"A REPORT ON FINANCIAL PLANNERS IN THE GROWING ECONOMY LIKE INDIA"

THE INDIAN INSTITUTE OF PLANNING AND MANAGEMENT
NEW DELHI

CONTENTS

LIST OF FIGURES

LIST OF TABLES

1. Introduction to Financial Advisors

1.1. Overview

Planning for a secure financial future is not easy. Yet increasingly, individuals are in charge of their own financial futures. Most are aware that planning is critical, yet don't the have time or the expertise to develop a plan and make the needed financial decisions. So there arises a need for **FINANCIAL ADVISORS** to manage the individual's wealth and the whole process of managing this wealth is known as Wealth Management.

There are a number of financial advisors offering a diverse portfolio of services to suit different financial requirements of their clients. In order to accomplish the task, these companies provide the assistance of professional financial advisors. These financial advisors help individuals or corporate manage their wealth appropriately through:

1.1.1. *Investment Solutions*: The financial planner helps the individuals diversify their portfolio through alternative investment plans, mutual funds, equities, and even save for retirement through annuities.

1.1.2. *Financial Planning*: Financial Planning is an exercise aimed to ensure availability of right amount of money at the right time to meet the individual's financial goals.

Financial planners plan individual’s current expenditures and save for future short-term or long-term goals by analyzing different options available.

1.1.3. *Retirement Planning*: The financial planner guides their clients in planning for their financial requirements after retirement, by helping them identify goals, researching and analyzing different opportunities to secure funds and make investments to suits their needs.

1.1.4. *Wealth Management*: It is a comprehensive service to optimize, protect and manage the financial well-being of an individual, family or corporation. Its basic definition covers advice on loans, investments and insurance to give a broad picture of how individuals should best deploy their financial resources. A broader picture may include tax advice, estate planning, business planning, charity foundations and other financial needs.

Even though one of the most significant factors in our life is the state of our personal finances, we rarely spend time on managing them since unlike businesses. The reason being, we are not accountable to any one for our personal financial goals and results. As a result we tend to get careless in our financial matters. I know we all understand the importance of savings but let us not get confused between savings and investment. Mere savings (putting aside a portion of earnings) do not insure or guarantee achievement of future financial goals.

It is important to save but more important is to invest your money. By merely stashing away money into that neighborhood bank's savings account, you are neither making any more money, nor preserving its value. The inflation rate at around 4-5 per cent p.a. in excess of your bank savings account rate at 3.5 per cent p.a. mercilessly erodes your wealth to that extent. The *purchasing power* of rupee keeps depreciating. So, to fight against such depreciation one has to invest the money saved in assets that will help it work for you and earn more than the erosion in value through inflation over a period of time. That's just one of the primary reasons why each individual should invest. Another more definitive reason is the ***'Power of Compounding'***. Put simply, it means that "Interest on Interest is Interesting". Let me explain this by means of a simple example.

1.2.Financial Planner (Wealth Planner / Financial Advisor)

The financial planner helps identify various taxable and non-taxable investments. This is not a comprehensive list of services. They may differ from one financial management company to another. One can select the services according to their requirements, be it personal or professional.

A financial planner work begins with a consultation with the client, from whom the planner obtains information on the client's finances and financial goals. The planner then develops a comprehensive financial plan that identifies problem areas, makes recommendations for improvement, and selects appropriate investments compatible with the client's goals, attitude toward risk, and expectation or need for a return on the investment. Financial planners usually meet with established clients to update them on potential investments and to determine whether the clients have been through any life changes—such as marriage, disability, or retirement—that might affect their financial goals.

Finding clients and building a customer base is one of the most important of a financial planner's job, because referrals from satisfied clients are an important source of new business. Many planners also contact potential clients by giving seminars or lectures or meet clients through business and social contacts.

1.2.1. Need for a financial planner:

- *Holistic in outlook:* CFPs consider all circumstances, family needs, goals, values, and aspirations, while making recommendations.
- *Professionals:* CFPs protect privacy, strive to maintain the highest ethical standards and continually enhance skills and credentials through continuing education.
- *Educational in nature:* CFPs guide one through options and explain the clearly to help make the best choices.
- *Committed to success:* Holistic financial planning is a process, not an event, and commit to adjusting plan as life goals change.

1.2.2. Role of Financial Planner's

a) *Defining your Goals* - A planner will take note of and record all your financial goals. You save for a variety of reasons: to buy a house and a car, to educate your children, to set them up in business, to get them married, to go on vacations, and, finally, to give yourself a comfortable life in retirement. But not all of us get around to defining what 'comfortable' retirement means or 'good' education means in money terms. The planner will help you work out the money value for each of your goals. You might want Rs.30 lakh for a house today, Rs.5 lakh for a car next year, Rs.10 lakh for your child's education in 10 years, Rs.5 lakh for his marriage in 15 years and Rs.50 lakh for your retirement in 20 years. Additionally, you'll set aside money for contingencies–medical and other emergencies–all your life, perhaps in cash or virtually as liquid. You also need insurance for yourself, your family and your property.

b) *Saving for them* - Once these goals are written down, you can clearly see what you need to save today to meet these goals. The concept of 'savings' changes– from 'something that's left over' to 'something that you target every month'. The planner helps with your budgeting by making you write down your income and expenses in great detail. He helps you rationalize wasteful expenses and establish a system of generating surpluses every month. Once you see the magnitude of your investment goals and the need to save properly, the desire for the latest in everything diminishes. *In other words, planning is about creating wealth–and managing it efficiently.*

c) *Covering Risk* - The planner then assesses your insurance needs, which varies from person to person and from age to age. As a young bachelor with no dependants, you'll need disability insurance rather more than life insurance, but the minute you get married and you have a stay-at-home wife whom you support, you need life insurance as well. When the kids come along and your old parents too become your dependants, the outlay on your life insurance will have to increase, as will that on disability. The planner will help you identify your insurance needs, quantify them and then suggest policy options.

d) *Planning for Retirement* - The planner then looks at your retirement needs and plans for the time when you'll no longer be earning. Your contributions to your EPF and PPF accounts will, of course, help you on that count–provided you've been disciplined and not made withdrawals from these accounts halfway through.

A planner will help you quantify in money terms the 'comfortable' retirement you dream of. He'll then work out how much you need to save every month and at what rate it needs to grow to hit the target. More important, the planner will work with you to keep your short-term financial needs in check so that you don't touch your retirement funds at all. His job is to make you understand that retirement funds are only for the future, when you have no other source of income, and that dipping into it prematurely is very risky.

e) *Making It Happen* - The planner has taken so long just to establish what you want out of life in money terms; even now, the actual investment is two steps away. The planner will now assess your 'risk profile'. This is just a way to see what level of risk you're comfortable with. It would depend on your age and your family circumstances. For example, a person in his mid-30s can take far greater risk than a man in his 60s. Based on the goals, the savings and the risk profile, the planner will then chart an 'asset allocation' strategy–that is, help you decide the percentage of your total portfolio you want to put in different instruments: property, equity, debt, or funds that invest in these assets.

f) *Total Financial Solutions* - A planner has a 'big picture' vision and is able to see the inter-linkages of all your goals, expenses and investments. For example, if a person is earning well and has a non-working wife with two kids, there's no problem if he takes a home loan and a car loan. But what if he dies next year? His life insurance will take care of his family's living expenses, but how will his family pay off the loans? A planner would make provisions for such an eventuality and increase the insurance amount to cover the debt as well. The planner will also help you figure out what impact reducing a Rs.15,000 home loan EMI to Rs.10,000 would have on your retirement kitty. And what impact downgrading a Corsa to a Santro would have on your child's education corpus.

g) *The Balancing Act* - A planner's responsibility doesn't, however, end with your buying a product. He still has to hand-hold you, for instance, when the stock market tanks or tops. Imprudent investors tend to buy when the market is high and sell in a slump. The planner educates you on the merits of a long-term approach and regular investing and helps you rebalance your portfolio. For example, you may have agreed on a 60:40 equity-debt allocation, but a steady rise in the stock market over a couple of years, which may increase the value of your stocks portfolio, may skew your asset mix to 70:30 in favour of equity. That high an exposure to equity may not be good for you, but left to yourself, you might get carried away and withdraw completely from debt and hike the equity component of your portfolio. The planner will step in to remind you of your risk profile, your investment goals and your long-term approach. In rising markets, financial planners do the work of circuit-breakers in the stock market: they temper their clients' unrealistic expectations and keep them on track.

1.3. Financial Planning

'Financial planning' is the process of charting out the money course of your life. It's like having a financial roadmap that guides your every step till you pass on the baton to the next generation. In other words, it is a process in which an individual sets long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning and estate planning. Most of us approach our financial lives like the disorganized traveler who gets to his destination eventually and perhaps even enjoys the rough ride. We think we have a clear roadmap in mind, but our financial lives are marked by ad-hoc decisions and capitulation to the temptations of the flavors of the financial season.

1.3.1. Benefits of Financial Planning

A sound and meticulous Financial Planning will have following enumerated benefits:

- Sophisticated financial advice to cope with changing life situation
- Non-biased opinion on one's insurance needs
- Help dealing with one's retirement planning
- Optimum asset allocation and investment strategy formulation
- Efficient tax strategy and estate planning

1.3.2. Scope of Financial Planning

Sometimes it so happens that when one consulted with a financial advisor in the past he felt that he was asked to buy something he didn't fully understand. Maybe he felt that products were recommended without consideration for his overall financial situation. In cases like this, comprehensive, holistic, fee-only financial planning eliminates such concerns. A person receives objective advice targeted to his needs and goals.

One of the myths regarding financial planning is that only rich individuals and HNIs can undertake this. This perception exists because most players in the market target these people, as they are very profitable customers. However, anyone can use financial planning. In fact, individuals should use effective financial planning to build their wealth over the years.

There are financial planners who service small individuals too. However, individuals need to remember the financial planners charge for the services they render, so they should be ready to pay for the advice.

Don't Risk Your Money: Choose a Financial Planner Wisely

When choosing a financial planner it is important to firstly know why you're seeking advice. Ask yourself an important question. *What are you seeking to achieve or to learn?*

It is not necessary for you to choose the first planner you meet. Know what is available and what makes you comfortable and you will certainly find someone who best suits your individual needs. After all, it's your money and you should feel no uncertainty in the process.

As a busy professional, you might be unable to devote the kind of time needed to take care of the money you earn and would, ideally, like to outsource your money management to a trusted person or organization. Below are nine questions to ask before you hand over that cheque to your financial advisors.

a) *What is your experience & qualifications?*

Wealth Management requires hands-on-experience and a strong technical understanding of topics such as personal tax planning, insurance, investments, retirement planning and estate planning and, how a recommendation in one area can affect the others. Ask the planner what his qualifications are to offer financial advice and if, in fact, he is a qualified planner. Ask what training he has successfully completed. Ask whether he holds any professional credentials including the Certified Financial Planner certification, which is recognized internationally as the mark of a component, ethical, professional financial planner. Choose a financial planner who has experience counseling individuals on their financial needs.

b) *What value added services do you provide?*

Ideally, your manager should offer compete financial planning. He should be able to give you advice on equity investment, debt, commodities, insurance, international investment, which home loans to take and why, tax planning, estate planning, filing tax returns, superannuation, real estate, and do a cash-flow analysis. Diversification is the essence of wealth management. Look for the factors that differentiate one wealth advisor from the others.

c) *What plan can you suggest that suits my needs?*

It is important that the plan made for you is unique to your income, your financial goals and your station in life. Each person's financial plan is significantly different from the others. Your financial planner should be able to consult with you, draw out your financial dreams, and make a plan that will help them come to fruition. The plan changes depending on your income, the size of your family, what you consider necessary expenses, your luxuries and others.

d) *How much do you charge & on what basis?*

It is better to be clear on this one. These charges are over and above any other charges like an entry and exit load charged by mutual funds when you invest in them. The fees can be charged in different ways:

- *Fees* – They are based on an hourly rate, a flat rate, or on a percentage of your assets and/or income. At times, it is on the nature of the work done.
- *Commissions* – Though commissions are not paid by you, but by a third party (like a mutual fund house or insurance company), it does come of your pocket. Fund houses and insurance companies use their entry and exit loads to fund these commissions for their brokers and distributors.
- *Combination of fees & commissions* – Here you are charged fees for the amount of work done to develop the financial plan and commissions are received from any products sold.

e) What is your investment philosophy?

Don't put all your eggs in one basket. Spread them around so that a downturn in the life of one asset class does not affect the overall returns of your portfolio. Your wealth manager should be able to tell you the structural risk inherent in a product. For example, he should be telling you that within equities, mid-cap funds are riskier than large-cap oriented funds. In addition to a strategic allocation, your planner should also be able to advice on the tactical allocation of your assets.

f) Can you give references from existing clients?

Trust is the first and foremost factor that you need to establish before choosing a wealth manager. Talking to an existing client and knowing his experience will certainly help you take an informed decision.

g) How can I be assured of good service?

Look for an advisor who has good support staff and a manageable client roster. You also want to get an idea upfront on what his service policy is. How often will he sit down with you to review your financial plan and investments? How will he communicate with you? A regular annual review should be the minimum. Semi-annual or quarterly vetting, depending on the complexity of your portfolio, is also important.

h) Do you recommend your own products?

This might happen when a bank is your wealth manager. If all it is doing is pushing its own group company's products, there is an inherent conflict of interest. The wealth manager should be able to impartially say which product is best suited for you among a range of them and why. The planner should study the costs and returns of various products and recommend the most efficient among them. He should not recommend a product just because he gets fatter a commission by selling a particular one, or his internal targets are skewed to selling a certain kind of product.

i) If I am not satisfied, what's the exit route?

The planner is a pure wealth advisor or broker - so you are never invested in him; you invest through him or on his advice. You have to talk to him and understand the fee structure and other details at the time the relationship is being evolved. That alone can guarantee a safe, hassle-free exit in case you feel the service is below pair.

These nine questions should help you narrow your options down to the most suitable wealth manager. Review the answers every once a while, it helps you keep track of why you hired him in the first place and whether he is still the right manager for your wealth.

2. Investments

2.1. Overview

The money you earn is partly spent and the rest is saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called Investment. In other words, Investment is *'the act of committing money or capital to an endeavor with the expectation of obtaining an additional income or profit.'*

It's actually pretty simple: investing means putting your money to work for you. Essentially, it's a different way to think about how to make money. There are many different ways you can go about making an investment. This includes putting money into stocks, bonds, mutual funds, or real estate (among many other things), or starting your own business. Sometimes people refer to these options as "investment vehicles," which is just another way of saying "a way to invest." Each of these vehicles has positives and negatives, which will be discussed later in the thesis. The point is that it doesn't matter which method you choose for investing your money, the goal is always to put your money to work so it earns you an additional profit. Even though this is a simple idea, it's the most important concept in the current scenario to understand.

2.2.Basic Investment Objectives

Investing is a conscious decision to set money aside for a long enough period in an avenue that suits your risk profile. The options for investing our savings are continually increasing, yet every single investment vehicle can be easily categorized according to three fundamental characteristics - Safety, Income and Growth - which also correspond to types of investor objectives. While it is possible for an investor to have more than one of these objectives, the success of one must come at the expense of others. Here we examine these three types of objectives, the investments that are used to achieve them and the ways in which investors can incorporate them in devising a strategy.

2.2.1. Safety

Perhaps there is truth to the axiom that there is no such thing as a completely safe and secure investment. Yet we can get close to ultimate safety for our investment funds through the purchase of government-issued securities in stable economic systems, or through the purchase of the highest quality corporate bonds issued by the economy's top companies. Such securities are arguably the best means of preserving principal while receiving a specified rate of return. The safest investments are usually found in the money market and include such securities as Treasury bills (T-bills), certificates of deposit, commercial paper or bankers' acceptance slips; or in the fixed income (bond) market in the form of municipal and other government bonds, and in corporate bonds.

It is important to realize that there's an enormous range of relative risk within the bond market: at one end are government and high-grade corporate bonds, which are considered some of the safest investments around. At the other end are junk bonds, which have a lower investment grade but possessing more risk than some of the more speculative stocks.

2.2.2. Income

However, the safest investments are also the ones that are likely to have the lowest rate of income return, or yield. Investors must inevitably sacrifice a degree of safety if they want to increase their yields. This is the inverse relationship between safety and yield: as yield increases, safety generally goes down, and vice versa.

Most investors, even the most conservative-minded ones, want some level of income generation in their portfolios, even if it's just to keep up with the economy's rate of inflation. But maximizing income return can be an overarching principle for a portfolio, especially for individuals who require a fixed sum from their portfolio every month.

2.2.3. Growth of Capital

Growth of capital is most closely associated with the purchase of common stock, particularly growth securities, which offer low yields but considerable opportunity for increase in value. Blue-chip stocks, by contrast, can potentially offer the best of all worlds by possessing reasonable safety, modest income and potential for growth in capital generated by long-term increases in corporate revenues and earnings as the company matures.

2.2.4. Secondary Objectives

a) Cost of Inflation

One needs to invest wisely to meet the cost of Inflation. Inflation causes money to lose value because it will not buy the same amount of a good or a service in the future as it does now or did in the past. For example, if there was a 6% inflation rate for the ext 20 years, a Rs.100 purchase today would cost Rs.321 in 20 years. Remember to look at an investment's 'real' rate of return, which is the return after inflation. The aim of investments should be to provide a return above the inflation rate to ensure that the investment does not decrease in value. For example, if the annual inflation rate is 6%, then the investment will need to earn more than 6% to ensure it increases in value.

b) Tax Minimization

An investor may pursue certain investments in order to adopt tax minimization as part of his or her investment strategy. A highly-paid executive, for example, may want to seek investments with favorable tax treatment in order to lessen his or her overall income tax burden. Making contributions to an IRA or other tax-sheltered retirement plan can be an effective tax minimization strategy. By far, tax-saving is the most compelling reason for investors to set aside money for the long term.

c) Marketability / Liquidity

Common stock is often considered the most liquid of investments, since it can usually be sold within a day or two of the decision to sell. Bonds can also be fairly marketable, but some bonds are highly illiquid, or non-tradable, possessing a fixed term. Similarly, money market instruments may only be redeemable at the precise date at which the fixed term ends.

d) Retirement

Anyone who will retire needs to plan for it. There is more than one reason to save for retirement. The all important reason is the rising cost of living. It's called inflation. If you start planning for retirement early on, you can bridge the gap between what you have in your hand today and what you would like to have when you retire. If you begin saving for retirement early on in your life, you can set aside smaller amounts. You can also take on more risk by investing larger amounts in equities i.e., stocks and equity funds. If you delay saving for retirement, you will have to invest larger sums of money to save for the same amount; also the share of equity investments as a portion of your retirement savings will have to be lower. The older you are when you start, the more risk averse you will have to be. Your retirement portfolio will actually be a mix of stocks, debt securities, index funds and other money market instruments. This mix will change as you do, moving increasingly toward low-risk guaranteed investments as you age. Unless planned well, retirement phase will be a downhill ride.

