was not protracted and economic indicators started showing an uptick, even though the recovery continued to be iffy and far from the V-shape growth that was previously envisaged. The investment landscape also looked lusher than in 2020 - the BSE Sensex gained 10,054 points between January 1, 2021 to December 29, 2021 and it was reportedly the highest year-on-year increase in absolute terms historically.

Considering the turnaround witnessed post the second wave, the meaning of VUCA can again be relooked with a fresh perspective in the Indian investment context – Vaccination, Understanding, Clarity and Alertness. The latter half of 2021 saw a redefined, yet much more palatable version of normalcy returns than what was previously imagined, thanks to the Vaccination efforts made by the government. This ushered in a reinvigorated sense of Clarity among people – be it livelihoods, businesses, jobs, or domestic duties - the fear that was so all-pervasive previously had given way to a nascent confidence with new ideas firmly taking shape in the minds of people for moving ahead in life. A by-product of the difficult times witnessed has also been a heightened sense of Alertness – that life - as we knew it - had to go on despite the pandemic and that it was a doable endeavour.

The undulations seen in the two pandemic years made people better prepared to deal with the vagaries brought by the third wave in January 2022 and an unprecedented geopolitical event in the next month with far-reaching consequences – the Russian invasion of Ukraine. VUCA seemed more relatable with the meanings offered by its original definition – volatility, uncertainty, complexity and ambiguity and it also drove home the message that episodes exemplifying VUCA was, is and will be a recurrent theme in human lives.

**The VUCA Antidote**

The antidote to any kind of VUCA episode lies in abiding by a different terminology—vision, unleashing, competency and agility. A vision for the future—be it taking your career ahead or meeting your financial goals such as retirement or child's education—is paramount to keep the wheels of life moving ahead in the right direction. Unleashing is synonymous with tapping into different opportunities and mapping them with your goals—both at the individual and the financial levels by keeping oneself open to change and novelty. Competency ensures you stay abreast in the game of life—be it with your skillsets or money—to deal with changes and still stay aligned to your goals. And finally, agility can be a powerful weapon in your arsenal of life and financial mantras as this will ensure you are adaptable to changes because nothing in life is constant.

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Vineet Arora
*Managing Director and CEO at Paytm General Insurance Limited*

"To Promote Certification (CWM) in Wealth Management domain to provide suitable certification to those willing to make career in Wealth Management."

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1 Finance

# ANIMESH HARDIA

**Senior Vice President – Quantitative Research, 1 Finance**

## PROFILE

Animesh Hardia, CFA, FRM is a Senior Vice President at 1 Finance, heading the Quantitative Research team. An IIT alumnus, he has over 11 years of experience utilising strong analytical, mathematical, and organisational abilities across multiple domains including supply chain management, sell-side research, and buy-side valuations. In his previous roles, he contributed to the development of research frameworks for complex financial instruments based on industry best practices, methodologies to improve the quality of data insights, and programmatic solutions for solving real-world financial problems, while ensuring strict adherence to client-first principle and generating superior actionable insights for clients. At 1 Finance, Animesh is in-charge of building and continually refining the recommendation engine by integrating modules built by subject matter experts and leveraging quantitative finance and financial psychology to bring value-add in our members' personal finance journey.

# WHY BEHAVING IRRATIONALLY WITH MONEY IS ACTUALLY NORMAL

Traditional finance reigned supreme in the 1950s and 1960s. It was during this time that theories and ideas such as Mean-Variance Portfolio Theory, Rational Investors, Capital Asset Pricing Model (CAPM), and Efficient Markets, among others, gained shape and were honoured with numerous Nobel Prizes. The focus was mostly on understanding the dynamics that explained market behaviour, and components of behavioural finance (particularly psychology) were largely viewed as distractions.

In the 1970s and 1980s, flaws in traditional finance theories inspired Daniel Kahneman, Amos Tversky, and Robert J. Shiller to study why financial markets do not always reflect economic fundamentals and why price anomalies persist for extended periods of time. This period could be termed as the tussle period, and was marked by retaliation from traditional finance proponents.

One such instance of resistance was when, in 1982, Meir Statman and Hersh Shefrin, submitted to the Journal of Financial Economics, a paper based on behavioural concepts that argued against Merton Miller and Franco Modigliani's 1961 article which assumed that investors are rational. In his book 'Behavioral Finance: The Second Generation', Statman recounts this incident as "Some of the journal's associate editors objected vociferously to the paper's publication, and a few threatened never to submit any paper to the journal if our paper was published."

Despite its fair share of criticism, the importance of human psychology gradually gained traction and the description of investors changed from 'rational' to 'irrational', and finally, now to 'normal' (neither rational nor irrational). Today, we are at a point where we realise that traditional finance alone can't work for personal finance; the ingredients must be revisited to improve the recipe.

**Humans were thought to be 'rational', but they turned out to be 'normal'**

Let's take this up using an example: A senior assembly line engineer at an automobile manufacturing company in his late forties seeks to renovate his ancestral home with a budget of ₹ 10 lakh to accommodate the space requirements of his wife, two children, and retired parents. He has a total portfolio of ₹ 50 lakh (excluding his home), with ₹ 30 lakh in equity, ₹ 10 lakh in FDs, and ₹ 10 lakh in EPF. The following table contrasts 'rational' and 'normal' decision-making for this case.

| 'Rational' Homeowner | 'Normal' Homeowner |
|---|---|
| Accurately ranks all available contractors based on cost, quality of work, timeliness, etc. and then chooses the ones that maximise utility | Speaks to couple of contractors known to his extended family and finalizes the one committing to the shortest timeline |
| Employs strategies that maximise wealth<br>Example-<br>- takes advantage of low interest rates to obtain a home improvement loan<br>- uses low-returns assets like FDs for repair<br>- withdraws up to 90% of EPF balance etc | - Liquidates a portion of the equity portfolio to meet the expenses<br>- Avoids debt completely because of aversion to it |
| - Uses complex theories to rebalance the investment portfolio to ensure high expected return and low risk<br>- Follows a meticulous approach when making investment decisions to eliminate any emotional biases or cognitive errors | - Books profit on the equity investments which were in the positive<br>- Invests in companies which have a high ESG rating |
| Sticks to the budget that results in maximum utility | Ends up spending ₹ 20 lakh in total, overshooting the budget |

As we will see in the following section, such actions taken by 'normal' individuals are in fact emotional and cognitive shortcuts.

**Emotional and cognitive shortcuts are means to achieve wants, but extreme shortcuts become errors**

The brain uses 20% of the body's energy. When compared to the brain's 2% body weight, that's a staggering quantity. Most of this energy is expended when we are engaged in effortful thinking. For reference, compare the responses to these questions: "Do I like Tata cars?" and "Do I like Tata Motors' stock?". The former will likely be answered quickly, whilst the latter will require extensive analysis. This is because the responses are generated by two distinct mental agents – System 1 and System 2. System 1 is automatic, fast, hard-wired, and associated with the fight-or-flight mechanism. System 2 is a slow, methodical, and deliberate thinking engine that requires more energy; so intentional attempts are needed to engage it.

Emotional and cognitive shortcuts are heuristics or rules of thumb that people use to expedite the decision-making process in System 1. Due to System 2's high cognitive load, it is employed sparingly and primarily for tasks requiring extra due diligence. When it comes to 'normal' people, they take emotional and cognitive shortcuts to achieve their life's wants. Meir Statman describes wants as "the utilitarian, expressive, and emotional benefits of protection from poverty, prospects for riches, nurturing our children and families, staying true to our values, gaining high social status, inclusion, respect, fairness, and more."