As we have seen from each of the objectives discussed above, the advantages of one often come at the expense of the benefits of another. If an investor desires growth, for instance, he or she must often sacrifice some income and safety. Therefore, most portfolios will be guided by one pre-eminent objective, with all other potential objectives occupying less significant weight in the overall scheme.

Choosing a single strategic objective and assigning weightings to all other possible objectives is a process that depends on such factors as the investor's temperament, his or her stage of life, marital status, family situation, and so forth. You need only be concerned with spending the appropriate amount of time and effort in finding, studying and deciding on the opportunities that match your objectives.

2.3. How to Make Investments

Having appreciated the need, objectives and types of investment, it is now time to shift focus to the actual process of investing.

- Set investment objectives
- Access risk-profile
- Get the right asset allocation
- Select an investment advisor

3. Types of Investments

3.1. Overview

There are many ways to invest your money. Of course, to decide which investment vehicles are suitable for you, you need to know their characteristics and why they may be suitable for a particular investing objective.

- Debt Market
- Bonds
- Mutual Funds
- Equity Market
- Insurance
- Cash
- Gold
- Real Estate
- Home Loans

Table 3.1: Types of Investments

	Return	**Safety**	**Volatility**	**Liquidity**	**Convenience**
Equity	High	Low	High	High	Moderate

Bonds	Moderate	High	Moderate	Moderate	High
Co. Debentures	Moderate	Moderate	Moderate	Low	Low
Co. FDs	Moderate	Low	Low	Low	Moderate
Bank Deposits	Low	High	Low	High	High
PPF	Moderate	High	Low	Moderate	High
Life Insurance	Low	High	Low	Low	Moderate
Gold	Moderate	High	Moderate	Moderate	Gold
Real Estate	High	Moderate	High	Low	Low
Mutual Funds	High	High	Moderate	High	High

3.2.Debt Instruments

Debt instruments protect your capital, therefore the importance of a solid debt portfolio. This not only gives stability, but also offers you optimal returns, liquidity and tax benefits. Debt products, besides safeguarding your capital, can be used to meet short, medium and long-term financial needs.

3.2.1. Short-Term Options:

They are good for short term goals, you can look at liquid funds, floating rate funds and short-term bank deposits as options for this category of investments. Liquid funds have retuned around 5% post-tax returns as compared to 5.6% post-tax that your one-year 8% bank fixed deposit gives you. So, if you have funds for investment for over a period of one year, it is better to go in for bank deposits. However, liquid funds are better, if your time horizon is less than one-year, say around six months. This is because the bank deposit rates decrease proportionately with lower periods, while liquid funds will yield the same annualized returns for any period of time. Short-term floating rate funds can be considered at par to liquid funds for short term investments.

a) ***Fixed Maturity Plan (FMP):*** If you know exactly for how much time you need to invest your surplus, a smarter option is to invest in FMPs. They are shorter-tenured debt schemes that buy and hold securities till maturity, thereby eliminating the interest rate risk. Try and opt for FMPs that offer a double indexation benefit. Fund houses usually launch double-indexation FMPs during the end of the financial year so that they cover two financial year closings.

3.2.2. Medium & Long-Term Options:

These options typically offer low or virtually no liquidity. They are, however, largely useful as income accumulation tools because of the assured interest rates they offer. These instruments (small savings schemes) should find place in your long-term debt portfolio.

Table 3.2: Small Savings Schemes

Schemes	Type	Interest Rate	Term	Min-Max Investment	Premature Withdrawal	Tax Benefit
Public Provident Fund	Recurring	8% pa	15 years	*Min:* Rs.500 *Max:* Rs.70,000	Yes	U/S 80C
National Savings Certificate	Growth	8% compounded half yearly	6 years	*Min:* Rs.100 *Max:* No upper limit	No	U/S 80C
Kisan Vikas Patra	Growth	Amount doubles in 8 years & 7 months	8 years & 7 months	*Min:* Rs.100 *Max:* No upper limit	Yes	Nil
Post Office Time & Recurring Deposit	Fixed Deposit	6.25% - 7.50% pa	1-5 years	*Min:* Rs.200 *Max:* No upper limit	Yes	Nil
Post Office Monthly Income Scheme	Regular Income	8% pa payable monthly	6 years	*Min:* Rs.1,000 *Max:* Rs.3Lac (Single) Rs.6Lac (Jointly)	Yes	Nil

Senior Citizens Savings Scheme	Regular Income	9% pa payable quarterly	5 years	*Min:* Rs.1,000 *Max:* Rs.15Lac	Yes	Nil

Source: www.personalfn.com

a) ***Employee Provident Fund (EPF):*** PF will also be counted as your debt component which can be maximized to 20% of your basic salary; the company contributes another 12%. The contribution will yield a return of 8% and will be eligible for tax benefits under Section 80C.

b) ***Public Provident Fund (PPF):*** A withdrawal is permissible every year from the seventh financial year of the date of opening of the account and the amount of withdrawal will be limited to 50% of the balance at credit at the end of the 4th year immediately preceding the year in which the amount is withdrawn or at the end of the preceding year whichever is lower. However, it doesn't score too well on liquidity. PPF is a great investment if you have age on your side so that you can maximize the benefit by extending the period of holding.

c) ***National Savings Certificate (NSC):*** While the interest component gets accrued (deemed to be reinvested), it is returned to you along with the principal only on maturity. Hence the returns are both fixed and assured. Investments up to Rs.1,00,000 are eligible for deduction from income under Section 80C. However interest earnings are fully taxable. Premature encashment is only allowed under specific circumstances such as death of the holder, forfeiture by the pledgee or under court's order.

d) ***Kisan Vikas Patra (KVP):*** Liquidity in KVP is available any time after 2.6 years from the investment date, but a loss of interest has to be borne on premature liquidation. The interest earned is fully taxable as per your tax slab rate.

e) ***Post Office Time & Recurring Deposits (POTD):*** You can exit a POTD within six months of starting one without receiving any interest and if with-drawn after one year then 2 percentage points are deducted. There are no tax benefits in this scheme.

f) ***Post Office Monthly Income Scheme (POMIS):*** Premature withdrawal is permitted if deposit is more than one year old. A deduction of 5% is levied from the principal amount if withdrawn prematurely.

g) ***Senior Citizens Savings Scheme (SCS):*** The tenure is 5 years and can be extended by another 3 years. Liquidity is available after one year but it proves costly as there is a penalty of 1.5% of the amount deposited. No tax break and now you need to pay TDS too.

h) ***Bank Deposits:*** These are flexible, liquid and offer good interest rates today. Make use of the two-in-one savings accounts that banks offer (surplus over a specified sum is transferred to a deposit) to get a higher return on the money accumulating in your savings account. In the recent Budget, the benefit of Section 80C was also extended to bank deposits, which are kept with scheduled banks for a minimum period of five years. The notification for this is yet to come.

3.3.Bonds

3.3.1. Overview

It is a fixed income instrument issued for a period of more than one year with the purpose of raising capital. The central or state government, corporations and similar institutions sell bonds. A bond is generally a promise to repay the principal along with a fixed rate of interest on a specified date, called the Maturity Date. The main attraction of bonds is their relative safety. If you are buying bonds from a stable government, your investment is virtually guaranteed, or risk-free. The safety and stability, however, come at a cost. Because there is little risk, there is little potential return. As a result, the rate of return on bonds is generally lower than other securities.

3.3.2. *Tax Saving Bonds*

These are those bonds that have a special provision that allows the investor to save on tax.
Examples of such bonds are:

a) Infrastructure Bonds
b) Capital Gains Bonds
    a. Rural Electrification Corporation (REC) Bonds
    b. National Highway Authority of India (NHAI)
    c. National Bank for Agriculture & Rural Development

c) RBI Tax Relief Bonds

Table 3.3: Tax Saving Bonds

Scheme	Who can invest	Investment		Interest	Maturity	Premature Withdrawal	Tax Benefit
		Min	Max				
Infrastructure Bonds	Individuals or on behalf of minors, trusts	5,000	No Limit	8% compounded semi-annually	6 yrs	After 4 yrs	Yes
Capital Gain Bonds	Individuals or on behalf of minors, trusts						
REC	All	1 Lac	No Limit	5.15% pa	5 yrs	After 3 yrs	Yes
NHAI	All	10,000	No Limit	6.5%	7 yrs	After 3 yrs	Yes
NABARD	All	1 Lac	No Limit	5%	5 yrs	After 3 yrs	Yes
RBI Tax Relief Bonds	Individuals or on behalf of minors, trusts	1,000	No Limit	6.5% (Tax Free)	5 yrs	After 3 yrs	Interest exempt from IT
		1,000	No Limit	8% pa (Taxable)	6 yrs	No	Interest is not exempt from IT

Source: www.indianinfoline.com/INPO/FINA.com

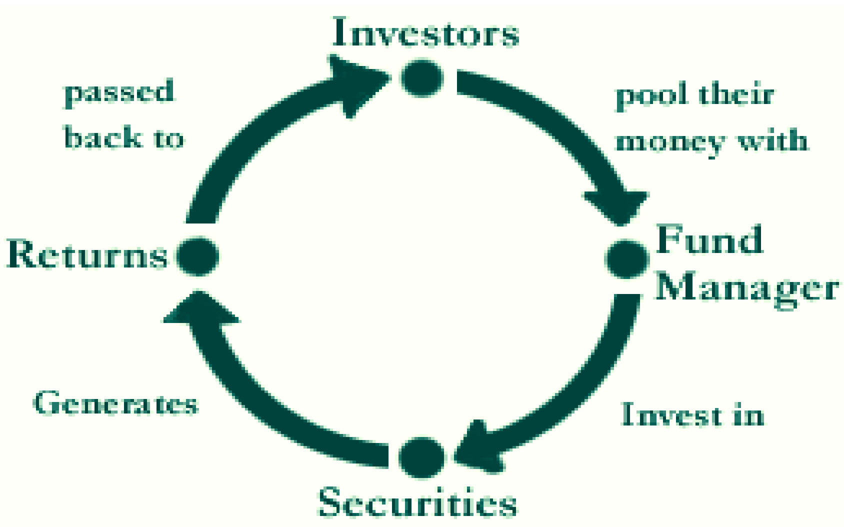
3.4.Mutual Funds

3.4.1. Overview

A mutual fund is a body corporate registered with SEBI that pools money from the individuals/corporate investors and invests the same in a variety of different financial instruments or securities such as Equity Shares, Government Securities, Bonds, Debentures, etc. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Mutual fund units are issued and redeemed by the Asset Management Company (AMC) based on the fund's net asset value (NAV), which is determined at the end of each trading session.

Mutual funds are considered to be the best investments as on one hand it provides good returns and on the other hand it gives us safety in comparison to other investments avenues. Figure3.4 below describes broadly the working of a mutual fund:-

Figure 3.1: Working of a Mutual Fund



3.4.2. Types of Mutual Funds

Mutual fund schemes may be classified on the basis of its structure and its investment objective.

a) By Structure

i. Open-Ended Funds

In an open-ended fund, investors can buy and sell units of the fund, at NAV related prices, at any time, directly from the fund. This is called an open ended fund because the pools of funds is open for additional sales and repurchases. Open ended funds have to balance the interest of investors who come in, investors who go out and investors who stay invested.

ii. Closed-Ended Funds

A closed ended fund is open for sale to investors for a specific period, after which further sales are closed. Any further transaction for buying the units or repurchasing them, happen in the secondary markets, where closed end funds are listed. In a closed ended fund, thus, the pool of funds can technically be kept constant. Investors in closed end funds receive either certificates or depository receipts, for their holdings in a closed end mutual fund.

iii. Interval Funds

Interval funds combine the features of open-ended and close-ended schemes. They are open for sale or redemption during pre-determined intervals at NAV related prices.

b) By investment objective

i. Growth Funds

The aim of growth funds is to provide capital appreciation over the medium to long-term. Such schemes normally invest a majority of their corpus in equities. It has been proven that returns from stocks, have outperformed most other kind of investments held over the long term. Growth schemes are ideal for investors having a long-term outlook seeking growth over a period of time.

ii. Income Funds

The aim of income funds is to provide regular and steady income to Investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures and Government securities. Income Funds are ideal for capital Stability and Regular Income.

iii. Balanced Funds

The aim of balanced funds is to provide both growth and regular income. Such schemes periodically distribute a part of their earning and invest both in equities and fixed income securities in the proportion indicated in their offer documents.

iv. Money Market Funds

The aim of money market funds is to provide easy liquidity, preservation of capital and moderate income. These schemes generally invest in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money. Returns on these schemes may fluctuate depending upon the interest rates prevailing in the market.

v. Load Funds

A Load Fund is one that charges a commission for entry or exit. That is, each time you buy or sell units in the fund, a commission will be payable. Typically entry and exit loads range from 1% to 2%.

vi. No-Load Funds

A No-Load Fund is one that does not charge a commission for entry or exit. That is, no commission is payable on purchase or sale of units in the fund.

c) Other Schemes

i. Tax Saving Schemes

These schemes offer tax rebates to the investors under specific provisions of the Indian Income Tax laws as the Government offers tax incentives for investment in specified avenues. Investments made in Equity Linked Savings Schemes (ELSS) and Pension Schemes are allowed as deduction u/s 88 of the Income Tax Act, 1961.

Table 3.4: Banks v/s mutual funds

PARAMETERS	BANKS	MUTUAL FUNDS
Returns	Low	Better
Administrative exp.	High	Low

Risk	Low	Moderate
Investment options	Less	More
Network	High penetration	Low but improving
Liquidity	At a cost	Better
Quality of assets	Not transparent	Transparent
Interest calculation	Minimum balance between 10th. & 30th. of every month	Everyday
Guarantee	Maximum Rs.1 Lakh on deposits	None

3.5.Equity

3.5.1. Overview

Equities are often regarded as the best performing asset class vis-à-vis its peers over longer time frames. However equity-oriented investments are also capable of exposing investors to the highest degree of volatility and risk. There are a number of factors, which affect the performance of equities ad studying and understanding all of them on an ongoing basis, can be challenging for most.

Stock markets have always been a draw for investors for their ability to generate wealth over the long-term. Fear, greed and a short-term investment approach act as hurdles that frustrate the investor from achieving his/her investment goals. You need to keep in mind the risk associated with the stocks. You also need to diversify your equity portfolio i.e., include more stocks and sectors. This helps you diversify your investment risk, so even if something were to go wrong with a stock/industry in your portfolio, other stocks/industries should help you shore up your portfolio.

Two important resources that are critical to investing directly in stock markets are quality stock research and a reliable and inexpensive stock broker. The first one – research on stocks is the most critical input that investors need to identify before they begin investing in stock markets. This is because even while you may have the risk appetite for equities, you still need credible, stock market related research that can help you make the right investment decision. The other important service provider for you is the stockbroker; he is the one who helps you execute the transaction over the stock exchange.

The good thing about the Indian market, riding on the back of an economy that has grown by over 7% in the last two years, is that you can't miss being part of growth if you invest in the stock markets carefully. The bad part is the CHOICE! Of the listed 4,758 stocks on BSE and the NSE, how do you even get close to taking a call? Here comes the need of a financial advisor who can make your investment decisions and monitor your funds. Clearly, as Indians earn more, save more and accumulate more, financial advisors will play a crucial role in helping individuals create, protect and manage wealth. The wealth managers are all set to shepherd your financial future.

3.6. Insurance

3.6.1. Overview

Life insurance has traditionally been looked upon pre-dominantly as an avenue that offers tax benefits while also doubling up as a saving instrument. The purpose of life insurance is to indemnify the nominees in case of an eventuality to the insured. In other words, life insurance is intended to secure the financial future of the nominees in the absence of the person insured.

The purpose of buying a life insurance is to protect your dependants from any financial difficulties in your absence. It helps individuals in providing them with the twin benefits of insuring themselves while at the same time acting as a compulsory savings instrument to take care of their future needs. Life insurance can aid your family on a rainy day, at a time when help from every quarter is welcome and of course, since some plans also double up as a savings instrument, they assist you in planning for such future needs like children's marriage, purchase of various household items, gold purchases or as seed capital for starting a business.

Traditionally, buying life insurance has always formed an integral part of an individual's annual tax planning exercise. While it is important for individuals to have life cover, it is equally important that they buy insurance keeping both their long-term financial goals and their tax planning in mind. This note explains the role of life insurance in an individual's tax planning exercise while also evaluating the various options available at one's disposal.

Life is full of dangers, but with insurance, you can at least ensure that you and your dependents don't suffer. It's easier to walk the tightrope if you know there is a safety net. You should try and take cover for all insurable risks. If you are aware of the major risks and buy the right products, you can cover quite a few bases. The major insurable risks are as follows:

- Life
- Health
- Income
- Professional Hazards
- Assets
- Outliving Wealth
- Debt Repayment

3.6.2. Types of Insurance Policies:

a) *Term Plans*

A term plan is the most basic type of life insurance plan. It is the most cost-effective life insurance product. Unlike other plans that come with an investment or savings component, term plans are products that cover only your life. This means your dependents or nominees get the sum assured on your death. A term plan offers life cover at a very nominal cost. This is due to the fact that term plan premiums include only mortality charges and sales and administration expenses. There is no savings element.

b) *Money Back Plan*

A money back plan aims to give you a certain sum of money at regular intervals; simultaneously it also provides you with life cover. Money back plans are especially useful in case you need money at regular intervals for your child's education, marriage, etc.

c) *Unit Linked Insurance Plans (ULIPs)*

ULIPs basically work like a mutual fund with a life cover thrown in. They invest the premium in market-linked instruments like stocks, corporate bonds and government securities (gsecs). The basic difference between ULIPs and traditional insurance plans is that while traditional plans invest mostly in bonds and gsecs, ULIPs' mandate is to invest a major portion of their corpus in stocks. However, investments in ULIP should be in tune with the individual's risk appetite. ULIPs offer flexibility to the policy holder – the policy holder can shift his money between equity and debt in varying proportions.

d) *Pension / Retirement Plans*

Planning for retirement is an important exercise for any individual. A retirement plan from a life insurance company helps an individual insure his life for a specific sum assured. At the same time, it helps him in accumulating a corpus, which he receives at the time of retirement.

e) *Endowment Plans*

Individuals with a low risk appetite, who want an insurance cover, which will also give them returns on maturity could consider buying traditional endowment plans. Such plans invest most of their money in specified debt instruments like corporate bonds, government securities (gsecs) and the money market.

3.7. Cash

3.7.1. Overview

Investors must hold a sufficient amount of their assets in cash i.e. in liquid form; this will help them tide over unplanned expenditures and other contingencies. Also one must remember that equity-oriented investments are made with a long-term perspective and liquidating them to meet any contingency may prove to be a loss-making proposition depending on the market conditions. Holdings in cash include amount held in savings bank accounts, liquid funds and short-term fixed deposits.

3.8. Gold

3.8.1. Overview

In India, gold has traditionally played a multi-faceted role. Apart from being used for adornment purpose, it has also served as an asset of the last resort and a hedge against inflation and currency depreciation. India has more than 13,000 tones of hoarded gold, which translates to around Rs.6,50,000 crores. Gold is an asset class that's associated with safety. However, the ups and down that the yellow metal has seen over the last few months, has made it look similar to other market investment assets. This is due to an unprecedented demand for gold as an investment avenue since the last couple of years.

Gold has attracted a high level of attention in last couple of years, with an image shift from a non-volatile asset to a hot investment avenue. The future outlook for the metal looks positive given its proven linear relationship with the crude oil and non-linear with the US dollar. The much-awaited gold exchange-traded funds would provide a very good vehicle to the investors and a sensible alternative to the current forms available for investment.

3.9.Real Estate

3.9.1. Overview

Real estate is a great investment option, as it gives you capital appreciation and rental income. It's an investment option since it fights inflation. The fundamentals for investing in property markets remain strong in India - relatively low interest rates, strong capital flows, high employment growth, abundant liquidity, attractive demographics (young population and migration from West), increase in affordability, and a large supply of stock to keep up with demand and focus on quality. The price you pay for a property should reflect the future rent/income at which you let it. As in the stock market, the prices in real estate are also driven by sentiments. All that is required to reverse a price movement is a change in sentiment.

Start saving for a home the moment you begin your career. Early acquisition helps you to repay your home loan well within your working life. Also, the EMI as a percentage of your salary decreases as your pay increases making the outflows more affordable. If you lock into the interest rate for the loan, the interest outflow will be less than the compounding effect of inflation.

You should be very clear about why you want to invest in real estate. It is a very good tool for wealth creation but like all other assets, has its share of risks. Careful planning, however, can minimize the risks.

3.10. Home Loans

3.10.1. Overview

A home loan helps one to buy more than just a home. Buying a property is perhaps the single largest investment decision an individual has to make in his lifetime. Therefore, he needs to plan for his finances well before he decides to invest a significant amount of money in buying a home. However, the availability of home loans has made life a lot easier for individuals today.

Housing property qualifies as a long-term asset for most individuals. It is usually only once that an individual buys a house for himself after putting much thought behind it. Property rates have risen dramatically in the last couple of years. It therefore becomes imperative that individuals begin planning for their property during the early stages in their careers. At a time when the cost of housing has gone up, it is becoming increasingly difficult to fund the purchase of property entirely out of one's own finances. A home loan allows individuals to continue with their life and build an asset without compromising too much on their lifestyle.

Tax benefits are also available on home loan repayments. Principal re-paid up to Rs.1,00,000 p.a. is eligible for tax benefits under Section 80C. The interest portion up to Rs.1,50,000 p.a. is also eligible for tax deduction under Section 24(B).

The cost of living in any metropolis is very high. A lot of job aspirants migrate to metros in search of better opportunities and live in rented houses paying anything between Rs.5000 to Rs.15000 per month, accounting for 20-30% of their monthly income, if not more. We will consider an example to compare the two options along with some assumptions.

Table 3.5: Home Loans v/s Home Rent

Option 1: Live in a rented place	**Option 2: Borrow to buy a house**
You live in a rented house for 15 yrs	Price of flat: Rs 20,00,000
Rent per month is Rs 8,000	Housing Loan: Rs 17,00,000
Increase in rent 10%	Interest on loan: 11.25% annual reducing
Tax bracket: 31.5% (including surcharge)	
Alternative investment/borrowing rate: 10%	
Result	**Result**
You pay Rs 30,50,158 as rent over 15 years	Initial Payment: Rs 4,80,000
Loan Amount: 17,00,000	
EMI Payment: Rs 19,974 per month	
Tax saving over term of loan: Rs 6,08,984	
Net outgo over term of loan: Rs 29,86,252	

Table 3.6: Cost estimations for 15 years

Borrow to Buy	**Rent**
Loan repayment (Rs) [A] 35,95,235	Total Rent (Rs) [A] 30,50,158

Maintenance/tax (Rs)	[B]	3,00,000	Value of initial Investment after 15 yrs (Rs)	[B]	20,05,079
Tax benefit (Rs)	[C]	6,08,984			
Cost of owning (Rs) [A+B-C]		32,86,287	Value of differential investment after 15 yrs (Rs)	[C]	2,26,711
Market value of Property (Rs)	[D]	41,57,856			
Net Gain (Rs) [D-A+B-C]		**8,71,569**	**Net Cost (Rs)** [A-B-C]		**8,18,368**

In **Table 3.6** we have worked out the cost of a rented place for 15 years i.e. Rs.30,50,158. You will have Rs.22,31,790 in hand (your initial investment + the differential investment). This means that by putting Rs.30,50,158 over a span of 15 years you will have an inflow of Rs.22,31,790 at the end of 15 years. This implies that there will be a net cost of Rs.8,18,368.

Buying the house and maintaining it for 15 years will actually cost you Rs.32,86,287 (tax benefit factored in) and your property will have a market value of Rs.41,57,856 at the end of 15 years. This implies that there will be a net benefit of Rs.8,71,569.

In **Table 3.6** we have so shown a comparison between the two options that clearly indicates that if you are paying a rent of Rs.8,000 that is expected to rise by 10% every year and if you plan to stay at the place for 15 years, it is better to take a housing loan and buy the house. Even if you buy a house worth Rs.20,00,000 you would be richer by Rs.19,26,066 after 15 years.

4. Financial Planners in the Market

A well-qualified financial planner like a Certified Financial Planner (CFP) would work with a person to prepare his plan. A CPF is finance savvy and combines the objectivity and trust, developed through years of experience and expertise in planning one's personal finance. The kinds of services Financial Planners offer can vary widely. Some planners assess every aspect of one's financial life, including saving, investments, insurance, taxes, retirement, and estate planning and help one develop a detailed strategy or plan for meeting all financial goals. The major players in the market are as follows:

- YES Bank
- Citibank
- UTI Bank Limited
- HSBC Bank
- Religare Enterprises Limited
- HDFC Bank Limited
- Bajaj Capital
- Allegro Capital Advisors Private Limited

4.1. YES BANK

4.1.1. Introduction

YES BANK has been conceived in the spirit of professional entrepreneurship, with an unstinted commitment to establish a high quality, technology driven, state-of-the-art private Indian Bank catering to 'Emerging India'.

The vast banking experience of the Promoters, Rana Kapoor and Ashok Kapur who have a collective financial stake of 38.62% has been strengthened by the financial support of Rabobank Nederland to provide YES BANK a strong foundation of enduring financial trust. YES BANK looks to offer comprehensive banking and financial solutions. Which is why, they have inducted top quality Human Capital across all the banking functions, including Corporate & Institutional Banking, Financial Markets, Investment Banking, Business & Transactional Banking and Retail Banking & Wealth Management.

4.1.2. Services

YES BANK is committed to helping you grow your money. Their dedicated team of financial experts devises personalized investment plans, keeping your specific goals in mind. They provide you with objective recommendations for efficient portfolio allocation, and also ensure increased protection from potential risks.

Guided by the knowledge that strategic planning is the key to helping you achieve your financial goals, the bank experts follow a regulated approach to provide you with a customized investment plan. From Mutual Funds to Insurance, the bank helps you to capitalize on all the available opportunities. They also intend to shortly expand their suite of wealth management products to include art, real estate and jewellery advisory.

- Corporates & institutions
- Business banking
- Corporate finance
- Retail banking
- Investment banking
- Financial markets
- Transaction banking

4.1.3. YES BANK 360 Degree Approach

YES BANK aspires to be the customer’s Money Doctors, providing them with effective solutions to ensure that their wealth prospers. They follow a three-step process that is referred to *Diagnosis-Prescription-Monitoring* (DPM) process.

- **The Diagnosis - Risk Profiling**: We assess your investment goals and future requirements and also determine your propensity for risk thus providing you with options that are best suited for you.

- **The Prescription - Asset Allocation**: Keeping your risk profile in mind, the bank draws up a personalized, practical financial plan. Thereby allocating products based on customers needs and expectations.

- **The Assessment - Investment Monitoring**: With regular and timely updates, the bank keeps you informed of the developments in client portfolio. This regular 'Wealth Check' helps you to assess portfolio performance on an ongoing basis.

- **The Follow-ups - Portfolio Rebalancing**: Keeping track of the latest market trends and information, bank experts help clients rebalance their portfolio ensuring that clients maximize returns while minimizing potential risks.

4.1.4. Service Offerings

a) **Mutual Funds**

YES Bank tap into the latest market trends to give the clients the access to the best Mutual Funds.

b) **Portfolio Management Services**

The bank helps you to manage your existing equity portfolios with the help of selected fund managers thus providing the clients with professional services and customized options to meet their investment needs.

c) **GOI Bonds**

They provide you with fixed tenure Bonds, issued by the Government of India, which ensure regular fund inflows.

d) **Tax Saving Bonds**

By investing in specified bonds, the bank can help you to reduce your tax liability under section 54EC of the Income Tax Act.

e) **Subscription to IPOs**

The bank facilitates subscription to select IPOs in the capital market, helping you to take timely advantage of available opportunities.

f) **Life Insurance**

YES BANK has partnered with Max New York Life, one of the most reputed Life Insurance companies in India. The banking sector can play a constructive role in being an agent of change and a creator of social and economic value. At YES BANK, they aspire to create and share value. Max New York Life's internationally benchmarked training processes; flexible product suite, service excellence and financial strength complement this outlook, which ensure that we are able to deliver the true value of life insurance to our customers. YES BANK provides the entire suite of life insurance products, ranging from risk protection to investment-related unit linked products, for individuals, groups or select employees.

g) **General Insurance**

YES BANK has partnered with Bajaj Allianz General Insurance Co to distribute their Non Life Insurance products to our clients.

Table 4.1: Products & Services of YES BANK

Different Products			Asset Allocation			Recommended	Return
Category		Investment Objective	Equity Component	Debt Component	Cash / Call	Investment Duration	Expectancy Range
EQUITY	Equity Funds	To generate long term capital appreciation from a portfolio comprising diversified equities and related securities.	100%	0%	0% - 20%	over 18 months	0% - 30%
	Opportunity Funds	Aggressive diversified equity funds for long term appreciation with flexibility of cash levels in uncertain markets.	100%	0%	0% - 20%	over 12 months	0% - 30%
	Sector Funds	To generate long term capital appreciation from a portfolio compromising equity of a specified sector.	100%	0%	0% - 20%	over 24 months	0% - 30%
BLENDED	Balanced	To generate long term capital appreciation from a portfolio comprising diversified equity and debt with auto Asset allocation.	50% - 75%	50% - 25%	0%	over 12 months	0% - 20%
	MIP Funds	To generate regular income and appreciation from portfolio comprising of debt and small portion of equity.	5% - 25%	95% - 75%	0%	over 12 months	0% - 10%
DEBT	Long Term Debt Funds	To generate attractive returns from a portfolio comprising fixed income and money market securities	0%	0% - 100%	0% - 20%	over 12 months	0% - 7%
	Govt. Securities Funds	To generate attractive returns from a portfolio comprising govt. securities and money market securities	0%	0% - 100%	0% - 20%	over 18 months	0% - 7%
	Short Term Debt Funds	To generate attractive returns from a portfolio comprising short date income and money market securities	0%	0% - 20%	20% - 80%	over 6 months	4% - 6%
	Floater Funds	To generate attractive returns from a portfolio comprising Fixed income & money market securities linked to MIBOR	0%	0%	0% - 100%	over 1 month	4% - 6%
	Liquid / Cash Funds	To generate attractive returns from a portfolio comprising short dated and money market securities	0%	0%	0% - 100%	over 1 day	4% - 6%

4.2. CITIBANK

4.2.1. Introduction

Citigroup in India Citigroup is the single largest foreign direct investor in the financial services industry in India. Committed to India for over 100 years, Citigroup considers itself a local bank with an international perspective backed by the largest global network. With a staff strength of over 15,000, Citigroup has consolidated its position as the most innovative and comprehensive financial products and services provider in the country, and today has a customer base of over 1,000 large corporate, over 22,000 small and medium enterprises and over 5.5 million retail customers.

A pioneer in consumer banking, Citibank was the first to introduce credit cards, focused consumer lending programs and electronic banking in India. Today, the Citibank network comprises of 39 bank branches across 27 cities and over 400 CitiCard Banking centers–which combine ATMs and self-service phone and Internet banking—offering CitiGold wealth management, credit cards, mortgage services, Auto Loans, Personal Loans, Suvidha and NRI Services. Through CitiFinancial, Citigroup offers consumer finance services in the country.

4.2.2. Services

Citibank has a well-organized system of Wealth Management services in India that give you unparalleled advantage and opens up the opportunity to maximize your wealth.

The Citigold Wealth Management is an innovative feature to complement Citibank and their range of banking services in India. The Citigold Wealth Management process assures that Citibank's banking services in India are comprehensive and have been designed keeping the long-term benefits and convenience of the customer in mind.

Dedicated Wealth Managers guide you at every step of the Wealth Management process.

A two-step process with CitiGold Wealth Planner and CitiChoice to maximize your wealth potential.

Access your account anytime, anywhere. Find an office away from office; get your banking queries answered and much more.

Choose from a range of superior product solutions to mature your wealth.

4.2.3. CitiGold Wealth Management Process

CitiGold Wealth Management is a two step process. The first step begins with Citipro, the Financial Managing Tool. It helps you assess your existing wealth, cash flow requirements, risk appetite and investment horizon. Your profile and your cash flows will determine the optimal portfolio allocation into liquid assets, medium term and long term investments. It also helps you rationalize your existing liabilities and determine your insurance requirements so that your family can continue to avail the same benefits and fulfill their dreams even in case of an unfortunate eventuality. It thus enables you to preserve, protect and grow your wealth.

The second step pertains to product selection and portfolio review and rebalancing with CitiChoice. You can select from a shortlist of top performing mutual funds in each of the liquid, debt and equity funds asset classes from leading fund houses in India. Depending on your risk appetite and investment horizon, you can also invest in Government of India fixed income securities, treasury bills and corporate bonds/ debentures/ commercial papers.

The CitiGold Wealth Manager actively monitors your investment portfolio and keeps you abreast with the updated status of your investments. You also receive a portfolio tracker that contains details on your portfolio performance against your financial plan and provides you a systematic opportunity to rebalance your investments should you desire to do so.

The process of CitiGold Wealth Management is designed to help your wealth achieve maximum potential. This enables you to preserve, protect and manage your wealth.

Step 1 - CitiGold Wealth Planner

Analysis of the clients needs to develop their customized investment and insurance portfolio. Using the global tool of CitiGold Wealth Management Planner, the Wealth Manager will help the clients analyze:

- their cash-flow requirements
- their risk appetite
- Desired investment horizon
- Long-term goals

Step 2 – CitiChoice

Choose the right product to match the client's needs and regularly review their portfolio. Depending on the clients risk appetite and desired returns they can select from, a range of top performing mutual funds from the leading fund houses in India. CitiChoice gives a rigorously compiled shortlist of funds to select from in each category of liquid, debt and equity funds.

Step 3 - Portfolio Review

The client's finances need to be reviewed and analyzed regularly to give them maximum return. With CitiGold Wealth Management the client get a Portfolio Tracker that helps then track their account on an on going basis. They can use this feature of their statement to review their investment portfolio with their CitiGold Wealth Manager.

4.2.4. Service Offerings

CitiGold offers the clients a comprehensive range of products to meet their transaction, savings, investment, and insurance requirements. The clients can select from a set of term and endowment insurance policies brought to them through bank insurance partners so that the clients needs for wealth protection are taken care of. The clients can also select from a range of asset products, namely personal, home and auto loans at special relationship pricing. CitiGold Wealth Management offers the clients an exclusive privilege that comprises of:

a) **Mutual Funds**

At CitiGold you can choose from a range of pre-selected Mutual Funds managed by some of the biggest names in fund management such as Alliance Capital, Franklin Templeton India, Birla SunLife, Zurich India, DSP Merril Lynch, HDFC, IDBI Principal and Prudential - ICICI. The funds on offer are from a rigorously compiled list that ensures only the best reaches you.

b) Tax Advisory Services

CitiGold has tied up with the leading tax advisory firm - Deloitte, Haskins & Sells to help the clients with their tax management. Deloitte, Haskins & Sells, a member firm of Deloitte Touche Tohmatsu (DTT), is amongst the leading global taxation-consulting firms. DTT operates from 130 countries, has more than 6,000 partners and over 90,000 professionals around the globe.

c) Real Estate Advisory Services

In today's market, real estate presents an attractive real estate investment option. To assist the clients with advice on various real estate investments, or to help them in leasing, buying or selling properties, CitiGold has tied up with a world-class real estate consulting firm - Chesterton Meghraj Property Consultants. This service is currently available in the cities of Mumbai, Kolkata and Delhi only. CitiGold will organize special seminars for the clients with these consultants and the clients can also consult them one-on-one on real estate investment options.

d) Art Advisory Services

In today's market, art presents an attractive investment option. To assist the clients with advice on various art investments, or to help them in buying or selling art, CitiGold has tied up with a reputed art gallery, Apparao Galleries.

e) Insurance Services

In today's market, insurance presents an attractive investment option. To assist the clients with advice on various insurance policies, or to help them in purchasing insurance, CitiGold has tied up with Birla.