From the previous example, the 'normal' homeowner used the cognitive shortcut of choosing a contractor that was known to his family and promised the shortest timeline. This was because he wanted to minimise the discomfort caused to his children and family due to the temporary relocation. As an emotional shortcut, he chose to partially liquidate the equity portfolio instead of incurring some debt to meet the construction expenses since he perceived both market volatility and debt burden as a threat to the family's financial security. Investing in firms with a high ESG rating is another emotional shortcut that satisfies the want to stay true to one's values, despite the lower returns and increased risk involved.

The issue arises, however, when these shortcuts are overused, at which point they become errors. The 'normal' homeowner may have committed the cognitive error of availability when selecting the contractor for the task by selecting the readily 'available' option rather than speaking to a few more prospects. By booking a profit on investments in green, he may be susceptible to the emotional bias of loss aversion, which could cause him to hold onto losing investments for longer than necessary. By avoiding debt, he may be displaying the emotional bias of regret-aversion in order to avoid regret resulting from future liquidity issues. By exceeding the budget by ₹ 10 lakh,he may be satisfying his want of gaining a high social status by living in a good residence,but this may be the result ofhis cognitive error of framing and emotional bias of self-control.

**It is the duty of financial advisors to correct these errors**

Let's be honest: Clients' cognitive and emotional errors are difficult to correct, especially because they tend to oppose advice that demands them to modify their current beliefs. However, by using the right tools this can be achieved. We're all open to advice that is unbiased, comes from qualified sources, is tailored to our specific life circumstances, and eliminates unwanted noise from life.

For inspiration, let's look at some encouraging evidence from the field of neuroscience about the flexibility of the human brain. The case of 'cabbies' in London (UK) demonstrates the development of brain capacity in response to mental exercise. To become a licensed 'All London' taxi driver, they must pass a test administered by Transport for London that requires them to acquire thorough knowledge of the area within a six-mile radius of Charing Cross, including all streets, buildings, parks, hotels, and so on–essentially anywhere a taxi passenger may request to be taken.

Eleanor Maguire, a neuroscientist at University College London, has conducted numerous in-depth studies of London cab drivers over the years. She discovered that their posterior hippocampus (region of the brain involved in storing long-term memories and spatial navigation):

1. Grew larger the longer they drove through London;
2. Was significantly larger for taxi drivers as compared to London bus drivers, who drove the same routes repeatedly and thus never had to figure out the best way to get from point A to point B, like taxi drivers; and
3. Had grown significantly larger in the group of trainees who had learned how to drive taxis. In contrast, the size of the posterior hippocampi did not change among the prospective taxi drivers who were unable to obtain a license.

Therefore, it is conceivable for clients too to be adaptable when it comes to getting their 'wants' from point A to point B in the most efficient manner. The key is to impart the knowledge in the right dosage to make it a purposeful and deliberate training--one that guides clients toward the correct use of cognitive and emotional shortcuts while also correcting their errors, all while satisfying their life's wants. This could be accomplished by balancing knowledge of financial facts and figures with knowledge of human behaviour and by gaining a deeper understanding of the client's aspirations, as opposed to discussing each aspect in isolation.

In one scenario, when an advisor wants to emphasise the benefit of international diversification to a married 30-something client, he/she could begin by offering pertinent factual data such as lower correlation with the domestic market, portfolio volatility reduction, and long-term returns. Assuming the advisor is already aware of the client's behavioural dispositions, human behaviour education could be presented in the form of relatable case study examples, such as the one that follows.

Then, the advisor can discuss planning for and prioritising the client's wants in order to reduce the likelihood of cognitive and emotional errors impeding their financial growth. The key is replacing ignorance with knowledge.

Rohit and Shreya enjoyed travelling abroad with their children and experiencing different cuisines and cultures. To save for their kids' higher education, which would likely have been abroad, they chose international funds. Their familiarity with international travel played a role in this selection, as it decreases home bias in investment decisions. In just two years, however, they decided to sell these investments due to heightened global volatility caused by rising inflation and monetary tightening, incurring a 15% loss. Three months later, they squandered the money on an international vacation, demonstrating a lack of prioritization of life's wants and direction in avoiding mental errors. Their emotional errors of excessive anxiety and lack of self-control, exacerbated by their cognitive errors of framing and availability (based on the doomsday scenario projected in recent news) prompted them to switch the investment earmarked for their children's education to their annual vacation budget.

***Financial advice for 'normal' people***

The often-misquoted advice of leaving emotions out of financial decision-making is inaccurate and incomplete. It is frequently presented under the pretext of portraying emotions as emotional errors. Using emotional shortcuts may actually be advantageous because some of the best decisions in life are taken in response to an emotional want. For example, we're much more likely to seriously invest for the comfortable retirement of our elderly parents than to purchase a 4x4 SUV for ourselves, unless we're living in abundance. Therefore, even if the mean-variance efficient portfolio derived using traditional finance generates an expected return of 14% with a standard deviation of returns of 20%, the client may derive more peace of mind from a portfolio generating an expected return of 11% with a standard deviation of returns of 18% because it addresses all their life's wants using an allocation that they're behaviourally comfortable with.

Below are some guidelines for providing financial advice that incorporate both 'behavioural' and 'rational' factors:

**1. Know your client's behavioural patterns**

To appeal on a more personal level, it would be advantageous to examine the client's behavioural inclinations and habits using an accurate and reliable personality assessment questionnaire. The process should have as little subjectivity as feasible to limit the likelihood of response editing to conceal personality characteristics.

**2.Construct personalised behavioural recommendations**

The key to achieving this objective is to

- Provide holistic financial advisory, covering not just assets, but also liabilities, income, expenses, insurance and more.
- Check the suitability of the different financial products with the behaviour and financial status of the client.

**3.Prepare a pyramidal model to define milestones**

Maslow's Motivation Model is an excellent beginning point because it categorises needs as follows:

o Foundational - safety and physiological needs
o Psychological - belonging and love, esteem, cognitive and aesthetic needs
o Self-fulfilment - self-actualization and transcendence

**4. Behaviour-based recommendations as an alternative to goal-based planning**

This step involves:

o Generating cash flow projections for the client by incorporating financial products complementing their behaviour and financial status, in the proportion they find comfortable.
o Using these projections to fit the milestones in the client's timeline starting from foundational to self-fulfilment to show feasibility of achieving them.

This approach differs from standard goal-based planning in that it prioritises maintaining a lifestyle that the client finds enjoyable rather than achieving a financial milestone, which may demand lifestyle sacrifices and unwanted risk-taking. Additionally, these milestones keep changing in response to life events, which is why helping the client identify achievable milestones is a process that has a much more positive impact on their psychology and ensures that they stick to the drawn-out plan while living an enjoyable life and feeling secure in their financial future. After all, clients' financial well-being is the top priority for an advisor.

1 Finance

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# ANURAAG SABOO

**Co-founder - FundExpert**

## PROFILE

India's leading Wealth management Software provider for Financial Advisors and Distributors. He has over 25 + years of work experience in varied industries. He has done PGDM from Indian Institute of Management (IIM), Bangalore and Electrical and Electronics Engineering from Indian Institute of Technology (IIT) Chennai, where he received Gold medal from Dr. Manmohan Singh, the then finance minister, for being first in his Engineering class. He is also a Certified Financial Planner (CFP), Chartered Market Technician (CMT) and Certified Financial Technician (CFTe). He has conducted training sessions for NSE, BSE, MCX, and many other organizations on various financial subjects.