Figure 4.1: CitiGold Wealth Planner

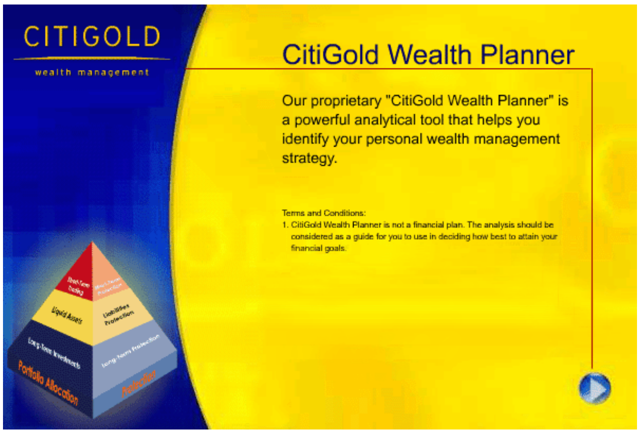


Figure 4.2: CitiGold Portfolio Allocation

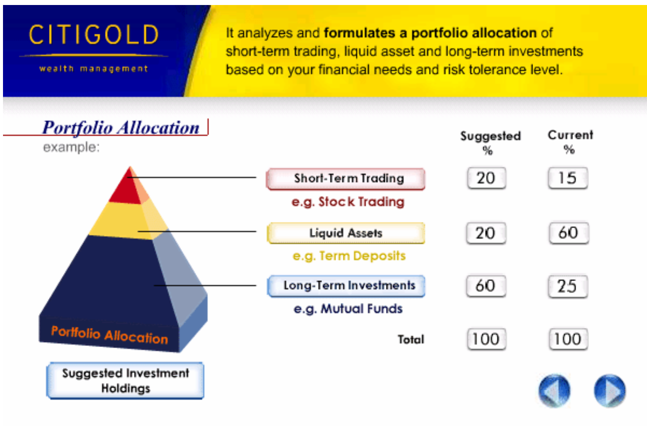


Figure 4.3: CitiGold Portfolio Allocation Summary

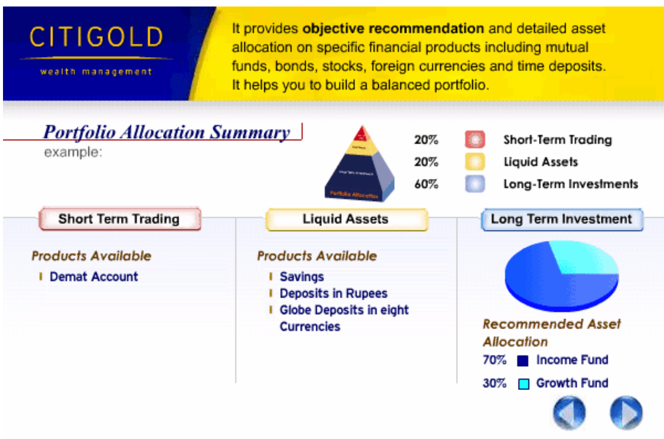
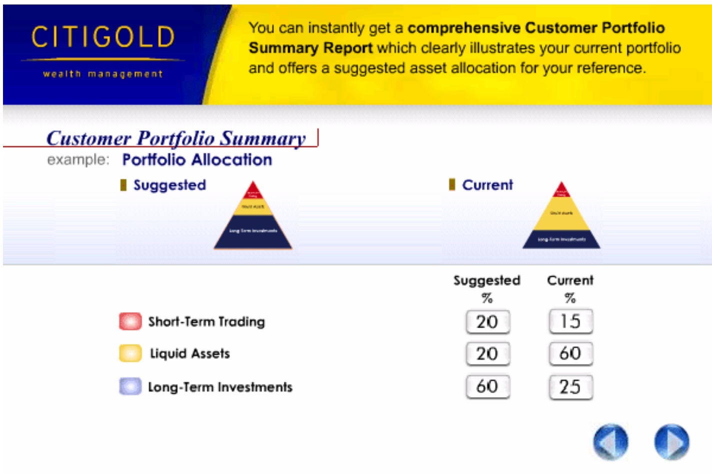


Figure 4.4: CitiGold Customer Portfolio Summary



4.3. UTI BANK LTD.

UTI BANK

4.3.1. Introduction

UTI Bank was the first of the new private banks to have begun operations in 1994, after the Government of India allowed new private banks to be established. The Bank today is capitalized to the extent of Rs. 280.12 Crores with the public holding (other than promoters) at 72.43 %. Presently the Bank has a very wide network of more than 450 branch offices and Extension Counters. The Bank has strengths in both retail and corporate banking and is committed to adopting the best industry practices internationally in order to achieve excellence.

4.3.2. Services

UTI outsource its wealth management services from Capital Market because the content is UTI web site's life line. In such matters no one likes to cut corners, take chances. They choose www.capitalmarket.com, because of its:

- **Brand Equity:** Capital Market has been supplying offline electronic database content for the last 15 years to more than 800 clients, comprising FIs, FIIs, Banks, Brokers and Corporate. It is in the business of online content supply to websites put up by leading financial institutions / brokers / portals for the last three years.

- **Reliability**: The significance of data accuracy can never be over-emphasized. All data collected by us undergoes strict audit checks.

- **Fast Updations**: Speed is the essence of the web. Our record in speedy updation of annual reports / corporate results and news has earned us a vast clientele on the web.

- **One-stop shopping convenience**: Would you like one vendor for Stock Prices, another for Corporate Profiles, third for Market News and a fourth for data on Mutual Funds? Well, our specialty is, we supply everything under one roof.

4.3.3. Service Offerings by Capital Market

a) **Equity Market Content**

Capital Market is pioneer in offer equity related content for UTI Bank's portal which includes:

- Equity Market Commentary
- Stock Price Data
- Charting Facility
- Financial Data
- IPO Data
- Portfolio Tracker

b) **Mutual Funds Content**

Indian Mutual Fund industry has picked up, It is fastest growing industry, with number of growing investor, today, there are 36 Mutual Funds and over 200 schemes with total assets of approximately Rs. 81,000 crores. So it has become essential for you to keep updated information on your portal. Capital Market offers you range of content solution as follows:

- Mutual Fund NAV
- Fund Profile Sheet
- Dividend & Mobilization Details
- Mutual Fund – News
- Mutual Fund – NFO
- Mutual Fund – Tools

c) Commodity Market

Commodities Market is growing in India and Capital Market offers following screens pertaining to Commodity Market:

- Commodity prices End of the day for all the exchanges:
    - Gainers & Losers
    - Top Traded Value
    - Advance Decline
- Scrolling ticker for Spot & Future prices & Get Quote button.
- Commodity news is also updated on daily basis

4.4.HSBC Bank

HSBC The world's local bank

4.4.1. Introduction

The antecedents of the HSBC Group in India can be traced back to October 1853 when the Mercantile Bank of India, London and China was founded in Bombay (now Mumbai). The acquisition in 1959 by The HongKong and Shanghai Banking Corporation Limited of the Mercantile Bank was a decisive factor in laying the foundation for today's HSBC Group.

HSBC in India is proud to have retained the Group's pioneering streak by being an active partner in the development of the Indian banking industry - even giving India its first ATM way back in 1987. The organization’s adaptability, resilience and commitment to its customers have further enabled it to survive through turbulent times and prosper through good times over the past 150 years.

4.4.2. HSBC's PowerVantage

Growing your hard-earned wealth today can be an exhausting task and one that requires partnering with experienced financial institution. HSBC's Wealth Management Services offer you a reliable partnership that takes care of all your personal and business banking requirements.

HSBC's PowerVantage account is an exclusive proposition that offers, amongst other benefits, a unique feature, called the Personalized Financial Review (PFR). A trained Financial Planner uses the PFR to help you evaluate your finances, identify your current and future financial needs and assist you in drawing up a plan to meet them. This sets it apart from any other banking account.

Feature & Benefits:

- A Power Vantage Relationship Manager to assist you in your banking and financial planning needs
- Personal Financial Review helps you to evaluate your finances, identify your current and future financial needs and assist you in drawing up a plan to meet them.
- Unlimited Free Transactions (Cash withdrawals and balance enquiries) at 15,000 HSBC and non-HSBC Visa ATMs in India using your PowerVantage debit card.
- Dedicated Service Desk and Teller Counters to assist you with your banking needs, enabling you to save time.
- Higher Cash Withdrawal limit of up to Rs.50,000 and funds transfer up to Rs.100,000 with your PowerVantage debit card, across 15,000 HSBC and non-HSBC Visa ATMs in India and close to 1 million ATMs overseas.
- Use your PowerVantage debit card for purchases of up to Rs.25,000 per day at over 250,000 merchant establishments in India and over 13 million such establishments overseas.
- Free Cheques Payable at Par (CPP) facility in all cities where HSBC has branches, helping you save on out-station clearing time and costs.

- No-bounce Cheque Protection which means cheques presented through clearing irrespective of funds available, will be honored (overdrawing of a maximum of Rs.10,000)**.
- Monthly Composite Statement giving you a snapshot of all deposits and loans.
- Joining fee waiver and 50% off on the annual fee for your credit card.

Eligibility

To be eligible for PowerVantage, all you have to do is maintain an overall average quarterly balance of Rs. 100,000 as a combination of deposits and loans with a minimum of Rs. 50,000 in deposits.

OR

Take a home loan from HSBC.

OR

Hold a minimum investment of Rs 500,000 purchased through HSBC.

4.4.3. Service Offerings

a) **Financial Planning Services**

Inflation, falling interest rates and fluctuating market conditions require you to plan your finances carefully. Celebrate important occasions in the future by managing your wealth well now. HSBC's Financial Planning Services offer assistance to secure your future. Our financial planning services are available for existing HSBC customers and are free of cost.

b) Mutual Funds

Use the proven expertise and insights of the world's local bank for your investments. We offer you investment options in funds that meet our selection criteria and fit your requirements, helping you create and increase your wealth potential in the long-term scenario.

c) Insurance

You have probably planned your life with great care, working slowly and steadily towards fulfilling your dreams and ambitions. Unfortunately you have no control over certain natural and man-made events that may overturn your plans.

As you change... so do your insurance needs. The insurance solution that is relevant to you today may be very different to the solution you require years from now. It is therefore critical for you to identify protection needs that are pertinent to you and your circumstances.

4.5.Religare Enterprises Limited

4.5.1. Introduction

Religare Enterprises Limited (A Ranbaxy Promoter Group Company) through Religare Securities Limited, Religare Finvest Limited, Religare Commodities Limited and Religare Insurance Broking Limited provides integrated financial solutions to its corporate, retail and wealth management clients. Today, we provide various financial services which include Investment Banking, Corporate Finance, Portfolio Management Services, Equity & Commodity Broking, Insurance and Mutual Funds. Plus, there's a lot more to come your way.

Religare is proud of being a truly professional financial service provider managed by a highly skilled team, who have proven track record in their respective domains. Religare operations are managed by more than 2000 highly skilled professionals who subscribe to Religare philosophy and are spread across its country wide branches.

Today, we have a growing network of more than 150 branches and more than 300 business partners spread across more than 180 cities in India and a fully operational international office at London. However, our target is to have 350 branches and 1000 business partners in 300 cities of India and more than 7 International offices by the end of 2006.

Religare is a truly professional financial service provider managed by a team of highly skilled professionals who have proven track record in their respective domains. Religare has the widest reach through its Regional, Zonal and Branch Offices spread across the length & breadth of the country.

4.5.2. Service Offerings

a) Equity & Derivative:

Religare is one of the heavyweight equity players in India with membership of National Stock Exchange of India and Bombay Stock Exchange – both major exchanges of India. We believe in innovative services that could cater a range of customers according to their requirements. Religare equity and derivative trading is offered in two unique ways:

b) Commodities

Commodities market is particularly significant to our country as India is essentially a commodity based economy. Therefore, it should not be surprising to see that Indian Commodities Market is also taking giant strides, growing at a scorching pace and is well poised to occupy its rightful place in the world. Commodity Derivatives trading in India is now done through the electronic trading platform of two popular exchanges NCDEX (National Commodity & Derivative Exchange Limited) and MCX (Multi Commodity Exchange). The various commodities being traded on the exchanges include precious metals, crude oil, agro-commodities amongst others.

Religare Commodities Limited is a member of both the exchanges (MCX & NCDEX) that allows you to trade in all the commodities traded at both the exchanges. At present, trading in commodities is restricted to futures contracts only. Religare is currently offering two special services to our esteemed investors in commodities:

- *Retail Commodity Broking* –Our research team provides trading calls to our clients, enabling them to profit from the market movements.

- Portfolio Advisory Services (COMPASS) - This allows investors to get the benefit of our in-depth research services and generate better returns with minimal risk.

c) Depository Services

Religare is among the few major Depository Participants holding securities worth more than Rs.6000 crore under its management. RSL provides depository services to investors as a Depository Participant with NSDL and CDSL.

d) Portfolio Management Services

The main idea behind Portfolio Management Services is to manage our client's wealth more efficiently, reduce risk by diversifying across assets, sectors and funds, and maximizing returns. Expert Portfolio Managers find best of avenues to achieve optimum returns at managed levels of risk.

This service could also be called as "transparent collective investments". You get an upper hand in many ways.

Advantage of Portfolio Management Services

- Constant monitoring of portfolio's asset mix to ensure effectively position to meet long-term objectives.
- Performance linked fees, constant disclosure of the portfolio on daily and monthly basis.
- It defines the customized risk and return.
- Great flexibility of deploying and exposing the initial investment in the market.
- High water mark level for profit sharing.
- No transaction and custodian charges.
- Diversification across asset classes and investment styles.

- Investment objectives and goals presented clearly through a personalized profile.
- Encourages a disciplined approach to investing over a longer time horizon.

We offer four different schemes to investors according to their varying tastes, objectives and risk tolerance. Each benefits from professional management that aims to provide you consistent returns at a reduced level of risk.

Tortoise™ Panther™

Elephant™ LEO™

e) Investment Bank Division

We provide innovative, integrated and best-fit solutions to our corporate customers, it is our continuous endeavor to provide value enhancement through diverse financial solution on an on-going basis, through products like corporate debt, private equity, IPO, ECB, FCCB, GDR/ADR etc.

4.6.HDFC Bank

HDFC BANK

4.6.1. Introduction

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. HDFC Bank's business philosophy is based on four core values - Operational Excellence, Customer Focus, Product Leadership and People.

4.6.2. Preferred Banking:

Ideal for seasoned professionals or businessmen, this programme will provide customers with a banker dedicated to take care of all their banking and investment needs. The features and benefits of this programme are:

- Dedicated Relationship Manager
- Customized Investment Solutions
- Investment Wealth Management Program
- E-Broking
- Expedite Tax Payments
- Relationship Pricing
- Business Solutions
- On-demand exclusive privileges
- Annual Service Charge Waiver

4.6.3. Service Offerings

a) Mutual Funds

Funds are selected on quantitative parameters like volatility, FAMA Model, risk adjusted returns, rolling return coupled with a qualitative analysis of fund performance and investment styles through regular interactions / due diligence processes with fund managers. The relationship managers will help the client determine their investment profile, which will be based on their needs, possibilities and expectations.

b) Insurance

Clients can rely on the bank for all their financial needs. HDFC Bank offers them a world of choice in insurance. They can now avail of Life - Insurance plans from HDFC Standard Life Insurance & Non - Life Insurance plans from HDFC Chubb General Insurance through any of the Bank branches.

c) Equity

HDFC Bank offers **Equi*All***, an equity advisory service to optimize the returns on your investments. It is an e-mail based advisory offering backed by intensive research taken up by our seasoned research desk to provide solutions in line with your risk profile.

Equi*All* is our email-based equity advisory service that caters to conservative and aggressive risk profiles, suggests monthly model portfolio, undertakes onetime initial portfolio restructuring, offers continuous recommendations and provides a daily snapshot of financial markets. Equi*All* is priced at Rs. 10,000 (inclusive of service tax and education cess). This fee is irrespective of the size of your portfolio and type of portfolio. Equi*All* is an offer open only to HDFC Bank customers.

d) Financial Planning

The Financial Planning service is offered as an option to long term investor's. The portfolio is advised on in a passive investment style with the asset category as mutual funds. The planner is suitable for investors who wish to take a asset allocation based, long term investment outlook, ignoring the short term volatilities of financial markets. *The client would be offered the following:*

- Financial Plan indicating required savings to meet desired goals.
- Asset Allocation
- Review on quarterly basis by the dedicated advisor.

4.7.Bajaj Capital

4.7.1. Introduction

Bajaj Capital is one of India's leading Financial Services companies offering **Free Advice** on Investments, Insurance, Tax Saving, Retirement Planning, Financial Planning, Children's Future Planning and other services. They are also SEBI-approved Category I Merchant Bankers**.**

Today, Bajaj Capital is a **one of the largest financial planning and investment advisory companies** in India, with a strong presence all over the country. They offer a comprehensive range of services including financial planning and investment advice, and the entire gamut of financial instruments and **investment products** of almost all major companies, both public and private. In addition, they also provide **investment assistance** by helping clients complete all the formalities, and help them keep regular track of their investments.

4.7.2. Bajaj Capital La Premiér's Wealth Management Services

Bajaj Capital La Premiér was created to cater to the needs of High Net worth Individuals. It is a specialized group comprising handpicked professionals that provides exclusive and world-class wealth management services to a select group of clients.

Essentially, the Wealth Management Services aim to help clients preserve, enhance and grow their wealth by implementing the well-accepted principles and global best practices on wealth management. To cater to the elite segment of High Net worth Clients, La Premiér offers an exclusive range of value-added service, including:

- Personalized attention through a dedicated Relationship Manager
- Market information sharing through quality in-house research reports,
- Periodic portfolio review and regular update on portfolio valuation
- Pro-active advice on market events and triggers
- Immediate alerts on new products and New Fund Offers
- Need-based interactions with Fund Managers
- Independent, unbiased advice

Bajaj Capital's 4-step Advisory Process

Investment consultancy is a complex business, requiring an intimate understanding of several financial parameters and human factors, including the client's requirements and the market subtleties. Being a process-driven organization, they have perfected a four-step advisory procedure, which includes:

- Need Analysis
- Asset Allocation
- Portfolio Construction
- Ongoing Review

Bajaj Capital was one of the first companies in the organized sector to offer investment advisory and financial planning services along with a wide spectrum of financial products and services, all under one roof.

4.7.3. Service Offerings

a) Mutual Funds

b) Taxation Advise

c) Bonds

d) Post Office Schemes

e) Estate Planning

f) Insurance

g) Financial Planning

h) Retirement Planning

Bajaj Capital's 360º Financial Planning

Financial Planning is becoming increasingly popular in developed countries all over the world. Now, with a little help from Bajaj Capital, clients too can give themselves the 360° Financial Planning edge! **Now, Bajaj Capital brings you the same service ABSOLUTELY FREE!**

Figure 4.5: Bajaj Capital 360˚ Financial Planning

Bajaj Capital's 360° Financial Planning Programme could make a difference to all those who wish to lead a worry-free, financially secure life. 360° Financial Planning is based on the premise that every individual has certain basic financial needs that are expressed at various stages of life (getting married, buying assets like homes, vehicles, or providing for your children's education and wedding).

Instead of investing in an ad-hoc manner, 360° Financial Planning helps you take a holistic, all-round view. Briefly, 360° Financial Planning comprises:

- *Investment Planning:* To make your wealth grow

- *Cash Flow Planning:* To provide for assets and meet the periodic cash requirements

  Tax Planning: To save on taxes and increase your income
- *Insurance Planning:* To protect yourself, your family and your assets
- *Children's Future Planning:* To give your children a financially secure future
- *Retirement Planning:* Because retirement is a time to relax, not to get worried

4.8. Allegro Capital Advisors Private Limited

4.8.1. Introduction

Allegro Advisors is a leading Indian full service investment bank that builds value across a spectrum of clients, including the government, corporations, financial institutions, high net-worth individuals and professionals.

- Comprehensive service offering
- Investment Banking, Capital Markets, Asset Management & Private Banking
- Ensuring client's financial well-being
- Team of experienced advisors

Allegro Capital is a comprehensive Investment Bank that comes with years of expertise in offering financial solutions and advisory services across the corporate world.

Allegro Capital Advisors has offices located in key metros across India. Our teams of financial advisors and specialists have the local knowledge, contacts and awareness to create optimum solutions that meet our client's financial ambitions. Giving our clients the global local advantage, we have broadened our reach to 25 major cities and towns of India and established strategic alliances with several renowned advisory houses and institutions, internationally.

4.8.2. Services

Allegro's Services are broadly classified into:

- Capital Markets advisory services
- Corporate Finance Services
- Investment Advisory Services covering retail and corporate investment and wealth management services, Portfolio Management Services, Secondary market execution services and Insurance Advisory Services
- Asset Management that involves building a INR 1 billion restructuring fund

At Allegro, there is the realization that every one of its clients has a distinct financial goal broken down into unique needs, a distinct investment history, a defined propensity to save and finally a varying appetite at being exposed to investment risks. Allegro's approach at managing the wealth of its clients is built on the foundation that every one of its financial advisors is a custodian of his client's wealth. Further more, each client relationship is driven by the need to fulfill the financial goal that a client has set at the beginning of the relationship. And since the financial goal lays out an investment plan across an extended period of time, this relationship with a client is virtually set in perpetuity.

Allegro neither 'sells' financial products nor does it lay pre-conditions to investing. Its fee based advisory services ensures that it adopts a consultative approach to managing wealth. Advice therefore, is independent and client centric.

Our Value Advantage

- *Independent:* Allegro is an independent, unbiased advisor to its clients. The advice is free from the compulsions associated with representing manufacturers of financial products.
- *Informed:* The diverse experience and skills of the team together with top sources of market and industry information, enables us to provide the best advice to our clients - corporates, institutions or individuals.
- *Innovative:* Solutions at Allegro are the result of innovative tools and investment ideas that seamlessly integrate business lines based on trends, expertise and a time-tested approach to being custodians of our clients' financial interests.

We believe there are no packaged, off-the-shelf solutions. Every recommendation made by Allegro's team fits into a customized plan that is outlined at the commencement of a relationship. Each proposal is backed by proprietary, focused research, fund management expertise and the lowest client-to-advisor ratio in the industry.

4.8.3. Service Offerings

The investment approach begins by working closely with the clients to identify their long-term financial goals, risk tolerance and the nature of their existing asset base. Additionally, allegro review each client's portfolio on an ongoing basis and evaluate possible adjustments in response to economic changes, market trends or client needs.

Allegro ensures this highly personalized model of service by maintaining amongst the lowest client to advisor ratios in industry. Allegro offers one of the widest range of financial services that covers the spectrum of every need a client may have in managing his or her wealth. Our services are categorized to serve diverse financial needs and the diverse investment strategies that are required to grow a client's wealth.

Allegro Growth™: Designed for the young executive, it comprises a set of products and services that allow start up incomes maximize potential to grow in the long term. A special offering has been designed for working couples

Allegro Equity™: A pure equity offering with a unique strategy that keeps in perspective capital conservation through medium and long strategies such as dividend yields, IPOs, buy-backs, value picks, sectoral picks, growth fund opportunities etc. PMS is offered selectively

Allegro Wealth™- A top of the line service offering that comprises the entire basket of services that include specialized equity advisory including personal advise from our highly reputed advisory panel across taxation, debt, equity and money markets, automatic portfolio and rebalancing management, insurance and loan advisory, access to a 8 hr 6 days a week helpline. Portfolio Management Services is offered selectively.

Figure 4.6: Allegro Service Offerings

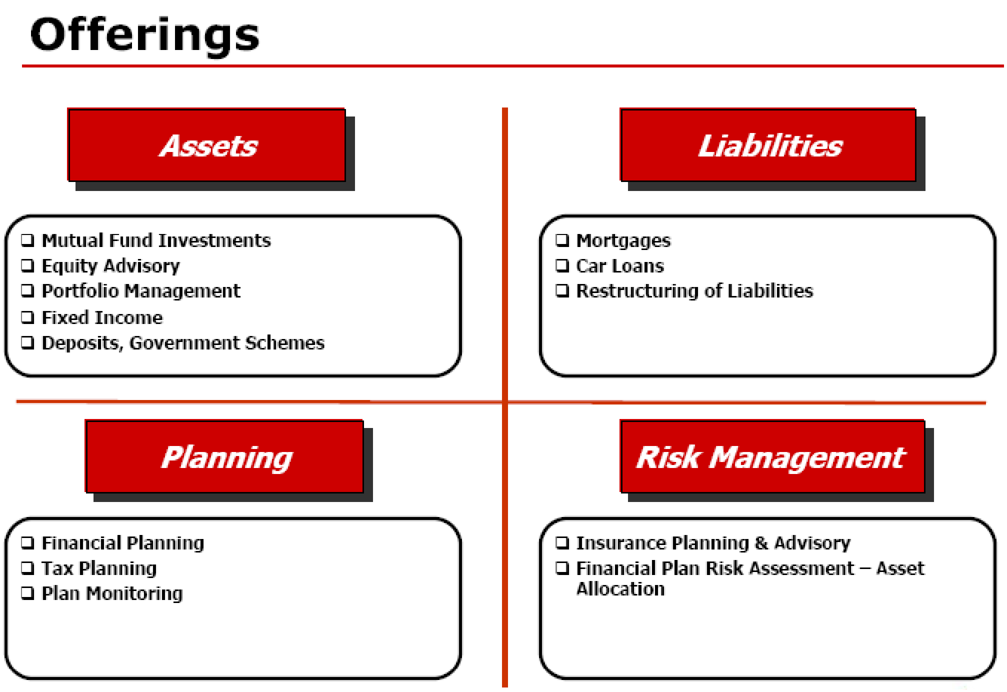


Figure 4.7: Allegro Wealth Management Offerings

Figure 4.8: Allegro Asset Classes

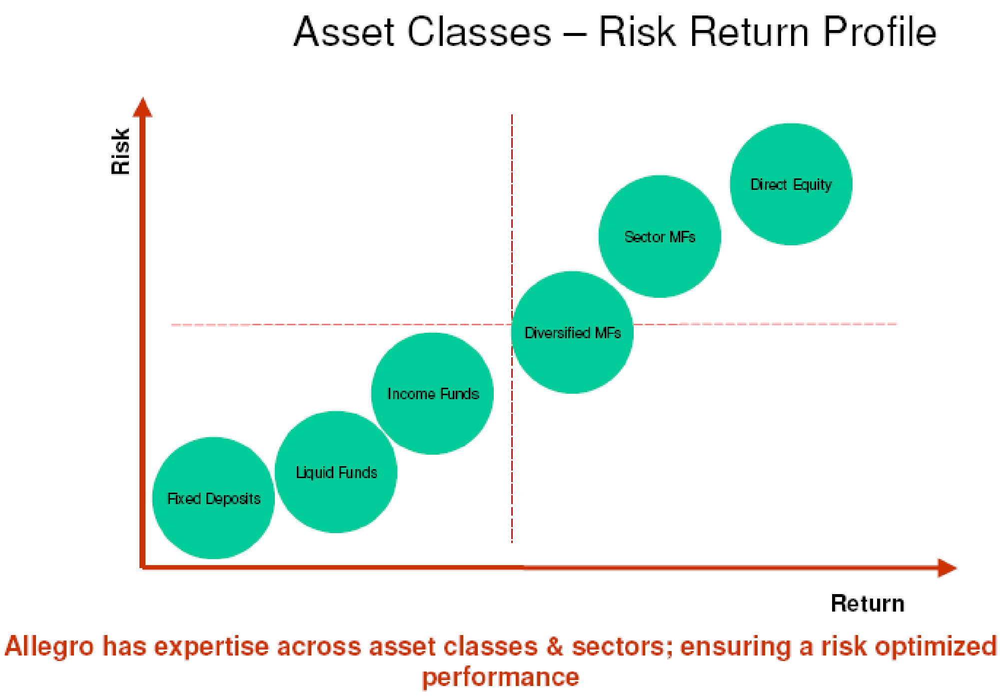
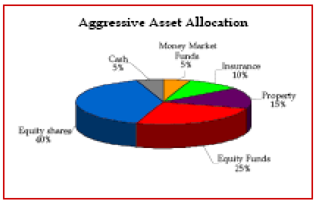
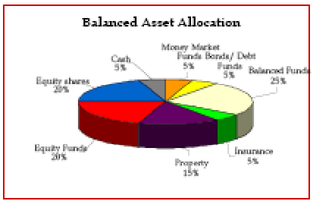


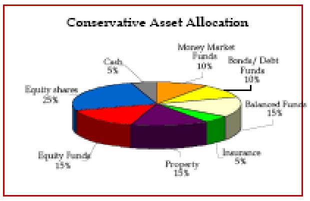
Figure 4.9: Allegro Asset Allocation

Asset Allocation

Prosper	Preserve	Protect
Risk: High	**Risk:** Medium	**Risk:** Low
Objective: Generate capital appreciation with a long-term outlook	**Objective:** Capital management ensuring low risk exposure	**Objective:** Protection of capital from inflation and ensuring liquidity
Dominant Asset: Equity, Sector MFs	**Dominant Asset:** Diversified MFs, Income Funds etc.	**Dominant Asset:** Gilt Funds, Income Funds etc.







4.9.Comparative Study of Different Players in the Market

Table 4.2: Comparison among various financial advisors

No	Parameters		Allegro	UTI Bank	Citibank	HDFC	Religare	YES Bank	Bajaj Capital	HSBC
1	Fees		√	X	X	√	X	X	X	X
2	IPO Advisory		√	√	X	√	√	√	√	X
3	Taxation Advisory		√	√	X	X	X	X	√	X
4	Debt	Post Office Schemes	√	X	X	X	X	X	√	X
		Bonds	√	√	√	√	√	√	√	√
5	Real Estate Advisory		X	X	X	Part of real estate fund	X	X	√	X
6	Unbiased Advisory		√	X	X	X	X	X	X	X
7	Administration Services		√	X	X	√	√	√	√	X
8	Brokerage House		X	√	X	√	√	X	√	X
9	Target Audience	Salaried	√	√	√	√	√	√	√	√
		Businessmen	X	√	√	√	√	√	√	√
10	Financial Planning		√	√	√	√	X	X	√	√
11	Retirement Planning		√	√	√	√	X	X	√	√
12	Commodity Trading		X	X	X	X	√	X	X	X
13	Insurance		Based on Need Analysis	LIC	Birla	√	√	Max New York Life	Bajaj	Aviva
14	Restructuring of Liabilities		√	X	X	X	X	X	X	X
15	Web Portal		X	√	√	√	√	√	√	√

4.10. Analysis of the Comparison

It can be observed from Table 4.9 that most of the financial advisors are not charging any fees for their advisory services i.e. they are giving it free of cost because the banks (Citibank, UTI Bank, HSBC) earn commission if the customer purchases mutual funds, insurance, from it. The broking company earns brokerage if the client purchases RBI bonds etc or if he does any equity trading. The bank only charges marginal fees on the custodial services.

However, HDFC Bank - instead of asking customers to bring in a specific amount of funds - charges customers on various types of services it offers. The management of wealth depends on the customer's risk appetite, his investment objectives. Once these are understood, the bank sends a written investment proposal on what the bank thinks the portfolio should be.

However, HDFC Bank do charge clients from Rs.35,000 a year for tracking portfolio up to Rs.35 lakh and Rs.1,00,000 for tracking portfolio up to Rs.1 crore. These services include equity-related services along with dedicated advisors. The bank also offers services between Rs.10,000 and Rs.25,000 per annum for non-interactive products. The bank, however, waives these fees if it earns money through transactions routed through the bank.

Taxation advisory is given by very few players like Allegro, Bajaj Capital, UTI Bank. Various banks have a tie-up model with different insurance and mutual fund companies like Citibank has with Birla so Citibank will only sell Birla insurance to their clients irrespective of the fact whether the product meets the client’s financial goals. Allegro is one player which takes care of loan restructuring. Commodity trading is only being handled by Religare as a separate product as SEBI have not yet allowed commodity trading to be a part of wealth advisory services.

However banks cannot offer portfolio management services to customers. This means that a customer cannot give money to a private banker and ask the RM to invest on his behalf in different financial products. This service can be offered only by entities other than a bank such as Religare, Allegro Advisors, Bajaj Capital, etc. A banker therefore will have to call every time and get a written confirmation from the client before any deal is done.

5. Research Methodology

5.1. Objective

To study the prospects of Financial Planning in the growing economy like India. People should come out of the concept of just keeping their money in Savings Account and Fixed Deposits and should concentrate on their financial planning to maximize returns by taking proper guidance from financial planner.

5.2. Problem

Expanding needs and proliferation of financial products are making it difficult for individuals to invest without planning. Most are aware that planning is critical; yet don't have the time or the expertise to develop a plan & therefore the role of Financial Planner comes in picture.

5.3. Hypothesis

There exist a potential growth in the wealth management industry and thus this project authenticates the feasibility of financial planners in the market.

5.4. Research Design

This project is more of an exploratory research with more of qualitative analysis than quantitative. The data collection method for this project begins with finding a sample of the population. The population for this project was the entire Delhi, Gurgaon and Noida.

The research methodology adopted was both Primary and Secondary. Primary data was collected to study the investment psyche of a person, their practice on saving, investment options available and the need of financial planners to manage individual's wealth. Questionnaire was designed and Interviews both direct and through telephone were undertaken, to ascertain the investor's behavior as well as to depict the future prospects and growth momentum of the wealth management industry, on which the hypothesis was tested.

5.5. Data Collection Methods & Instruments

The instrument for data collection was a structured questionnaire targeted towards people who do investments. This questionnaire was designed to know the investment psyche of a person while investing in the financial products.

Various banks and private wealth advisors were also interviewed to get an in-depth knowledge of their services and how they provide value additions to the customer's existing portfolio and savings potential. The interview helped us to know what all services are offered by the company to push the product to the end consumer.

The mode of communication was informal & friendly conversation, which does not limit discussion within a well-defined boundary. This helps in listening to the financial advisors and learning as to what they have to say, because a lot of importance needs to be given to this, as they are the people who stay in the market the whole day and know it better than anybody else. Informal & friendly conversation also allows the mask, that one wears when doing business, to be dropped to accommodate free flow of thoughts and ideas.

5.6. Data Collection Sources

5.6.1. Primary Research

Research was done to get a detail overview of the wealth management industry and study the need for financial planner in the current scenario. Questionnaire was designed to study the investment psyche of a person, their practice on saving, different investment options available and the need of financial planners to manage individual's wealth. This project is mainly based on first hand observation in the market, the way financial planning functions, scope of financial planning and the need of a certified financial planner.

5.6.1.1. Interviews

Interviews had been taken with the relationship managers of various banks, private wealth management companies, both direct and indirect i.e. through telephone. The interview enabled a detail understanding of the portfolio management services and also highlights their service offerings, on which they differ from one another. The interview further helped in the design of the questionnaire.

5.6.1.2. Questionnaire Design

A structured questionnaire was designed covering both open and close ended questions, to study the perception of people regarding investment avenues and the concept of financial planner. {Specimen of the questionnaire is attached in ANNEXURE A}.

This questionnaires also required the respondents to mention the degree of importance he/she give to the following parameters while going for a financial advisor, where the degree varied from 'Absolute Importance' to being 'Indifferent'.

- Brand Name
- Charges
- Flexibility
- Overall Services
- Clientele
- Transparency
- Reference
- Value Additions
- NCFM/AMFI Certified

The respondents was also asked regarding their objective behind investments and their practice on saving money for investment such as retirement, paying off their loans liabilities. The questionnaire also stressed on the role of financial planning, future of financial advisors, products offered by different financial planners and perception and satisfaction level of customers who are currently availing these services. Individuals decision while they make investments were also asked as there are many people who takes their decisions independently or advice from chartered accountant.

5.6.2. Secondary Research

Various sources of information were collected for attaining clarity on the prospects of wealth management industry and the various financial planners in the market. The source also includes basic investment objectives and the various types of investment avenues open to an individual.

However the following sources were considered for information gathering:

- Companies websites
- Articles and reports available on the web
- Investment Magazines
- Various other sources mentioned in the references, in ANNEXURE B

5.7. Population considered for research

5.7.1. Demographic Segmentation

- Age: 25 to 60 Years
- Sex: Male/Female
- Socio-Economic Classification (SEC): Belonging to SEC A, B and C portion of the society
- Income Group: Income above Rs.3,00,000 p.a.

5.7.2. Geographic Segmentation

- New Delhi
- NCR: Noida and Gurgaon

5.8. Sampling Frame

5.8.1. Probability Sampling: Simple Random Sampling

5.8.2. Area of Sampling

Corporate executives, Businessman, Students and Professionals (Faculty) were considered.

- IIPM, New Delhi
- Era Group, New Delhi

- Pentair Water System, New Delhi
- UTI Bank, New Delhi
- Hewitt Associates, Gurgaon
- Evalueserve.com Pvt. Ltd., Gurgaon
- Allegro Capital Advisors Pvt. Ltd., Gurgaon
- Tata Consultancy Services, Noida
- Online Questionnaires

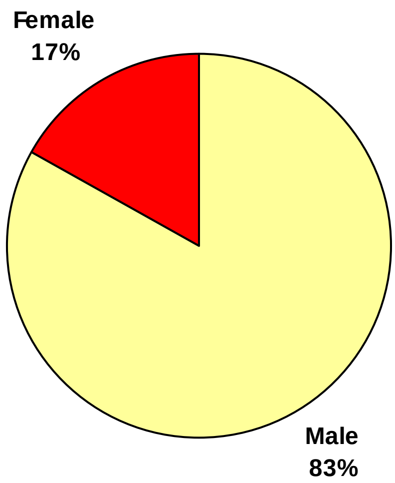
5.8.3. Sample Details

200 people belonging to different fields, who do investment, were asked to fill the questionnaire, on the basis of which an attempt is made to study the prospects of Financial Planning in the market. The sample unit consists of those people who are trading in secondary markets, mutual funds, initial public offer, insurance, debt instruments as they can give the accurate information about financial planning. A sampling frame has been developed so that everyone in the target population has an equal chance of being sampled.