# ARTICLE

# SCALING UP WEALTH MANAGEMENT VIA MODERN DIGITAL PLATFORM

Financial Industry in India is growing at a rapid pace. Assets Under Management (AUM) of Indian Mutual Fund Industry as on June 30, 2022 stood at ₹ 35,64,090 crore. The AUM of the Indian MF Industry has grown from ₹ 6.89 trillion as on June 30, 2012 to ₹35.64 trillion as on June 30, 2022 more than 5 fold increase in a span of 10 years. It is expected to grow its assets to a massive Rs 100 lakh crore by 2030. With newer Customers growth like never before in direct equity, Mutual Funds etc, we are seeing great appetite for New Age Financial Products with increasing uptake of new asset classes like ETFs, P2P Loan investments, AIFs etc, also referred as Alternatives.

Financial technology is the intersection between financial services and new technologies to improve existing products and services. FinTech is widely perceived as a driver of innovation, and in the wealth management industry, the adaptation of financial technology has led to the development of digital wealth management services and platforms. Wealth management in India has witnessed a significant shift towards 'digital investing', which is an investment through mobile or web applications. The user-growth of digital platforms has been driven by superior customer experience and low-to-zero cost for investing in equities coupled with enhanced technology features and ease of access to research reports.

However, when we look at the state of Financial Services Distribution Industry, we find that India is starved for Qualified Registered Financial Advisors/Distributors. The ratio currently stands at 1 : 17000 (advisor : potential clients) whereas Developed Nations have ratio close to 1:1000. Existing Advisors are facing numerous threats to their business and Technology led innovation is the only way for them to scale up. But unfortunately they do not have deep enough pockets to get it done.

However, Small Financial Advisors do not have access to qualitydigital platforms to bring down customer acquisition and operation costs unlike larger institutional advisors, which means most of the small financial advisors do not have their own digital identity. Without such access, the small advisors are losing out on the massive growth opportunities offered by the fast-growing sector of financial services and are unable to get a complete wallet share of the clients' investments across a plethora of investment choices being available. Hence there exists a strong need to empower the financial distributors/advisors, particularly in 2 -3 tier cities by giving them digital footprint. It will ensure innovative and quality financial products, services and advisory will reach to all parts of India including tier 2/3 cities/towns Significantly, FundExpert Platform is India's first 'Zero cost' advanced high-tech wealth management solution for financial advisors/distributors, which allows them to manage and automate their entire business operations at Zero cost.

FundExpert is a completely digital multi-asset wealth management platform that allows financial advisors to offer their clients investment journey using next-generation technology and overcome challenges like customer acquisition cost, retaining clients, and servicing cost. It comes with highly advanced features like paperless customer onboarding, RTA sync up, portfolio tracking, advanced insight & reports, goals tracking & custom investment baskets, and covers the entire spectrum of wealth management such as MF, Stocks, Insurance, Bonds, NPS, and much more. The platform provides the digital identity for the advisors, real-time access to their clients, automates managing, monitoring, and reporting of client portfolios. Also, it increases the advisors' earnings multifold through new financial Products and Services offered to their clients. The platform comes with the highest quality support through specially assigned RMs and auto-ticketing Systems.

So, FundExpert is empowering the existing Distribution network of Financial Advisors and Distributors by giving them Digital identity and required technology and solving their current pain points using high tech innovation by a unique partnership model and helping them acquire end customers in a very cost effective way. It is creating a unique value proposition for end client by combining the advisors' personal touch with latest tech.

Today around 2300+ Advisors/Distributors across India have signed up to use FundExpert Platform and they have used the platform to connect to 450000 +clients' portfolios for managing and monitoring them. Through FundExpert, Financial advisors/distributors from all remote corners of India have got their own digital identity and have greatly increased the size and scale of their advisory/distribution business. These advisors simply loved FundExpert for the technological innovations built in the platform making it highly irresistible and incomparable with any other platforms which they were using. Thanks to the raving reviews posted by its advisor/distributor users, FundExpert have become India's highest-rated Advisor/Distributor Software APP with rating of 4.5+ in Google Play Store. In May 2022, at 5th Annual FinTech Awards hosted by Wealth & Finance International, FundExpert won the India's best multi-asset Financial Advisory Platform.

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**Neeraj Joshi**
Head - Client Activation, NRI Services, Customer Education
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# PRATEEK PANT

**Chief Business Officer**
**WhiteOak Capital Mutual Fund**

## PROFILE

Prateek is responsible for driving the overall business objectives through multiple distribution channels, Innovative marketing strategies including digital and Effective product architecture.

Prior to WhiteOak, Prateek was the Head of Products and Solutions at Sanctum Wealth Management and was also a part of the Founding Management Team. In his role he managed the delivery of client solutions which included investments, wealth planning and real estate services.

Prateek has over 25 years of experience in Banking and Financial Services in India and the Middle East. Prior to Sanctum Wealth Management he worked with RBS Group, Franklin Templeton, Bank of America, ABN Amro Bank, HSBC and Commercial Bank of Qatar in the domains of Branch Banking, Credit Cards, Asset and Wealth Management.

Prateek holds a Bachelor's degree in Engineering, with a specialization in Chemical Engineering, from the University of Mumbai. He has also obtained an MMS degree from the Jamnalal Bajaj Institute of Management Studies, with a specialization in Finance.

# INDIA MIDCAPS:

## An Ideal Wealth Generation Opportunity for NRIs

When Raj Subramaniam was recently appointed CEO at Fedex, he joined an illustrious list of NRIs/ OCIs who have excelled and received significant recognition in their host countries due to their substantial contribution in diverse fields which include finance, consumer businesses, health care and technology.

Many of the NRIs left shores of India in the last 5 decades seeking higher education, growth & career opportunities. However, for most of them, their emotional connect with their home country continues to be strong. Hence, typically seek to maintain a base in India & not surprisingly NRIs have contributed to more than 15% of annual real estate sales in the metro cities (in absolute terms, it is about US$8-10bn).

In my conversation with Non-Resident customers, they are keen to diversify their investments in India. Still, they have held back owing to sometimes lack of clarity and, at other times, lack of professional advice in managing their India dedicated investments. Fixed deposits are another easy option as they seemingly offer higher interest rates than the host countries, but exchange rate volatility leaves room for very little arbitrage. In my opinion, just like any other investor category, an actively managed equity portfolio must be a part of any NRIs investment portfolio in India. The most attractive aspect of investing in India is the outsized alpha opportunity that the market presents compared to any other equity market globally, given that the Indian market is still relatively more under-researched and under-brokered. While such alpha opportunities are present across the market cap spectrum, the SMID (small & mid) segment of the Indian equity market is particularly fertile for idea generation and bottom-up stock-picking, given that it is relatively more inefficient.

While the above is true for all other markets, in India's case, it gets amplified given that there are diverse and expanding numbers of listed businesses with heterogeneous business models. Moreover, every sector has a distinct mid and small-cap segment. For example, in the industrials sector, there are companies within various sub-segments such as consumables, light manufacturing, bearings and coatings, and capital goods. Within the consumer sector, too, there are ample opportunities in personal products, food, and beverages, paints, retail, and jewellery.

The market leaders in many sub-categories are mid-caps with a long runway for growth. Take QSRs (or Quick Service Restaurants), for example - the biggest listed company in this category is a mid-cap; this segment is still under-penetrated, is in the early stages of adoption, and presents a sizeable opportunity as it is well-aligned to India's fundamental drivers – strong domestic growth and favourable demographics. The same would be true for Diagnostic companies in healthcare which saw the first listing a few years back. It's only a matter of time when India, presently a 3 trillion $ economy grows to 5 trillion $ and some of these sectors which are in infancy see outsized growth. An NRI investor can connect to some of these trends more readily as they would have already seen them play out elsewhere.

India also has a vibrant start-up ecosystem and is home to more than 100 unicorns (the third highest in the world). Many of these unicorns would also be up for listing over the next few years, and most of them are within the midcap segment.

While it is true that midcaps present a higher alpha generation potential, it is also true that stocks that are a play on the same opportunity set can perform very differently. Over a 10 or 15-year period at the headline index level, midcaps have generated anywhere between 12-17% annualised returns, although, at the granular level,some stock prices have multiplied manifold. The above statement also means that investments in some stocks have been wiped out completely. Research shows that there is a greater probability that a mid-cap slip to a small-cap

The most critical aspect here is to determine the management's track record, corporate governance and execution capabilities.

The midcap space offers many alpha generation opportunities, but investments in this segment would require active monitoring, which many NRI investors may find challenging to do on an ongoing basis. This is where they can rely on the advice of a professional manager to invest through actively managed funds. After all, in-house research capabilities matter a lot – not only in spotting the winners but also in avoiding corporate governance disasters.

TESTIMONIAL

Seemant Shukla
Chief Business Officer
JM Financial Asset Management Ltd

“ I think with India being a part of Asia's Growth will have the sizeable share of the HNI / UHNI and till now the Advisory market is very scattered with Few Bouquet Wealth outfit, MNC Bank, IFA & Wealth Arm of large Retail Indian Bank and Broking house, certainly proposition which is been offered to HNI are more product Centric instead of more holistic approach, reason being the non Acceptance of Advisory Fee by client unlike Developed market, so opportunity is huge considering the growth and market size. To Broad-base the concept of CWM, tie-up with Tier-II and Tire-III Management Institutes as maximum hires in institution are now happening from there as the demand by bank etc are not fulfilled by Tire-I institutes, also regulators are pushing Principals i.e. Insurance & MF, Stock Market to increase the investor awareness hence AAFM can also engage them so that Market for HNI advisory can spread. ”

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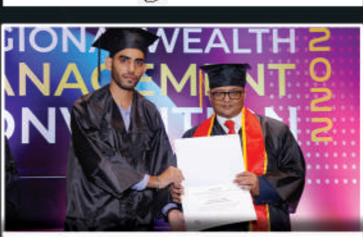

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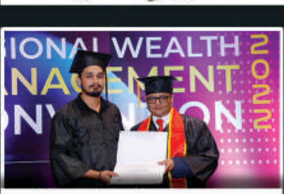

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# Glimpse of the Event

# SONAL SHARMA

**Assistant Manager - Knowledge Management, AAFM® Infdia**

## 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 maketo make them more accessible.

# MONEY-WEIGHTED RETURN VS TIME-WEIGHTED RETURN:

## Which Offers a Better Measure of Portfolio Performance?

Developing and managing a personalized portfolio is no mean task but the single most important question is how to find out if your portfolio is performing at an optimal level. There can be different ways of looking at investment performance but you need to know what exactly you are looking for. For instance, Money-Weighted Return (MWR) can be the perfect measure to assess the performance of your total investment and Time-Weighted Return (TWR) serves as an ideal measure for the performance of an investment manager.

For periods equal to or less than a year, these two metrics are likely to be equal but for periods longer than a year, their value tends to be different. In the course of this article, we will discuss MWR and TWR along with their utility, calculations and relative merits and demerits. This discussion can be helpful in understanding the nuances of portfolio performance metrics and can yield some wonderful insights to help make critical future decisions.

### Is ROI Enough To Measure Investment Performance?

Before we talk about MWR and TWR and how they can be of help to investors, first let us analyze why the need for these metrics arose when there are already easy-to-use measures such as ROI (Return on Investment) which is popularly used to evaluate investment performance in terms of its growth.

To calculate ROI you need to subtract the beginning value of investment from the final value and then divide it by the beginning value and finally multiply the resulting number by 100. It can be represented as below:

**ROI = (Final Value – Original Value / Original Value) x 100**

It is considered an excellent measure of investment profitability, however, instead of measuring investment growth in equal time periods like years or months, ROI measures total growth for an investment from the beginning to its culmination. ROI can be either a positive a negative number depending on whether total returns are greater than total costs or fall short of total cost. Despite being a ratio, it is often expressed as a percentage.

Despite the ease of calculation it affords, ROI does not offer a complete picture of how an investment has performed. One noticeable shortcoming is that it does not take into account the investment period. For instance, if there are two separate investments with a time period of 3 years and 5 years respectively, ROI would simply offer a view of the total performance without accounting for the time difference which would offer a skewed perspective on the true performance of these investments.

On the other hand, MWR measures the performance of an investment on an annual basis which makes it a more accurate and reliable metric compared to ROI. Now, let's take a look at the basics of MWR and TWR and try to understand what they are all about.

### Money-Weighted Return (MWR)

#### Intro

Money-weighted method is designed to take into account varying cash flows and give you a much better idea of the actual rate of returns on the total funds in your portfolio. It is in effect equal to the Internal Rate of Return (IRR) which is commonly used in capital budgeting but can also be used to measure investment performance over a period of time. Basically, this method takes into account various cash inflows and outflows and segregates the investment period into smaller equal time segments based on the timing of cash flows. In cases where the timing of cash flows is uneven, XIRR would be a more appropriate performance measure.

#### Utility

It is a unique measure of investment performance that takes into account the timing and size of all cash flows. They can be in the form of withdrawals, deposits or transfers. It is widely used as a measure of portfolio returns against total capital and is useful in assessing if an investment will meet its desired objectives.

### Calculation

PV of Outflows = PVo
PV of Inflows = PVi
Starting Value (SV)
CFn = cash flow (n = number of cash flow periods)
IRR (Internal Rate of Return)
PVo = PVi = SV + CF1/(1+IRR) + CF2/(1+IRR)2 + CF3/(1+IRR)3 +... + CFn/(1+IRR)n

### How is it quantified?

In essence, MWR calculates the rate of return for which Present Value (PV) of all cash inflows = Present Value (PV) of all cash outflows. It is also known as the discount rate for which Net Present Value (NPV) equals zero. In terms of value, MWR is equivalent with Internal Rate of Return (IRR) for any investment portfolio which is key component in critical investment decisions.

## Time-Weighted Return (TWR)

### Intro

This is an effective measure of an investment manager's performance by eliminating the distortion in growth rates created by cash flows over time. To do this, the investment period is divided into smaller holding intervals which are mostly yearly in duration.
Time-Weighted Return is also known as the geometric mean return. If the period of investment is more than a year, annualized returns can be calculated by using the geometric mean. As part of this method, returns for each holding interval are multiplied together to calculate the compound growth rate of portfolio over the entire investment period.

### Utility

Time-weighted Return has a very specific purpose. To help assess how well or poorly your investment manager has performed. For the same amount of capital invested in a specific benchmark index, any investor would experience the same kind of growth. However, if the funds are actively managed, it can have both a positive or negative impact on the growth of a portfolio as compared to the benchmark index. This is where the performance of an investment manager comes in the picture.

### Calculation

TWR = [(1+HI1) x (1+HI2) x ...x (1+HIn)] – 1
HI (Holding Interval) = End Value - (Starting Value + Cash Flow) / (Starting Value + Cash Flow)
n = number of periods

### Comparison

| Money-Weighted Return (MWR) | Time-Weighted Return (TWR) |
|---|---|
| MWR takes into account all kind of cash flows and serves as a fair performance measure for total capital invested. | TWR measures portfolio growth minus any impact of cash flows. It is widely accepted as a reliable measure of an investment manager's performance. |
| MWR considers all kind of cash flows including earnings on investment (interest, dividends, and capital gains) as well as external cash flows including withdrawals and deposits. | TWR considers only interest and dividends earned on the investment along with notional and/or realized capital gains since these are a direct result of investment strategy. It excludes the impact of external cash flows. |
| MWR cannot be used to compare investment performance against benchmark index. Instead, it can be useful in assessing the impact of cash flows on the rate of return for investment. | TWR can help measure fund performance against a benchmark index or other managed investment products like mutual funds. |
| MWR measures total investment performance which can be compared against expected returns for specific investment goals. It can be a relevant measure for future financial planning with a view to meet individual goals. | TWR is not a measure of total investment performance. Instead, it only helps understand the efficacy of investment strategy adopted by the investment manager. |

### Working Example

### Investor A

1. Invests $1,000,000 on July 31, 2018
2. Portfolio valuation rises by of 3% in the first year to end at $1,030,000 on July 31, 2019
3. Portfolio valuation falls by 2% in the second year and a withdrawal of 200,000 was made at Dec 10, 2019 to fund children's education which resulted in the closing annual figure of $809,400 on July 31, 2020.
4. Portfolio experiences a growth of 4% (32,376) in the third year to end with a figure of $841,776 on July 31, 2021.