Personal Information:

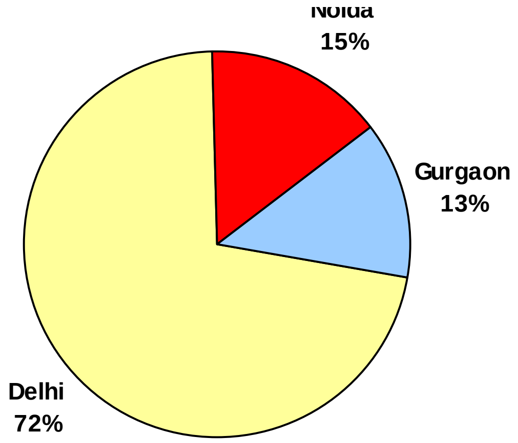
- **Sex Ratio**: From the total 200 respondents 34 were females and 166 were males, as also shown in Fig.5.1 below.

Figure 5.1: Sex Ratio of the Sample



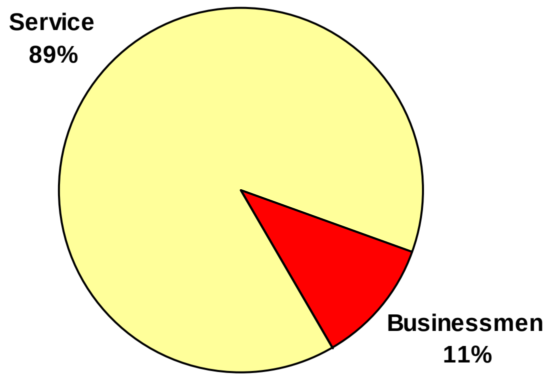
- **Geographical Distribution**: Majority of the respondents were from Delhi followed by Noida and Gurgaon as shown in Fig.5.2.

Figure 5.2: Geographical distribution of the sample



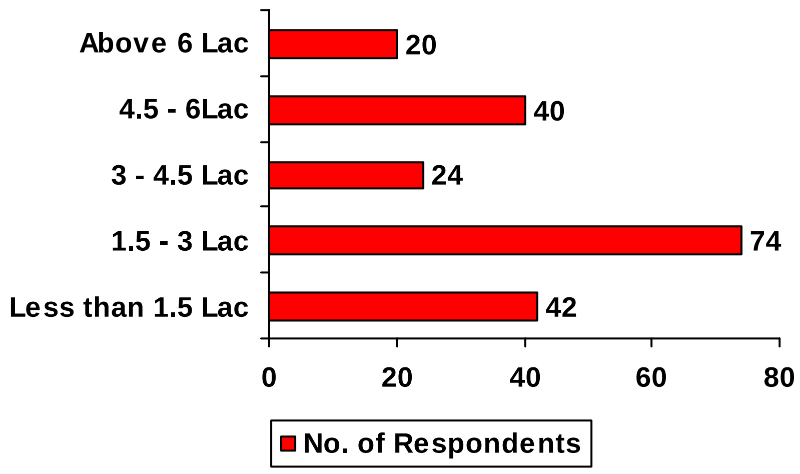
- **Occupational Structure**: Samples include responses from Businessmen and a good number of service class which includes Chartered Accountant, Engineer, Banker, CEO, Software professionals, etc so as to include their perception and awareness regarding financial planners.

Figure 5.3: Occupational Structure of the sample



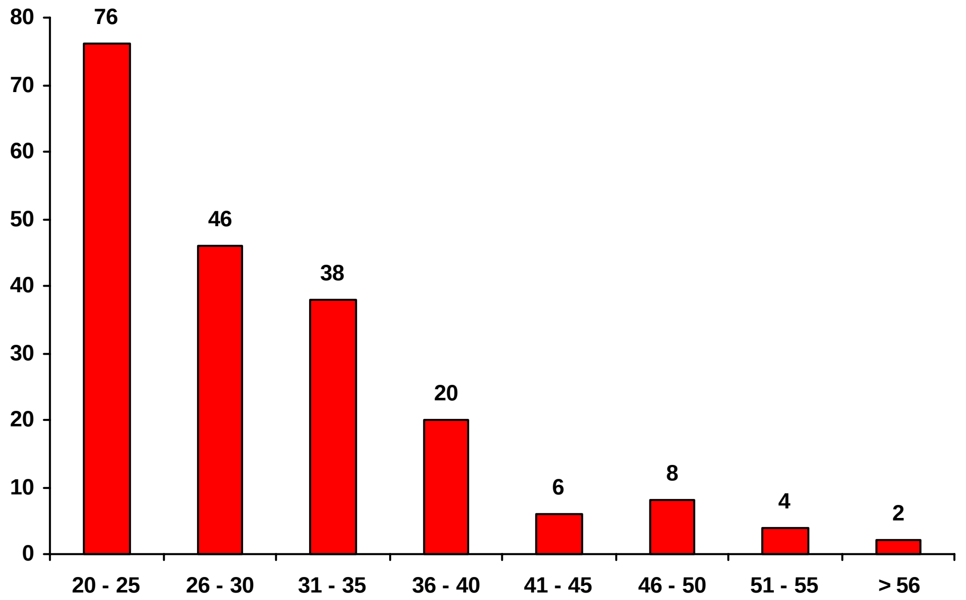
- **Income Levels:** Income levels were classified into 5 levels, namely below less than 1 lacs, 1.5 to 3 lacs, 3 to 4.5 lacs, 4.5 to 6 lacs and above 6 lacs.

Figure 5.4: Classification of Income Levels of the Sample



- **Age Group:** Income levels were classified into 8 levels so as to know which age group is much aware about the wealth management concept.

Figure 5.5: Classification of Age Group of the Sample



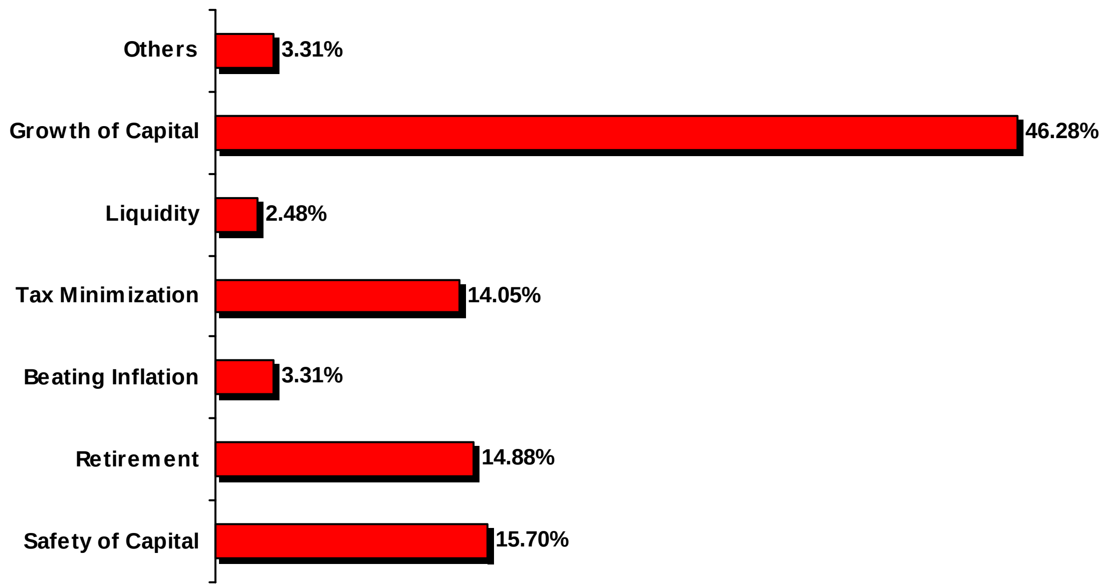
6. Analysis of the Response

Given below are the graphical representations of the responses received on questions asked through the questionnaire. The interpretation derived and the model adopted will be explained in detail in the later part of the report. On asking the following questions, the replies were received accordingly:

6.1. What is your objective behind investments?

Investing is a conscious decision to set money aside for a long enough periods in an avenue that suits your risk profile. The questionnaire asked the respondents to reveal their objective behind investments, majority of the respondents disclosed growth of capital as their prime objective while safety of capital stands secondary. This response reflects the investor willingness to take calculated risks for growth of their capital as also highlighted in Figure 6.1.

Figure 6.1: Objective behind Investments



The research has highlighted that growth of capital is the most important factor which they consider wile investing as evident by the response wherein 46.3% of the respondents voted for the same. However, it can also be seen that 15.7% of the investors prefer safety of their capital as their secondary objective which depicts that investors give greater emphasis to the returns and willing to adjust with safety of capital. Liquidity is the least important factor as only 2.5% of the respondents voted for it which signifies that the financial planner should designed the portfolio giving more importance to growth and safety of capital as per individual financial goals while liquidity should have the minimum focus.

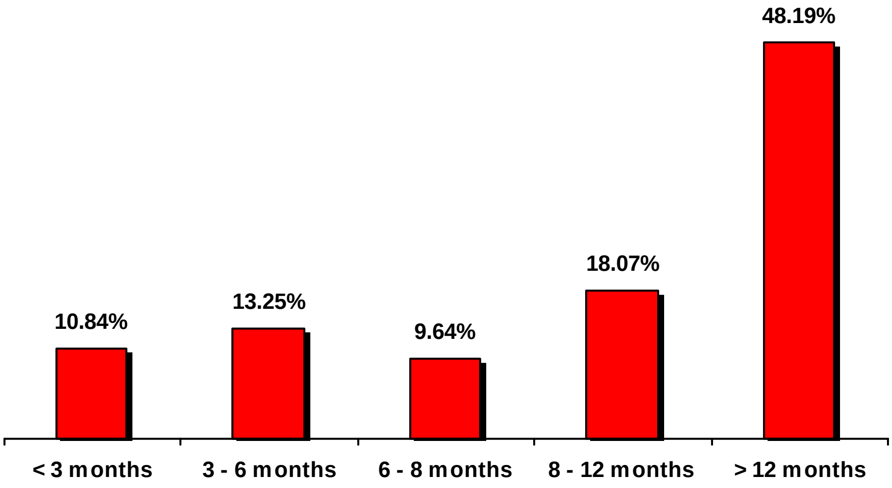
In our sample, inflation has only been given 3.3% of the total sample which reflects that people are still not giving much consideration to inflation even due to a sharp rise in the inflation rate.

6.2. Since when are you investing in financial instruments?

The respondents were asked as from when they have started investing in financial instrument so as to ascertain the average period of experience of an investor in the market.

The responses were then graphically represented in Figure 6.2 which indicates that majority of the investors i.e. 48.2% of the respondents have been investing for more than 12 months and signifies that the responses revealed are from experienced and qualified investors which adds to the credibility and reliability of the research.

Figure 6.2: Reader's response on since when are they investing



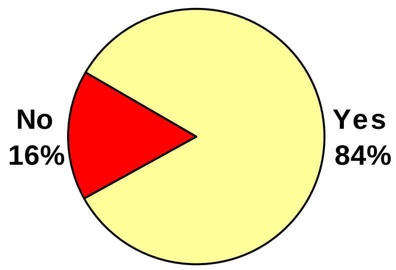
6.3. Do you plan your investments?

To evaluate the level of importance the investor gives on detailed financial planning to arise in their investment decision, the respondents were asked to reveal whether their investments are result of a careful planning or it's a mere word of mouth. As many individuals follow word of mouth leaving behind the fact that every individual has different financial goals, they tend up in making wrong decisions for their investments.

Most are aware that planning is critical, yet don't have the time or the expertise to develop a plan and make the needed financial decisions.

On analyzing the response 84% of the persons plan their investments while only 16% take investment decisions on ad hoc basis, as also disclosed in Figure 6.3 below.

Figure 6.3: Reader's response on whether they plan their investments

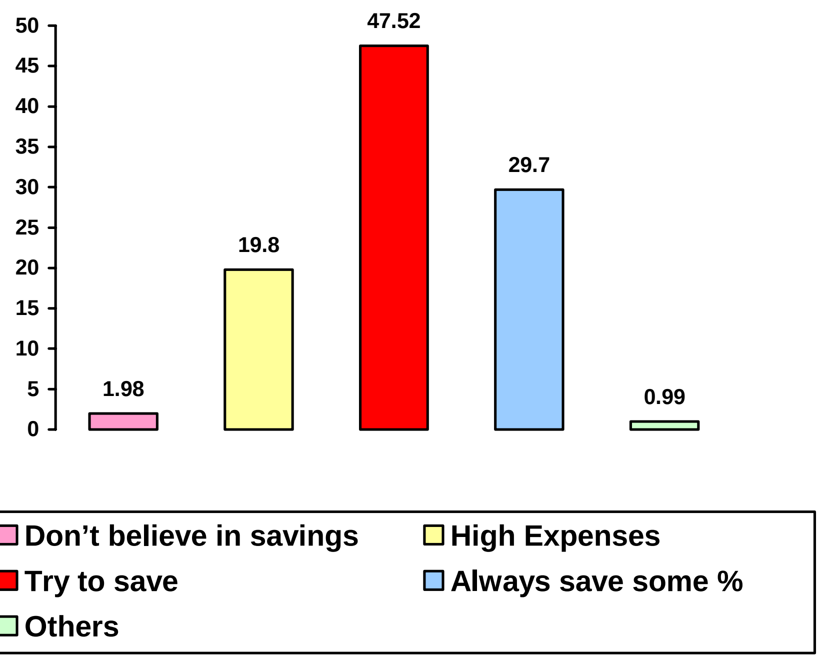


6.4. What is your practice on saving money?

To determine the saving habits of the investors, the questionnaire enquired the respondents as about their practice of savings. The greater the inclination of saving the more will be the funds available for investment.

Around 47.5% of the respondents try to save from their income, while only 29.7% of the respondents always make an effort to save some part of their income, as depicted in Figure 6.4 below.

Figure 6.4: Reader's response on practice on saving money



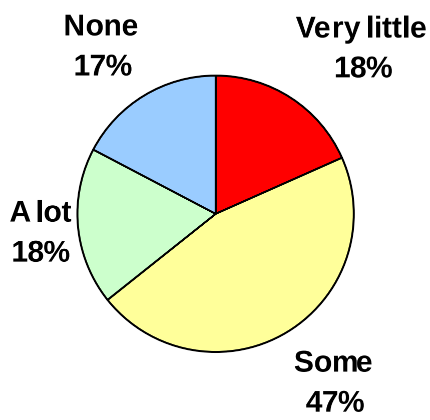
Only 2% of the respondents don't believe in savings, which substantiate high importance of savings in Indian households. However, it was also observed that majority of the women respondents had high inclination for savings and try to save the maximum out of their available income.

6.5. How much thought have you given to saving for retirement?

Anyone who will retire needs to plan for it. There is more than one reason to save for retirement. The all important reason is the rising cost of living. Its called inflation, which simply put, means that purchasing power of money falls over time, so you buy less for the same amount of money or you have to pay more for the same quantity of goods.

On analyzing the level of importance the respondents give on saving for retirement, majority i.e. 47% of the respondents give some importance while only 18% give a lot of importance to saving for retirement, as highlighted in figure 6.5 below. This depicts non serious attitude of Indians while planning for their retirement.

Figure 6.5: Reader's response on tthought to saving for retirement

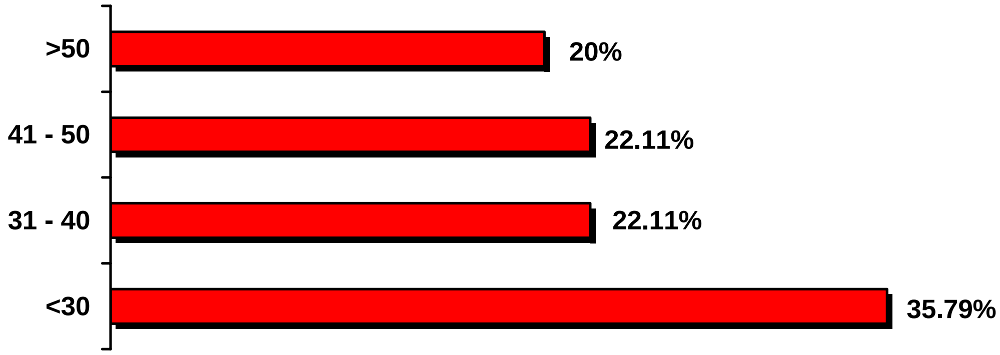


6.6. When do you consider one should start planning for retirement?

If you start planning for retirement early on, you can bridge the gap between what you have in your hand today and what you would like to have when you retire. What to keep in mind while saving for retirement depends a lot on our age and how much money you are willing to set aside every month. If you begin saving for retirement early on in your life, you can set aside smaller amounts.

Planning for retirement in early age of employment is depicted on analyzing the responses as 35.8% start planning below the age of 30 years, while 42.1% of the respondents feel, the ideal age to be above 40 years, as revealed in Figure 6.6 below.

Figure 6.6: Reader's response on age preference to plan for retirement

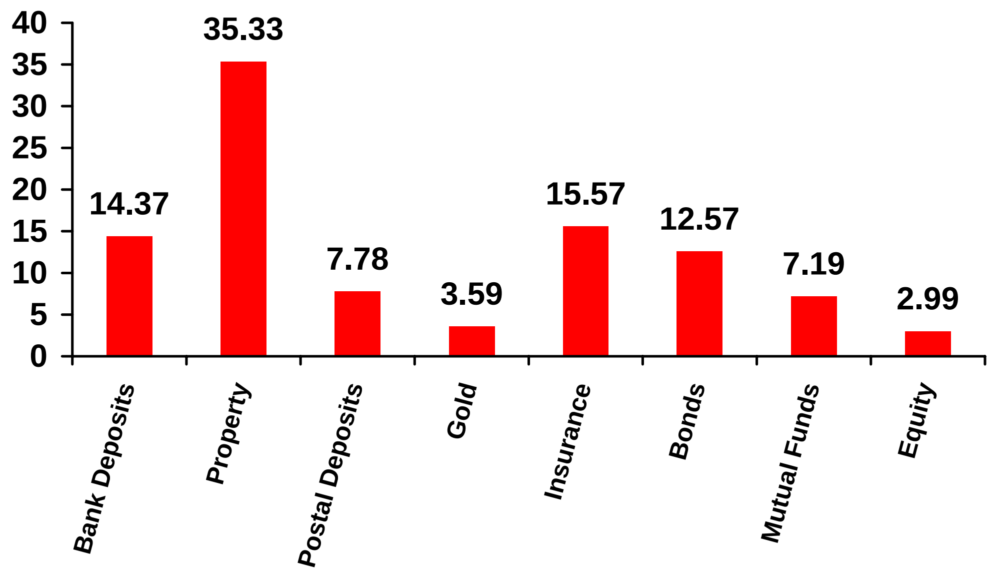


6.7. What do you feel is considered to be the '*fundamentally safe*' form of investment?

On enquiring from the respondent about what are the fundamental secure forms of investments, 35.4% of the respondents feel that investing in property is the safest form of investment followed by Insurance as depicted in Figure 6.7 below. The least secured form of investment as revealed by respondents is investment in equity as secondary market is subject to huge volatility & uncertainty.

It can be seen from the response that people are more willing to put their money in property or real estate in spite of the economy experiencing a major climb in the property prices. About 14.4% of the respondents feel that Bank deposits is also the safe form of investments as it gives assured returns on the sum invested.

Figure 6.7: Reader's response on fundamentally safe form of investment

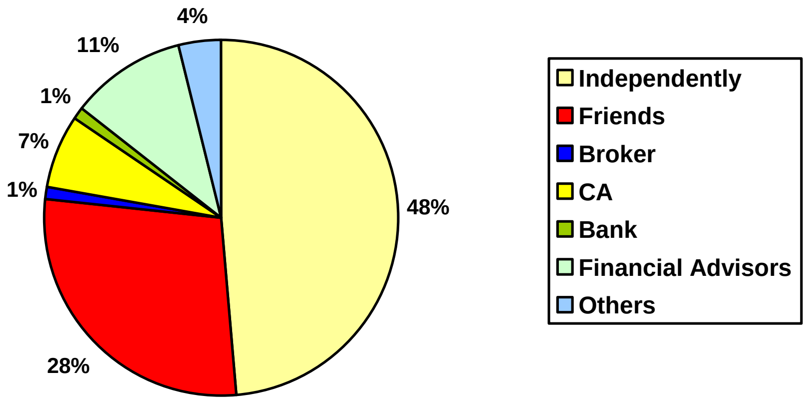


6.8. How do you take financial decisions?

An individual's decision has a vital role to play in achieving investment objectives and thereby making investments in a systematic manner. Decisions can make or break investment avenues as wrong decisions would merely lead to wrong investments resulting in major loss.

On enquiring from the respondents about how they take their financial decisions, majority of the respondents take their financial decisions independently which depicts they are not taking any advisory services from financial experts. There are majority of respondents who feel that they can handle their portfolio on their own and hence make their own decisions regarding investments.

Figure 6.8: Reader's response regarding taking financial decisions



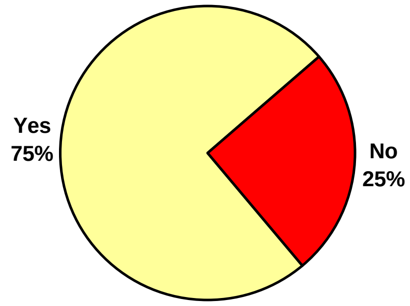
On analyzing the response 48% of the respondents take their financial decisions independently while only 11% of the respondents take investment decisions from financial advisors, as also disclosed in Figure 6.8 above. This opens up the door for various financial advisors who can target these investors and can give advisory services on various investment avenues thereby helping people to achieve their financial goals easily.

6.9. Do you have any Insurance Policy?

Life is full of dangers, but with insurance, you can at least ensure that you and your dependents don't suffer. The purpose of buying insurance is to protect your dependants from any financial difficulties in your absence. It helps individuals in providing them with the twin benefits of insuring themselves while at the same time acting as a compulsory savings instrument to take care of their future needs.

The research has highlighted that majority of the respondents are availing insurance policy which signifies that people are much aware about the advantages with an insurance policy which can cover their life as well as prove to be as a savings instrument.

Figure 6.9: Reader's response to having an insurance policy



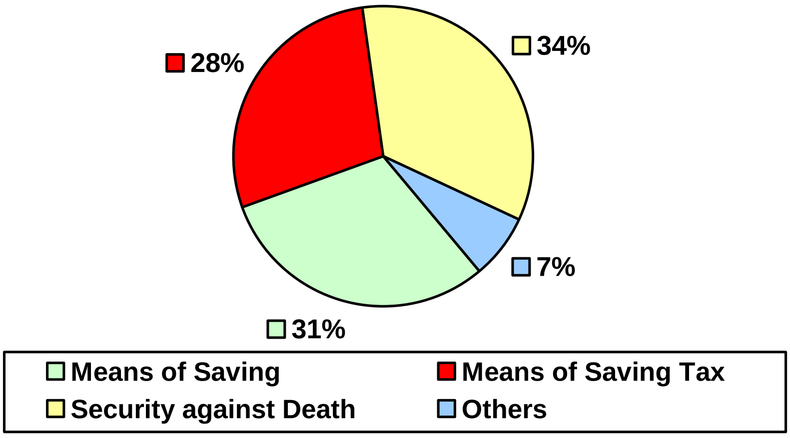
Around 75% of the respondents do have insurance policy, while 25% of the respondents are still not availing this type of investment, as depicted in Figure 6.9 above.

6.10. If yes, why did you buy an Insurance Policy?

On enquiring from the respondents about why they bought insurance policy, majority of the respondents bought insurance as a security against death which depicts people have ensured that their dependents don't suffer incase of any uncertainty as life insurance indemnifies the nominees in case of an eventuality to the insured. By having insurance policy, the financial future of the nominees is secured in the absence of the person insured.

Of the respondents who possessed insurance, 34% of the respondents had purchased insurance mainly as a security against death while 31% had bought it primarily as a savings product. Over 7% of the respondents purchased insurance as a word-of-mouth due to high demand of the product and it was also observed that around 28% of the respondents bought insurance to save tax, as depicted in Figure 6.10 below.

Figure 6.10: Reader's response for buying an insurance policy?

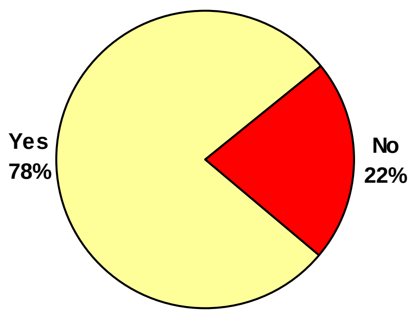


6.11. Are you aware about the concept of Financial Advisors?

There are a number of financial advisors offering a diverse portfolio of services to suit different financial requirements of the individuals. In order to accomplish the task, these companies provide the assistance of professional financial advisors. The advisors educate individuals on the merits of a long-term approach and regular investing and help to rebalance their portfolio.

On analyzing the response 78% of the respondents were aware about financial advisors while around 22% of the respondents were still not aware about professional financial advisors which depicts there lays a scope to penetrate these people and inform them regarding the services offered by various financial planners.

Figure 6.11: Reader's response on awareness of Financial Advisors



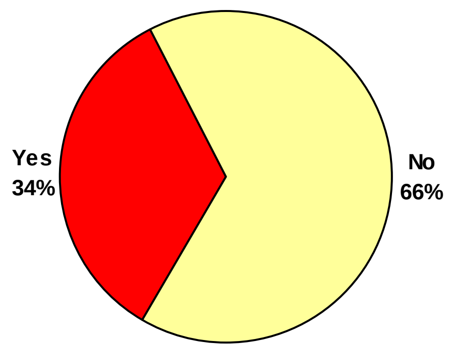
6.12. Do you currently avail financial advisor services/private banking services?

Majority of the respondents are currently not availing financial advisor services, which reveal the concept of financial advisors is not that much developed in the Indian market.

Individuals are earning and paying high taxes thus ignoring the taxation benefits, which they can avail by proper computation of taxes. Individuals usually rely on Chartered Accountants leaving behind the fact that they are experts in Accounting and not in wealth management so there is a need for Financial Advisors. Hence, there is a requirement for one stop shop for all the financial needs of an individual.

According to the response, it can be seen that 66% of the respondents are not availing any financial advisory services while only 34% are taking financial advisory services. Thus there's much scope left for the financial management companies to target these large number of people who are totally unaware about the whole concept, as depicted in Figure 6.12 below.

Figure 6.12: Reader's response to availing financial advisory services

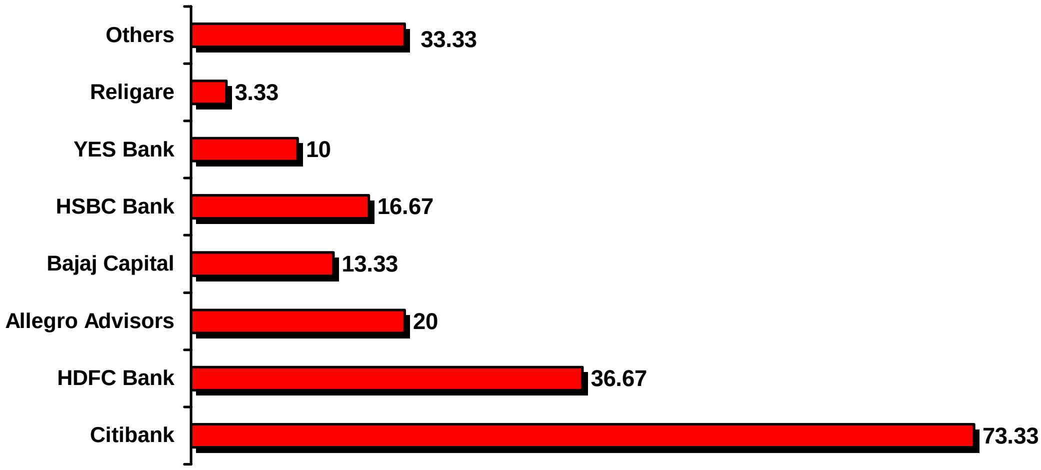


6.13. If yes, from whom?

To find out the various companies from where the investors get financial advisory services & make their decisions regarding investments. This would reveal the preference the respondents have for different companies.

On analyzing the response, 73.33% of the respondents were primarily availing financial advisors services from Citibank and when they were asked the reason behind, they replied Citibank provides free advisory services and has got a strong brand name. Secondly 36% of the respondents were taking financial advisory services from HDFC Bank followed by others which include UTI Bank, SBI, ICICI Bank, etc which catered around 33.3% of the total sample.

Figure 6.13: Reader's response regarding source of financial advisory



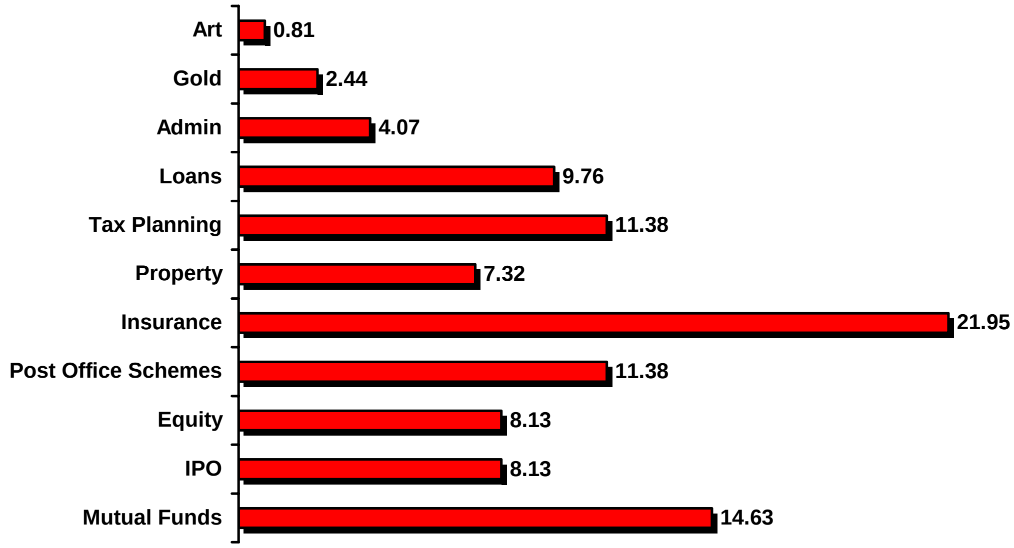
Religare only catered to 3.3% of the total sample as this company has just started its operation in Delhi & Gurgaon, as depicted in Figure 6.13 above.

6.14. What are the products you are getting from your service provider?

There are number of financial advisors offering a diversified portfolio of services to suit different financial requirements of the investors. The advisory on financial products may differ from one financial planner to another yet one can select the services according to their requirements.

According to our response, around 22% of the respondents are availing advices on insurance products followed by mutual funds which hold 14.6% of the total sample. This depicts there is a huge demand for insurance in the Indian economy as compared to other financial instruments. It can also be inferred that individuals have started taking advises regarding tax planning and loans restructuring as depicted in Figure 6.14 below.

Figure 6.14: Reader's response on products rendered by advisors



6.15. Level of importance you give while considering a financial advisor?

On asking the level of importance the respondents give to the following parameter while considering a financial advisor ranging from the scale of 0 to 4, where 0 conveys Indifference to the factor and 4 showcase absolute importances, the following response was attained:

Table 6.1: Level of Importance in considering a financial advisor

Parameter {A}	Average Score of Importance (out of 4) {B}	% of Importance {C} = B/4*100	Rank of Importance {D}
1. Brand Name	2.32	58.00	4
2. Charges	2.38	59.50	3
3. Flexibility	2.31	57.75	5
4. Overall Services	2.62	65.50	2
5. Clientele	1.89	47.25	7
6. Transparency	2.72	68.00	1
7. Reference	1.53	38.25	9
8. Value Additions	2.09	52.25	6
9. NCFM/AMFI Certified	1.77	44.25	8

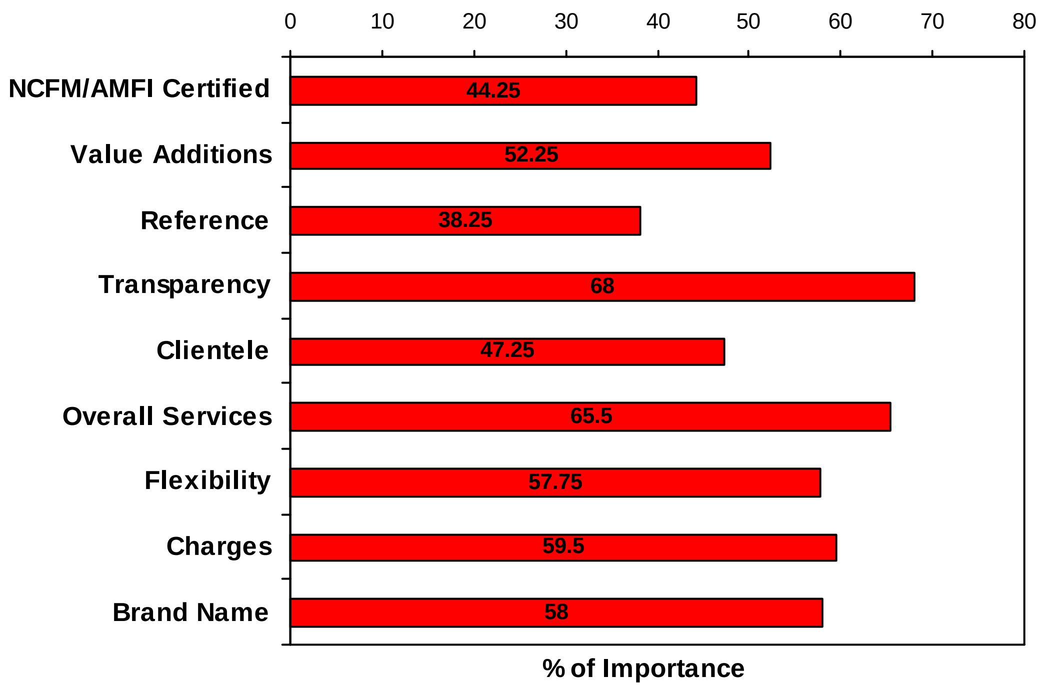
Table 6.15 depicts the average score of importance derived by taking an average of the scores given by the respondents on the respective parameter. These averages were then converted to percentage form and then subsequently ranks were allotted. The first rank signified most important parameter or factor which the investor consider while deciding a financial advisor, while in subsequent ranks the level of importance reduce accordingly.

Transparency holds the highest rank in the responses which primarily highlights absolute importance for unbiased and impartial services in the minds of the investors. Secondly, Investors while deciding, look into the banquet of services being offered by the advisors in relation to professional fees being charged.

Investors are not much bothered whether the financial planner holds a certificate from National Stock Exchange Certification in Financial Markets (NCFM) and/or Association of Mutual Funds of India (AMFI). References were considered least important while selecting a financial advisor as the authenticity of the reference is doubtful.

These figures can also be graphically presented to showcase the level of importance of each parameter, as done in Figure 6.15 below.

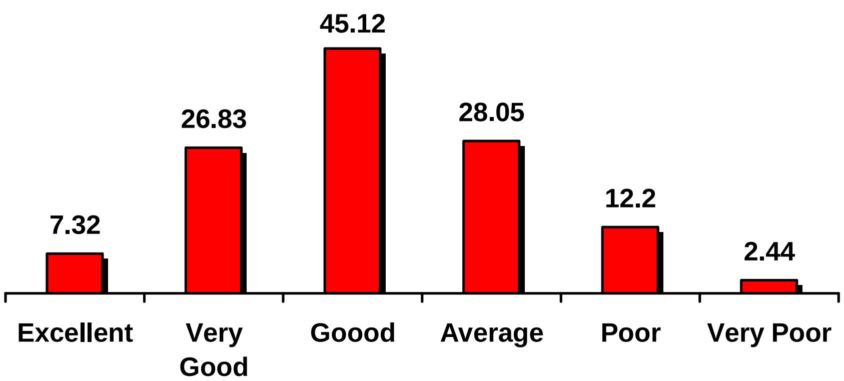
Figure 6.15: Level of Importance in considering a financial advisor



6.16. How would you rate the satisfaction level of the services offered by your service provider?

On asking the 34% of the respondents who avail financial advisory services, around 80% of them were satisfied with the services provided by their respective advisors which highlight the growing importance of the outsourcing of financial advisory services as depicted in Figure 6.16 below. Around 15% of the respondents found the services to be poor.