### Investor B

1. Invests $1,000,000 on July 31, 2018
2. Value of the portfolio grows by 3% in the first year to end at $1,030,000 on July 31, 2019
3. Portfolio declines by 2% in the next year to end up with a valuation of $1,009,400 on July 31, 2020.
4. Portfolio valuation grows by 4% in the next year and a deposit of $100,000 was made on Dec 31, 2020 to end with a figure of $1,149,776 on July 31, 2021.

### Investor C

1. Invests $1,000,000 on July 31, 2018
2. Portfolio valuation goes up by 3% in the first year to end at $1,030,000 on July 31, 2019
3. Portfolio falls by 2% in the next year to end up with a value of $1,009,400 on July 31, 2020.
4. Portfolio grows by 4% in the next year to end up with a final figure of $1,049,776 on July 31, 2021.

Let us take a look at the MWR and TWR calculations for annual portfolio returns realized by Investor A, Investor B and Investor C in the tabular form below.
Ending Value (EV)
Deposits (Dep)
Withdrawals (Wd)

### Annual MWR and TWR Figures for Investor A, Investor B and Investor C

| | Investor A | Investor B | Investor C |
|---|---|---|---|
| Year 0 | $1,000,000 | $1,000,000 | $1,000,000 |
| Year 1 (Jul 31, 2018-Jul 31, 2019) | EV - $1,030,000 | EV - $1,030,000 | EV - $1,030,000 |
| | Dep – 0, Wd - 0 | Dep – 0, Wd – 0 | Dep – 0, Wd – 0 |
| | | | |
| MWR | 3% | 3% | 3% |
| TWR | 3% | 3% | 3% |
| | | | |
| Year 2(Jul 31, 2019 – Jul 31, 2020) | EV - $809,400 | EV - $1009,400 | EV - $1009,400 |
| | Dep – 0, Wd - $200,000 | Dep – 0, Wd - 0 | Dep – 0, Wd - 0 |
| | | | |
| MWR | 0.50% | 0.47% | 0.47% |
| TWR | 0.44% | 0.94% | 0.94% |
| | | | |
| Year 3(Jul 31, 2020 – Jul 31, 2021) | EV - $841,776 | EV - $1,149,776 | EV – $1,049,776 |
| | Dep – 0, Wd - 0 | Dep – 100,000, Wd - 0 | Dep – 0, Wd - 0 |
| | | | |
| MWR | 1.54% | 1.60% | 4.76% |
| TWR | 4.46% | 4.61% | 4.98% |

We can easily observe from the above that while TWR takes into consideration the intermittent gain and loss of the portfolio, MWR considers the overall gain and loss of the portfolio and that is why for any investment which is having a tenure of more than one year, the MWR and TWR will . deviate from each other after the first year irrespective of any cashflow

### Summing Up

Thus, we can conclude that both these measures have their relative advantages in measuring the performance of any investment portfolio. While MWR helps us measure profitability of an investment option, TWR helps us measure the degree of profitability of an investment option compared to a benchmark index or other comparable managed products. While MWR offers a snapshot of yield on total invested assets, TWR offers a sneak peek into the performance of invested asset compared to its peers or benchmark, which can be the key to decide on the investment option. If the portfolio is not performing better than the other portfolios due to poor decision-making, an investor can make necessary changes or choose to invest elsewhere. In the end, we must add that it is also possible for investors to consider both MWR and TWR collectively to make highly informed investment decisions to optimize portfolio management and achieve the investment objectives as desired

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Rajesh Saluja
CEO & Managing Director
Ask Wealth Advisors Pvt. Ltd.

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# DHAVAL CHITRE

FINANCIALMENTOR|TRAINER

## PROFILE

**AREAS OF EXPERTISE -** Investment Need Analysis, Financial & Insurance Mentoring, Retirement Readiness, Investor Education Programs, Trainings and Finance Faculty

1. A Commerce Graduate & MBA with specialization in Finance and HR. 2. Director - PIFAA [Pune Investment &Financial Ambassadors Association]. 3. AMFI Registered Mutual Funds Distributor. 4. NISM Certified Retirement Advisor. 5. IRDA Certified Insurance Advisor 6. Financial Mentor & Trainer with a rich experience of over 12+ years in Finance Industry and L&D Vertical 7. Worked in MNCs like Bank of New York Mellon & Credit-Suisse from 2010 to 2018 8. Working as Financial Mentor since 2018 9. Conducted over 50 sessions (online &offline) on various topics related to Financial Market, Behavioral Finance, Investment Management etc. 10. An Expert in conducting Investor Awareness Programs 11. Client Focused Financial Mentor with 4+Years of Experience growing Wealth for clients 12. Managing Finance Portfolio of 125+families 13. Writes Articles of Finance centric topics 14. A Few of Signature Sessions are -"Classroom to Cubicles", "Financial Wellness", "My Dear Money", "Retire Rich" 15. Served as Visiting Faculty for reputed B-Schools & Universities - MIT WPU,YCMOU, Gar ware College of Commerce 16. Conducted sessions for Companies, Educational Institutes & Social Groups

ARTICLE

# THE SECOND INNINGS

## RETIREMENT PLANNING

You will want to live the same lifestyle that you have today, even after retirement. What do you want to do in this second innings of life? World Tour, Charity, Volunteer work, start a business etc. Aspirations and needs for retirement vary from person to person. A comprehensive retirement plan is therefore very important so that, after retirement, you can maintain your daily expenses without any burden while living the life you've always dreamed of.

Indian population is ever-increasing and according to reports, India is expected to shift from a predominantly young population to an aging population in the next 30 years. In 2050, India is expected to have aged population over 300 million. Money management to facilitate joyful retirement is going to be one of the main concerns of this aging population. Fundamentally, retirement planning is one of the most vital financial goals of an individual's financial journey, but sadly it is the most neglected one by majority of them. Planning for this second innings is not on the priority cards for most families.

"Second Innings" is related to the most popular sport in India – Cricket and the term comes from not so popular version of it – The Test Cricket! Each team gets a chance to play two innings and result of the match depends on the team's comprehensive performance in both innings. Similarly, a person's financial journey is split into two innings - Working Life & Retirement Life.

**What is Retirement Planning?**

Simply put, a fund that provides for all you need in retirement, including financial, leisure, medical, and emergency needs as well as those in your joyful retirement wish list. . Planning for retirement involves a number of important factors, such as identifying sources of income, estimating short-term and long-term expenses, managing assets, balancing savings and investments, and planning for investments. The key to determining retirement income is to project future cash flows.The process of planning for retirement is a lifelong endeavour, but when you begin planning for it early, you'll reap its sweet rewards sooner rather than later. Furthermore, you can also control cash flow, revenue, and expenses and figure out how much risk you need to take to hit the bull's eye.