Figure 6.16: Reader's response on satisfaction level of service provider

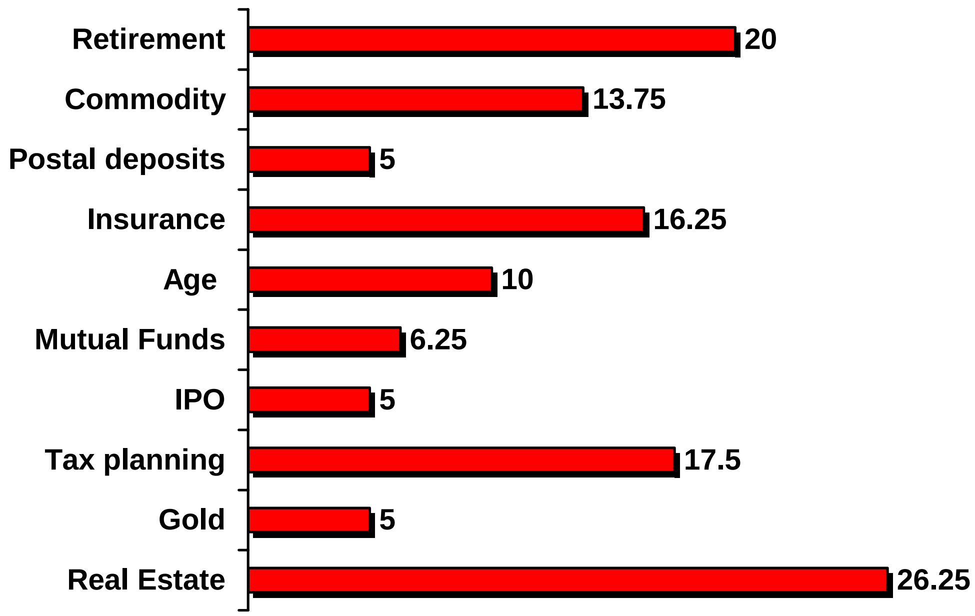


6.17. Which all areas should be a part of Financial Planning?

It was an open question which was asked to the respondents and it was observed that out of the total sample, 26.3% of the respondents wanted real estate to be a part of financial planning which shows high demand for this product in the Indian market. Around 20% of the respondent felt that retirement planning should be a part of financial planning which depicts that investors are nor clear about the concept of financial planning as 'financial planning' already takes care of retirement, insurance, mutual funds, IPOs, tax planning which some respondents are unaware of as depicted in Figure 6.17 below.

Around 14% of the investors want commodity should also form a part of financial planning as it is now a booming product in the financial market. There were 10% of the respondents who felt that age factor should also be a part of financial planning so as to know the right age for planning.

Figure 6.17: Reader's response on areas to be a part of financial planning



6.18. Limitation of the research

- The scope of the research was limited to top 8 wealth management companies, namely *YES Bank, Citibank, UTI Bank, HSBC Bank, Allegro Capital Advisors, HDFC Bank, Religare, and Bajaj Capital.*
- The sample area was primarily in Delhi, Gurgaon and Noida, and accordingly the response is presumed to represent whole of India.
- The sample size comprised of 200 respondents from different fields and income group, and their responses are presumed to represent the wealth management market.
- The score allotted by the different respondents on different parameter might not be with the same yardstick, as individuals are subjective in nature as well as the environment round them differs, which play a critical role in building up a perception.

7. Interpretation & Conclusion

This part of research paper determines the prospects of financial advisors in the growing economy like India with relevance to the information derived from analysis of the responses. Feasibility of financial planners can be studied by both financial feasibility and marketing feasibility.

7.1.Financial Feasibility

Financial feasibility will study the need of financial advisors due to changes in the inflation rate, loans, insurance charges, etc which investors usually ignored so by availing the financial advisory services, one can expect unbiased advise on the entire spectrum of personal finance and thereby adding value to the investor's current portfolio and potential savings.

The statistics regarding the investments are discussed below so as to show the trend of various factors in the Indian economy.

7.1.1. Growing Economy

The anticipated growth rate of 8.1 percent in 2005-06, as per India's 2005-06 Economic survey, acknowledges the momentum of development in the Indian economy. The odds are loaded heavily in favor of a continuation of the growth momentum and a virtuous cycle of growth and savings, that appears to be already underway, is likely to accelerate that pace.

While the worry about rising crude prices, which escalates imports and significantly contribute to the burgeoning current account deficit, appears to be somewhat misplaced, the possible risks to an otherwise rosy outlook arise from inflation, interest rates and fiscal stance.

India is the world's second most populous country with a little over 1 billion people and the 10th in terms of economic size, representing around 6% of world GDP in 2004. The impact of 15 years of economic reform finally appears to have kicked in and allowed India to emerge as an attractive investment destination in the global arena, which is evident from the country's swelling forex reserve (136 billion USD and increasing).

Table 7.1: India Economy Highlights, 2002-05

	2002	2003	2004	2005
Population (million)	1037	1055	1072	1095
GDP (USD billion)	506	555	615	719.8
Real GDP growth (%)	4.3	8.1	7.3	7.6
GDP per capita (US$)	487	526	573	657
Inflation (%)	3.9	4.9	5.0	4.2
Exports (USD billion)	43.8	52.7	22.1	76.23
Imports (USD billion)	51.4	61.4	28.7	113.1

Source: Central Intelligence Agency (CIA)

India, with an anticipated growth rate of 8% for the year 2005-06, supported by robust growth in the Indian industries and service sector would build a strong business scenario which would increase the economic activity in the country, evident from increased employment opportunities and entrepreneurship projects. As wealth management provide investors with commentary, research, and practical ideas that bridge the gap between theory and practice in contemporary global business, it would result in increase in the demand for financial advisors in the country, thereby authenticating the prospects of financial advisors in the Indian market.

7.1.2. Strong Financial Market

India's financial markets have undergone rapid changes since the country embarked on a program of economic reforms in 1991. They have embraced technology, seen a substantial increase in the variety and volume of transactions, and witnessed the emergence of new securities and new instruments.

Currently, market is experiencing a flood of liquidity, with different sources of funds available depending on the requirement of the person. Also with RBI, dilution of restrictions on foreign borrowings, Indian companies can now borrow funds from abroad at attractive interest rates.

India witnesses growing number of venture capitalist bank which do not hesitate in investing in new projects and bear high risk with the entrepreneur. Therefore, the financial market scenario in India is conducive for procurement of funds for launching the business magazine in the market.

7.1.3. Inflation

Inflation is moving at around 4.30 and the savings account is giving an interest of 3.5% per annum which signifies that inflation is merely eating up the money in the bank account so individuals should come out of just keeping their money in their bank account sand should invest in the financial instruments to fetch higher returns.

Figure 7.1: Trends in Inflation

7.2.Market Feasibility

Marketing feasibility involves determining the prospects of financial advisors in the growing economy like India. The study includes assessing the need of financial planners to achieve all the individual's financial goals and keeping these goals in mind how do they recommend certain investment options in the market in order to provide value additions to individual's current portfolio & savings potential.

For assessing the satisfaction level of investors who are availing financial advisory services, the performance of the current players in the markets will be studied and their strength and weakness will be analyzed, If the investor's satisfaction level from the current advisor is less, then greater will be the feasibility of prospects of financial advisors in the Indian market.

To assess the marketing feasibility, various banks and private wealth advisors were also interviewed both direct and indirect i.e. through telephone to get an in-depth knowledge of their services and how they provide value additions to the customer's existing portfolio and savings potential. The interview helped us to know what all services are offered by the company to push the product to the end consumer. The interview further helped in the design of the questionnaire. A structured questionnaire was designed covering both open and close ended questions, to study the perception of investors towards their preferred brand of financial advisors and what they desire from the company.

After analyzing the response as done in chapter 6, marketing feasibility exist on the basis of following discoveries.

7.2.1. Growth of Capital is the Major Objective Behind Investments

It was observed from Figure 6.1 that 46.3% of the respondents do investments for achieving growth of capital i.e. revenue maximization. Safety of capital was considered secondary objective behind investments as only 15.7% of the respondents think about their safety of capital i.e. assured returns which reflects that investors are more concerned for growth rather than safety irrespective of their financial goals in life. A financial advisor can take care of all the financial goals in keeping thee goals in mind, he can recommend certain investment options ranging from mutual funds, insurance, IPO, post-office schemes, secondary markets, etc.

7.2.2. Low Saving Potential

As depicted in Figure 6.4, out of the total sample, around 48% of the respondents said that they try to save money which depicts low saving potential among the Indian investors. They are not in the habit of saving on a regular basis as it was observed that only 29.7% always save some portion of their take home salary. The financial advisor should promote regular savings among the investors so as to open various investment channels for them to fetch good returns.

The savings for retirement among the investors is also very less as depicted in Figure 6.5 above, which reflects the absence of the benefits in retirement planning. Investors are merely postponing planning for retirement but they forget that if successful plans are made then they don't need to be worried about their future and can spend lavishly even after their retirement.

7.2.3. Investors taking Financial Decisions Independently

Investors are taking their financial decisions independently without doing any financial planning as depicted in Figure 6.8, which reflects the need for financial advisors who will take note of and record all the financial goals and will simultaneously work out the money value for each of the goals. Additionally, financial advisors can also set aside some money for contingencies – medical and other emergencies in liquid form and invest the rest in diversified portfolio so that the risk gets distributed.

7.2.4. High Awareness of Financial Advisors in the Indian Market

Majority of the investors i.e. 78% of the respondents as represented in Figure 6.11 were aware about the concept of financial advisors but among them, very few investors have actually gone for availing these services which shows lack of trust and confidence in the services provided by the financial advisors in the eyes of general public. The financial advisors should find out the deficiencies and flaws in the current services being provided to the investors and attempt at suggesting ways and means to remedy the same.

7.2.5. High Level of Satisfaction from Existing Financial Advisors

Majority of the investors were very satisfied with the services provided y the existing service providers which primarily include Citibank, HDFC Bank, HSBC Bank, Allegro Capital Advisors, etc.

Thus it becomes evident that the satisfaction level of the investors is high from the existing advisors and thereby **validates the prospects of financial advisors in the Indian market.**

7.3Test of Hypothesis & Conclusion

As it could be seen from the above factors that investors are having low saving potential, growth of capital acts as a primary objective behind investments, investors taking financial decisions independently, high level of satisfaction from existing financial advisors, which depicts that there is a need of financial planners to approach these investors in a proper manner so as to provide value additions to the saving potential and portfolio.

The **hypothesis holds true** that there exist a potential growth in the wealth management industry which represents huge prospects of financial advisors in the growing economy like India.

To conclude, the above research substantiates both financial and marketing feasibility for the prospects of financial advisors in the Indian market.

8. Recommendations

On studying the peculiarities of the wealth management industry and analyzing the responses of the investors on their perception and expectation from a financial advisor, the following points are recommended which a general financial advisor should consider while approaching the people.

India is seeing a maturing financial environment. Interest rates have fallen and unlike in the past, options to attract savings exist through a spate of financial products and services that have differing risk/growth and asset accretion propositions. It is becoming increasingly obvious to people that their money, in real terms, would fall in value if they were to keep their money in the bank. And hence the keenness to find out the right avenue that would help grows their savings or assets.

While this is becoming a universally undeniable desire, the fact is that some people don't have the knowledge and inclination to understand the financial markets and others don't have the time to follow them. This then leads to financial decisions being taken by individuals based on either relationship hearsay or the sales call of a vendor.

8.1. Unbiased Advisory

Investment Advisory Services are in this business of managing the assets of individuals and corporations. However, the distinct model of services should enables the advisors to offer unbiased advise on the entire spectrum of personal finance, keeping the clients interest foremost while doing so. The investment strategies developed across perpetuity should outline a detailed financial plan with frequent reviews of investment decisions made to ensure that portfolios are in line with what was planned. I'd like to add here that the financial advisory should not only be unbiased with respect to an asset class but it should also be independent of biases across manufacturers within an asset class.

8.2. Investment in Foreign Markets

A recent pioneering initiative is to facilitate for the clients investments in foreign markets, adding to the advisory capability that spreads across the widest range of asset classes in the country. One needs to be cautious while investing and it is now important to hire a financial planner to plan your wealth better.

8.3. Certified Financial Planner

Financial planning is a new animal in the Indian market, but this beast is already attracting a lot of attention. The big thing to happen is the coming to India of the Certified Financial Planner (CFP) mark, owned by the Board of Standards in the US and licensed out to non-profit associations in 18 countries, including the US, Canada, Australia and the UK. Leading financial players–asset management companies, banks, mutual funds and insurance companies, forms these associations.

Another player in this space is the NSE's Certification of Financial Markets (NCFM), an arm of the National Stock Exchange that tests and certifies insurance and mutual fund agents.

A third institution, the Association of Mutual Funds (AMFI), is encouraging its agents to morph from distributors to advisors. Apart from the institutions, some individuals and small companies have set up practice anticipating that the market will move from an ad-hoc approach to a planned one.

8.4. Financial Planning Should Be Encouraged

'Financial planning' is the process of charting out the money course of your life. It's like having a financial roadmap that guides your every step till you pass on the baton to the next generation. In other words, it is a process in which an individual sets long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning and estate planning. Most of us approach our financial lives like the disorganized traveler who gets to his destination eventually and perhaps even enjoys the rough ride. We think we have a clear roadmap in mind, but our financial lives are marked by ad-hoc decisions and capitulation to the temptations of the flavors of the financial season.

One of the myths regarding financial planning is that only rich individuals and HNIs can undertake this. This perception exists because most players in the market target these people, as they are very profitable customers. However, anyone can use financial planning. In fact, individuals should use effective financial planning to build their wealth over the years.

8.5. Awareness of the Benefits of Planning Early for Retirement

Anyone who will retire needs to plan for it. There is more than one reason to save for retirement. The all-important reason is the rising cost of living. It's called inflation. If you start planning for retirement early on, you can bridge the gap between what you have in your hand today and what you would like to have when you retire. If you begin saving for retirement early on in your life, you can set aside smaller amounts. You can also take on more risk by investing larger amounts in equities i.e., stocks and equity funds. If you delay saving for retirement, you will have to invest larger sums of money to save for the same amount; also the share of equity investments as a portion of your retirement savings will have to be lower. The older you are when you start, the more risk averse you will have to be. Your retirement portfolio will actually be a mix of stocks, debt securities, index funds and other money market instruments. This mix will change as you do, moving increasingly toward low-risk guaranteed investments as you age. Unless planned well, retirement phase will be a downhill ride.

People should come out of the concept of just keeping their money in banks & should concentrate on doing financial planning to maximize their returns by taking proper guidance from financial planner.

ANNEXURE A: QUESTIONNAIRE

Name	: ____________________________	**Age**	: _____________
Occupation	: ____________________________	**Sex**	: ____________
Annual Income:	____________________________	**City**	: _____________

1. What is your objective behind investments?

(a)	Safety of Capital	(b)	Retirement
(c)	Beating Inflation	(d)	Tax Minimization
(e)	Liquidity	(f)	Growth of Capital - Returns
(g)	Others (please specify) _________________________________		

2. Since when are you investing in financial instruments?

(a)	Less than 3 months	(b)	3 months – 6 months
(c)	6 months – 8 months	(d)	8 months – 12 months
(e)	More than 12 months	(f)	Others (please specify) ______________

3. Do you plan your investments?

(a)	Yes	(b)	No, why __________________________

4. What is your practice on saving money?

(a) I don't believe in saving.
(b) I'd like to save, but my expenses & financial commitments do not permit me.
(c) I try to save whenever & wherever possible.
(d) I always save some percentage of my take-home salary without exception.
(e) Others (please specify) _________________________________

5. How much thought have you given to saving for retirement?

(a)	Very little	(b)	Some
(c)	A lot	(d)	None

6. When do you prefer one should start planning for retirement?

(a)	Under 30	(b)	31 – 40
(c)	41 – 50	(d)	Above 50

7. What do you feel is considered to be the '*fundamentally safe'* form of investment?

(a)	Bank deposits	(b)	Property/Land
(c)	Postal deposits	(d)	Gold
(e)	Life insurance policies	(f)	Government bonds
(g)	Mutual funds	(h)	Equity/Shares
(i)	Others (please specify) _________________________________		

8. How do you take financial decisions?

(a)	Independently	(b)	Advise from friends / relatives
(c)	Broker	(d)	Advise from a Chartered Accountant
(e)	Advise from a Bank	(f)	Financial Advisors
(g)	Others (please specify) _________________________________		

9. Do you have any Insurance Policy?

(a)	Yes	(b)	No

10. If yes, why did you buy an Insurance Policy?

(a)	As a means of saving	(b)	As a means of saving tax
(c)	For security against death	(d)	Others (please specify) _______________

11. Are you aware about the concept of Financial Advisors?

(a)	Yes	(b)	No

12. Do you currently avail financial advisor services/private banking services?

(a)	Yes	(b)	No, why ___________________________

13. If yes, from whom?

(a)	Citibank	(b)	HDFC Bank
(c)	Allegro Capital Advisors	(d)	Bajaj Capital
(e)	HSBC Bank	(f)	YES Bank
(g)	Religare	(h)	Others (please specify) _______________

14. What are the products you are getting from your service provider?

(a)	Mutual Funds	(b)	Initial Public Offer (IPO)
(c)	Secondary Market	(d)	Post Office Schemes/Debt
(e)	Insurance	(f)	Real Estate/Property
(g)	Tax Planning	(h)	Loans
(i)	Administrative Services	(j)	Gold
(k)	Art/Paintings	(l)	Others (please specify) _______________

15. Allocate points ranging from 0 to 4, you would give to the following parameters according to the level of importance you will/have give/given while going for a financial advisor, where 0 conveys indifference to the factor and 4 showcase absolute importance.

	Parameters	Absolute Importance (4)	Very Important (3)	Important (3)	Least Important (1)	Indifferent (0)
(a)	Brand Name	☐	☐	☐	☐	☐
(b)	Charges	☐	☐	☐	☐	☐
(c)	Flexibility	☐	☐	☐	☐	☐
(d)	Overall Services	☐	☐	☐	☐	☐
(e)	Clientele	☐	☐	☐	☐	☐
(f)	Transparency	☐	☐	☐	☐	☐
(g)	Reference	☐	☐	☐	☐	☐
(h)	Value Additions	☐	☐	☐	☐	☐
(i)	NCFM/AMFI Certified	☐	☐	☐	☐	☐

16. How would you rate the satisfaction level of the services offered by your service provider?

(a)	Excellent	(b)	Very Good
(c)	Good	(d)	Average
(e)	Poor	(f)	Very Poor

17. Which all areas you think should be a part of Financial Planning?

____

____

____

(Thank You for your Cooperation & Time)

ANNEXURE B: BIBLIOGRAPHY

The following companies and association's web sites were referred while collecting information used in the research.

1. Internet Source
    - http://www.yesbank.in
    - http://www.citibank.co.in/
    - http://www.utibank.com/
    - http://www.hsbc.co.in
    - http://www.religarewealthcare.com
    - http://www.hdfcbank.com
    - http://www.bajajcapital.com
    - http://www.alllegroadvisors.com
    - http://www.clientassociates.com/oclient.htm
    - http://www.rathi.com/
    - http://www.online.citibank.co.in/portal/Mailer/citigold/cwp/cwp-6.htm#
    - http://www.personalfn.com

2. Outlook Money, 15th August 2006
3. Outlook Money, 31st August 2006
4. Outlook Money, 31st July 2006
5. Personalfn - Money Simplified
6. Investors India, July 2006
7. Investors India, August 2006
8. Investment Monitor, June 2006
9. Dalal Street, August 2006
10. Allegro Capital Advisors Pvt Ltd – Market Activity
11. Financial Times, 21st July 2006
12. Financial Times, 28th July 2006
13. HT Business – My Money, 21st August 2006