**Why plan for retirement?**

**Declining Retirement age** – In recent generations, the average age at which someone starts working has increased due to more emphasis on higher education and vocational training.
People are retiring at younger ages, voluntarily or involuntarily. In some cases, health problems can force people to retire earlier than the official retirement age. Your working life (1st innings) is the period in which you save for retirement. The decline in working life length makes retirement planning more challenging and important.
**Increasing Life Expectancy** – The advanced medical science may give you a much longer life expectancy than you expect. A longer life expectancy is clearly a positive development. Having a longer life means spending more time with loved ones and fulfilling your dreams. That's great news if you're well prepared. Nonetheless, if retirement planning isn't a priority, living longer can be a bit frightening.
**Non-existence or inadequacy of pension cover** – Majority of Indian work force do not have pension cover. Even for government employees, the age of defined benefit pension scheme is over. Furthermore, employees covered under EPS and NPS may find it difficult to maintain financial independence and lifestyle in long retired life if any additional thoughtful efforts are not taken.
**You're Retiring, Not Inflation** – Inflation is immortal. Retirement spending is often underestimated by investors. Education and transportation expenses will decrease, but other expenses will increase due to inflation. With inflation of 5% per annum, current monthly expenses worth Rs.50,000/- will increase to Rs.2.3 Lakh in 30 years and Rs.5.7 Lakh in 50 years.

**Medical Emergencies -** Medical emergencies strike without warning, putting retirement finances at risk. Having adequate health insurance coverage can reduce the impact. In a few cases, it may not cover all expenses. As a result, with a good retirement plan, you must accumulate enough assets to cover any medical emergencies in retirement.

**To avoid follow-on -** Who would like to work for survival post retirement age? The key to avoiding follow-on in second innings is a sound retirement plan in first innings. Remember, second innings should be filled with moments of pride, not embarrassment.

**When to Start? - ASAP!** Starting retirement planning from the very first salary is more beneficial. The best retirement plans are usually started at an early age. A good first inning can ease the burden of the second inning. Hence, starting early in the first innings in vital. Interestingly, early starters need not work hard; instead they can work smart by taking an advantage of compounding. Investing in Mutual Funds and specially designed Retirement Benefit Funds through SIPs can be the game changer.

When you score well in the first innings, you've won half the battle. This match cannot be lost now. Any unforeseen events in the later stages would still result in a draw, which is still respectable compared to losing the match due to inadequate planning. The Test of Retirement Planning is on, don't wait any longer, and get started now

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Deepak Singh

President & Chief Business Officer

Reliance Securities

“CWM Certification is very relevant to the industry as these are hardly any certifications in India for Wealth Managers. The course content is quite extensive & Covers all the areas. I am confident that this course (Certification) will help in getting better Jobs.”

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# CA SHUCHI

**Director - DuOak Finserv Pvt Ltd.**

## PROFILE

Shuchi kulwal is serving director of DuoaK FinServ Pvt Ltd, who is a Chartered Accountant having an experience of working with leading private bank and acquiring and handling corporate of clients of west zone of the country i.e. Maharashtra, MP & Chhattisgarh.

# ARTICLE

# FINANCIAL LITERACY

## FOR WOMEN

nārī samājasya kuśalavāstukārā ।
This phrase, a recital of an ancient Sanskrit scholar means:
**Woman is the skilled architect of the society.**

Women play the crucial role in building human future. Today in many parts of the world, women are celebrating empowerment and acknowledgment of their contribution to the society. From Angela Merkel to Indra Nooyi, there are many such examples across the world.

But still, why in Forbes Real Time Billionaires list the top 10 is always dominated by men, when we have so many women leaders across the world. It is high time, every women to come forward to dive in the world of financial management and take over the male dominance in every sphere. Men have always understood the importance of financial literacy and therefore are doing wonders all around. We as a society need to be neck to neck, where everyone from men to women, young to old are making their money work for them in the best manner possible.

Talking about India, Women form 48% of our population and only a small percentage of exempt women in India have a significant say in 'how' and 'where' of financial matters in households. This is because most women do not prefer to get involved in monetary decisions and financial matters in the country, as these are in the hands of a male relative. Moreover, educational institutions do not teach money management skills, so the responsibility is justly on us to mould women's financial future. Who do you think is responsible for keeping the feminine gender away from the family's financial affairs? Though both boys and girls get the same education at school, why does one take command of money matters while the other quietly steps back? It is a predicament rooted in centuries of social conditioning, but it is high time now we break the mould. Women lag far behind men in urban areas concerning financial inclusion and literacy rates. With the changing lifestyle dynamics, there has has to be a bigger push towards making women financially aware and independent, helping them with their money journey.

In patriarchal society what was being done right and what else needs to be done to ensure women empowerment? If even 10% of our women population manages their money, we would see a societal change. Suppose we really want to build and exist in an equitable world where everyone has the liberty to dream, work and feel financially secure. Let us understand with an example:

In a typical 90s Bollywood story their existed a strong hero and a vulnerable heroine and the story line was more or less that hero had to save heroine from villain. But what if, the heroine was independent and self-sufficient enough to fight the villain. If we are skilled and knowledgeable enough, we do not need protection or support. In that case, we all need to work towards enlightening people about financial literacy. Financially independent women have a strong enough voice and say enabling them to escape suppression in male chauvinist society. Financial literacy holds the key to empowering women. If a person could make their money work for them they have achieved the Zen of finance world. Women's financial inclusion has a key role in bringing about gender equality in society. To be able to put your money to such use it is important that they are financially literate of the ways and means to do the same. Therefore, if we look forward for true empowerment of the blessings named women it is important for them to be financially literate. It sets the base for empowerment. Today, women are learning self-defence, focusing on their fitness but without financial independence they cannot really be strong enough to fight the evils of society alone. If you still are confused, why do women really need to be financially literate there are some more reasons such as:

1. It prepares them for emergencies.

3. Children tend to be more influenced by their mothers than their fathers. Being financially literate sets a good example for your children as well.

4. In most households, women are responsible for the day-to-day expenses. Thus, it is helpful for them to know how best to use the money.

5. Women tend to live longer than men, and thus they should have the knowledge to carry on their day-to-day affairs and manage finances.

6. Women who are financially literate gain more confidence in their own decision-making.

The crux of the matter is, financial literacy is the missing wing required to fly. The world is too small to limit us and women need to wear these wings and fly. A financially literate women cannot be over powered because she is empowered. At the end, all I have this message for the beautiful you:

"Open up the part of you that wants to hide away
You can shine
Forget about the reasons why you can't in life
And start to try
Cause it's your time
Time to fly"

TESTIMONIAL

Sai Rohit Srishtu
Fund Administrator
Invesco Ltd.

"The curriculum of the program is intense. It consists of a wide set of topics ranging from basic concepts to Advanced WM theories such as Alternate investment management, behavior finance, legal aspects in WM etc. just to name a few. Also, the project at the completion of course provides a practical hands-on experience. Overall, it was a great learning experience and I've gained new perspective and technical skill on wealth management which will greatly benefit going forward and also the networking and connection with industry and within CWM alum base will definitely help."

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# BHUSHAN MAHAJAN

**Founder, Chairman and Managing Director - Arthbodh Shares and Investments Private Ltd.**

## PROFILE

He is successful entrepreneur since last 35 years. Bhushan's speciality lies in unique techno-funda approach to identify excellent Investment ideas in equity, Opportunities in fixed income and other assets. He is an industry thought leader in Equity Markets, with Study of Fundamental Analysis and Technical Chart Patterns.

He has led quite a few companies to success as a business coach and mentor.

Bhushan is a Past President of Pune Stock Exchange and also a founder core team member which established Pune Independent Financial Advisors Association (PIFAA) and is its Past President. PIFAA is known for its many Investor friendly activities, seminars and conferences arranged for the last ten years.

Bhushan has been a key note speaker, Chairperson( Network FP), Participant Speaker at various conferences in the financial sector regularly.

He is extremely passionate about investor education and has conducted over 150 workshops for investors all over Maharashtra under the auspices of NSE and Sakal, Pune. His special interest is to inculcate financial awareness in the youth and lead them towards financial freedom as they start their career journey.

He writes regularly in the famous Pune Daily 'Sakal' and weekly 'Saptahik Sakal', Daily 'Loksatta' and has a wide following. His articles are widely appreciated and followed.

Rotarian, Past President of Rotary Club of Pune Metro, Served as Assistant Governor and is fairly active in various social projects of Rotary.

He has given many presentations to the youth, Rotaractors, engineering and MBA students that focus on taking the baby steps in investment journey and attain the final nirvana of financial freedom.

# DEALING WITH THE INFORMATION OVERLOAD

Four decades back, there was a time when information about working of the listed company was available through informal sources. Most of the market movements used to be based on sources close to the management or 'heard on the street'. There was no internet or google search. Research about the company and its performance had to be based on annual reports, published once in a year. To get your hands on annual report, you needed to be a shareholder or knew someone who owned the shares. Moreover, the shares were in market lots either 10 (for Rs 100 paid up) or 50 or 100 (for Rs 10 paid up). later when dematerialization took place and the market lot changed to one share, you could buy even one share of the company, to get the annual report. However, there was no clue about the company's working till next annual reports were announced.

This changed when announcement of quarterly results was made mandatory by SEBI in March 2000. The media did help; however, all published information can have its own authorized and unauthorized sources. With the vigilance of SEBI and its revolutionary reforms in Indian stock markets, the reliability of information in public domain has improved immensely.

There is a sea change now due to the advent and spread of google, web1.0 and 2.0 and availability of many resources to extract information. Virtually every listed company stores ready downloadable information of its financial results on its website, which is available free to the user. Every company has a digital footprint. Add to this the efforts made by investor relation cells of shareholder friendly companies who take pride in having record of zero complaints from shareholders, availability of information has never been so easy. The stock exchanges also have the details of shareholding pattern, financial results and trade data on their website, easily accessible.

Today we have many pink papers, magazines and TV channels throwing immense amount of data at us, whether as potential investor or trader. Add to this, you tube channels by experts and self-proclaimed experts teaching the nuances of share market, mutual funds and virtually all asset classes.

In the nineties, brokerage was 1.5 to 2.5% per transaction value, there were entry loads on mutual funds and still astute investors made money. Came institutional brokers and broking costs came down. Next revolution was of fintech and discount brokers, where brokerages were miniscule or none. All the competition was towards getting more footfalls and luring the visitor to trade on the website. Mutual funds have direct plans and buyer is free to enter or exit at will. With the help of free information available, the investor can make his choice, invest and supposedly decide to create a dream corpus and make a fortune on the strength of the assumption that long term investment in equity will always create wealth.

Undoubtedly there is an abundance of information now.

The turnover at the stock exchanges has gone up many folds from around 100 crores in the nineties to more than fourteen lakh crores today. With minuscule transaction costs, alas; 95% of the turnover in stock exchanges is speculative or hedged. Pure investment has taken a back seat.

When every action by the regulator and the media apparently favors the investor, the million-dollar question remains whether the investor makes money or not?

The answer is yes and no.

Markets are never linear. The economy throws various opportunities to favor different asset classes. May it be equity, debt, commodity or real estate. The solution lies in the right asset allocation.

Let us take an example. (Please see the chart)

During the period Nov 2010 to Dec 2013, due to various challenges in the economy the returns from fixed income were 8 to 9% annualized, while those from nifty were barely 3% per Anum.

However, during Dec 2013 to 2016, both equity and fixed income returns did go hand in hand with equity inching better than the debt. Later equity became a clearcut winner till December 2017. This was the time the markets were euphoric and small and mid-caps of the world showed mind boggling appreciation. Those who looked at the past returns of 30 to 35% CAGR in small caps and invested, were in for a nasty surprise! Next two years gave marginal or negative returns to the same funds.

What went wrong? The ecosystem was full of information. Information is knowledge, but one needs wisdom to use the knowledge and apply the same in investing without getting emotionally involved. One also needs experience. As no one can foresee the markets, this can be done only through process driven approach to investing.

There is another angle to investment: the size of your corpus! At the start when the capital is small, it is easy to go, Do it yourself way, but once you accumulate a sizeable nest egg, every decision matters and can be costly; one needs to hold hands of an experienced and competent holistic advisor who puts your interest first! That is when the investor values the worth of an honest advice and follows it.

Sooner, all the stakeholders in the ecosystem realize it, will be better for further expansion of the equity culture in our country.

TESTIMONIAL

Abhishake Mathur
Vice President - Technology
ICICI Lombard

“A professional qualification is a must today to be an advisor in the financial services industry. CWM has the international experience to provide standards of excellence in advisory and wealth management which will not only benefit the clients but the financial industry as a whole.”

# AJAY SHARMA

**Founder - InvestmentMitra**

## PROFILE

Ajay Sharma founder of InvestmentMitra Advisors is an Air Force Veteran and Alumnus of IIM Calcutta. He regularly writes articles for his blog and couple websites of prominent media houses under Festival and Personal Finance series, on markets and topics of personal finance.

# FESTIVALS AND FINANCE

## KRISHNA'S CONSCIOUSNESS & INVESTMENTS

India has a rich and diverse cultural heritage spanning over thousands of years. India being a land of festivals, one can find people of all faith and beliefs celebrating their festivals devoted to specific deity or an event. Each festival not only gives a social message but also teach us many lessons of personal finance. Like Ganesha Festival gives us three lessons on –

1. Sthapana or installation of Ganesha idol akin to Creation of investment portfolio

2.Ganeshotasava – monitoring performance of portfolio &

3.Visarjana or Immersion of the Idol – using funds for the purpose these were invested

Not only have our festivals, our Deities also personifies many pearls of wisdom on personal finance.

Lord Krishna is one of the most popular and probably the most worshipped deity among the Hindus. Krishna represents knowledge, wisdom, beauty and opulence. Shri Krishna is the very embodiment of love and divine ecstasy that destroys all pain and offense. Krishna's teachings empower people across societies to excel in their works and deeds, best among them being the realization of Divine & the Demon within oneself.

Let us find wisdom in his teachings to improve upon our financial well-being.

**Detach Yourself:** Krishna teaches you to detach yourself from grief and joy. Same way detach yourself from Greed & Fear syndrome from your investments. Don't be greedy when in general, markets are doing great. And don't get feared when the markets are not doing that great.

Karma Yoga: Bhagwadgita has laid a lot of emphasis on Karma. And while we believe in destiny,Gita also teaches us that it is the Karma which is under our control and we should concentrate on just that. As an investor your Karma is to pick up the right products for your portfolio befitting your risk and return matrix, aligned to your financial goals and then let them do their work.

**Transcendental Knowledge:** Ordinary knowledge is knowledge of objects, transcendental knowledge is knowledge of how it is possible for us to experience those objects as objects. You should have knowledge of different asset classes and how products work in those classes. You must have an advisor to guide you through such plethora of investment products to help you choose the right one.

**Dhyana Yoga:** Meditation helps you stay calm and balanced. Meditate on your investments regularly. Like you do your meditation or prayers daily, similarly review your portfolio periodically. It could be monthly, quarterly, half yearly or yearly depending on your financial plan and investment portfolio. This will help you stay detached from market movements and know that your investments are working in line with your plan.

**The Universal Form & Knowledge of Absolute:** During epic war of Mahabharata, Lord Krishna showed his universal or the Absolute form to Arjuna. Know that Indian Economy is the Absolute or The Universal Form for an investor. While there may be short term hiccups but in the long run it is bound to grow and distribute fruits to them who retain faith in it.

**Attaining the Supreme:** By retaining faith in the Absolute i.e. Indian Economy and practicing Karma & Dhyana Yoga to keep yourself detached from the ups and downs of the markets, you will definitely attain your Supreme i.e. your financial goals.

**The Opulence of the Absolute:** Indian economy has enormous potential for growth and wealth creation for decades to come.As we do all our karmas having faith in the ultimate Absolute, have faith in your financial Absolute i.e. Indian Economy and work your investments practicing Karma and Dhyana Yoga of periodically reviewing and rebalancing your portfolio.

**The Divisions of Faith:** Those who don't become aware i.e are not able to get rid of their greed and fear, have no faith in the economy, tend to lose patience every now and then, will suffer in their investments. And those who understood the difference of news and noise and are undeterred by short term disturbances but take advantage of the opportunities that come their way, will benefit enormously.

**Conclusion – The Perfection of the Renunciation:** We live our life following certain practices and principals to ultimately attain Moksha or Nirvana. Similarly to attain financial Nirvana or a peaceful retired life - Surrender to Absolute (have faith in your Economy), focus on your Karma (pick the right product) and Dhyana (reviewing your investments), acquiring the Transcendental Knowledge (Knowledge of investment universe, its modalities and guidance of an Advisor) and attaining the Supreme (your financial goals).

TESTIMONIAL

Rajan Pathak
Co Founder & MD
Adapt Fintech Advisors

"Indian regulator has taken the charge to make Indian financial market investor friendly. Advisor needs proper education on all wealth products. CWM will pay crucial role to develop the wealth managers who can understand investor's requirement and make the regulates dream true. Wealth management business houses need to upgrade their team to handle wealth management's requirement and requirement creates the huge employment opportunities. CWM is a win-win proposition for all stake holders, advisors, investors, manufactures, investment houses and industry."

# RAJESH GUPTA

**Holistic Financial Planner**
**President - Mutual fund distributors association of Punjab**

## PROFILE

The main purpose is to stand united for rights , privilege ,value addition & knowledge sharing. Mr. Rajesh Gupta is working since the age of 10 years along with studies (had to work because of family circumstances). He has done more than 3 dozens of businesses in life.

ARTICLE

# POSSIBLE IMPROVEMENTS IN THE MUTUAL FUNDS INDUSTRY

Once upon a time, all the transactions in the mutual fund industry were done on papers only. The Mutual Fund Distributors (MFD) who are called IFAs (Individual Financial Advisers) were depositing different forms in different AMCs (Assets Management Companies / Mutual Fund Companies) or in CAMS and KARVY. CAMS and KARVY are called RTAs (Registrar and Transfer Agents/Super Back office of AMC). The AMCs were divided into two RTAs except for Franklin and Sundaram, which now also come under CAMS. There are different types of transactions starting from the purchase of units to transmission(units are transferred to the legal heirs of the deceased unit holder/s). Some of the major transaction types are purchase, redemption, switch, SIP, STP, SWP, change of bank, change of broker, minor to major, change of address, any change in contact details, etc.

Now, three more digital players came into the field who are doing most of the above things digitally and these are NSE, BSE and MFU. One more platform for clients only came under the name of MF Central. However, the MFD has to deposit all important papers related to certain transactions in CAMS or KARVY even if they are with NSE, BSE or MFU. THE BIGGEST PROBLEM THE MFDs ARE FACING ARE, IF ONE SIP IS DONE THROUGH ONE RTA OR PLATFORM IT can't be stopped THROUGH ANOTHER PLATFORM. NOWADAYS MFDs ARE EMPANELLED IN DIFFERENT PLATFORMS AND they FORGET WHICH TRANSACTIONS WAS EARLIER DONE THROUGH WHICH PLATFORM EXAMPLE: BSE, NSE, MFU. They are unable to do the same from another platform especially stopping SIP.

**My Suggestion**

**1. Centralized DATA**

My Suggestion is that all the **data** should be kept **at a centralized place** and any transaction should be possible from any platform/RTA, if a purchase is done through CAMS earlier; it should be redeemed from Karvy also. If we have started a SIP through BSE, it should be possible to stop through MFU/ NSE/ CAMS or KARVY. All these platforms are paid by AMCs on a number of Applications Basis. Let the best platform should get the maximum business. Sometimes office of CAMS is very near to the MFD office whereas the Karvy office is far away or vice-versa, it should be MFD's or the Client's privilege to visit any of the offices and get the work done. In many places, these RTAs don't have proper sitting arrangements or air- conditioners or water arrangements or a small table to fill the form in spite of they are making tonnes of money. Let the best should prevail in the industry and give the best possible service to Investors and MFDs. Moreover, if the server of one RTA or Platform is down, it should be possible to do all sorts of transactions through other Active platforms.

**2. Auto Empanelment:**

If someone passed out the AMFI Exam( NISM V-A), he or she has to go from one AMC to another to get himself/herself Empanelled. There should be a list of all AMC on the AMFI India website to tick the selected AMC in which we want to work and TICK the Terms and Conditions Column and it should be done in one go.

If AMFI wants, a circular can be passed that anyone who is an ARN Holder will be Empanelled with all the present and future AMCs automatically.

**3. Self-Declaration Certificate(SDC)**

This is an annual event. Every year in the month of April, MFDs have to fill out a form and deposit in CAMS that we did all the business as per the norms of AMFI/SEBI. If any of the MFD does not do it, his /her Commission is stopped. One Oath can be taken at the time of empanelled that MFDs will follow all the Rules and Regulations and if found guilty, will be punished according to law.

**4. Reduce GST and Increase Revenue :**
Perhaps the only industry in India, where we have to pay GST and Income TAX both (However, there is no GST on MFDs who are earning less than Rs. 20 lakhs). GST should be on AMC and it should not be more than 5 %. MFDs has made their life hell by taking multiple codes to save themselves from this big GST. It's also very difficult to compile and file GST returns. If Government will calculate the data with them. They will get more revenue if they agree to take only 5% GST from every MFD through AMC. Now if someone will have one ARN Code, that means all income will come in one account and he/she will come in a higher Income TAX Slab even, resulting government will get more revenue.

**5. STT Tax :**
The government has added this additional TAX recently. If someone is investing One lakh but SOA (Statement of Account) shows Rs.99995. The client feels very bad and it's very difficult to reconcile when a number of even t ansactions like additional purchase, switch, SIP/STP comes in the same folio no. All these transactions become from Even to Odd. This STT money will be compensated by making changes in GST or it can also be charged to TER (Total Expense Ratio of the fund).

**6. Make SIP/STP dates flexible:**
Most of the AMCs have fixed dates for this transaction. For example, my EMI date is on 30th of every month and I want SWP on 29th, but I can't do it. reason being the dates of the transaction are fixed by most of the AMCs Eg. 1/10/20th only.

MFDs are working round the clock to give the best possible service to the investor. If our client will not be satisfied, either he/she will leave us or switch to some other investment product. These are the only MFDs that have brought so much regular investment even on bad days(Corona Time), resulting in nullifying the FIIs sale from Stock Market. Our worthy Prime Minister Shri Narinder Modi Ji also confirm this in Parliament about the role of MFDs. All the stakeholders of our industry should make MFDs life easy .

TESTIMONIAL

Nirmal K. Rewaria
Head - Partnerships & Alliances Head
Partnerships & Alliances Arthmate

“This will enhance the scope of wealth management & financial planning in India.”