

WEALTH MANAGEMENT UNIT 1

Mrs. Fleur Fernandes, SIESCE

Mrs. Fleur Fernandes, SIESCE TYBMS - Wealth Management

UNIT 1

- ▶ Introduction to wealth management
- ▶ Personal financial statements analysis - sums on cash management
- ▶ Economic environment analysis

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MEANING

- ◉ High-level professional service

Wealth management deals with helping an individual to build wealth, preserve it and subsequently transfer it to the next generation in a tax-efficient manner.

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DEFINITION

According to Investment Management Consultant Association (IMCA),

“a distinct field of practice through which qualified professionals help high net worth client achieve their goals and objectives related to accumulation, protection and distribution of wealth by applying a set of specialized knowledge and skill.”

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FEATURES

- ◉ Client segment - HNIs
- ◉ The client is followed throughout life
- ◉ Wealth manager could be part of wealth management firm, or solo practitioner
- ◉ Management fees vary widely
- ◉ Inputs from financial experts and attorneys, accountants, insurance agents.
- ◉ Holistic approach instead of advice from several professionals

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FEATURES

- ◉ Manages cash balances as well as income
- ◉ Prepare original plan; update goals, review and rebalance; check for additional services needed
- ◉ Range of products offered
- ◉ Consultative process

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WHO IS AN HNI

	HNI	Ultra HNI
Karvy Private Wealth	More than Rs.5 crore in investible surplus	More than Rs.25 crore in investible surplus
ICICI Bank	More than Rs.2 crore in investible surplus	



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COMPONENTS OF WEALTH MANAGEMENT

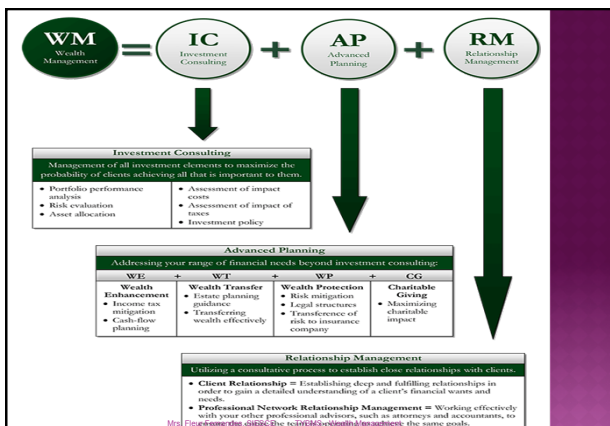
- Fiduciary services
- Cash flow management
- Investment planning
- Legal advice
- Trust and estate planning
- Tax planning
- Accounting and reporting
- Insurance,
- Debt management and mortgages
- Leasing
- Stock broking,
- Retirement planning,
- Banking,
- Charitable giving,
- Financial structuring/clarifying

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SCOPE OF WEALTH MANAGEMENT

- Wealth accumulation and development
 - Asset allocation
 - Rigorous security selection
- Wealth protection
 - Current and Future Income Planning
 - Retirement Planning
- Tax minimization strategy
- Estate Investment, Trust and Insurance Planning

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WEALTH MANAGEMENT =
INVESTMENT CONSULTING
+ ADVANCED PLANNING
+ RELATIONSHIP MANAGEMENT

Advanced Planning includes Wealth Enhancement, Wealth Transfer, Wealth Protection and Charitable giving

RELATIONSHIP MANAGEMENT

Relationship management is a key activity in wealth management. It has three dimensions:-

- Fully understanding and meeting client's critical needs
- Assembling and overseeing a network of financial experts
- Working with client's advisors, like lawyers and accountants.

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DISTINGUISH BETWEEN

INVESTMENT MANAGEMENT	WEALTH MANAGEMENT
Investment management is a part of wealth management.	It is a broader area than investment management.
It caters only to the financial investment aspect.	It address the individual's and his family's needs, goals and objectives.
Only financial securities are managed.	Along with financial securities, Accounting /tax aspects, Retirement planning, Legal/estate planning, philanthropy are managed.
It deals with preserving and growing money.	It deals with preserving, growing, bequeathing, donating money.
This service can be availed by any investor.	Only HNIs and Ultra HNIs are normally provided this service, though less wealthy people can also request for the service.
The investment manager normally functions on his own.	The wealth manager seeks assistance from other experts like lawyers, accountants, etc.

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PROCESS OF WEALTH MANAGEMENT

- Data gathering for current situation - goal, relationship, assets, advisors
- Define the terms of engagement (Signing of MoU)
- Goal setting
- Identification of needs
- Analysis of opportunities and challenges (SWOT)
- Report preparation
- Implementation
- Review and revision

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NEED FOR WEALTH MANAGEMENT

- Growth of HNWI
- Time constraints
- Expertise
- Complexity in financial products
- Globalisation
- Fee based services vs. commission model
- Goal attainment
- Wealth transfer
- Key to retirement
- Lifestyle maintenance

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WHAT CUSTOMER EXPECTS

- Customization
- Trusted wealth manager
- Research and product knowledge
- Transparent charges
- Access to information and portfolio
- Accounting and taxation aspect
- Regulation and guidelines
- Ease of execution

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TYPES OF HNI CLIENTS

- Entrepreneurs
- Inheritors
- Professionals

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TYPES OF CLIENTS

- ◉ Relationship Clients – like small talk
- ◉ Fear-based Clients – have bad past financial experiences, afraid to invest – need to start by making them invest small and slowly increase the portfolio
- ◉ Curious Clients – ask too many questions, consider themselves smarter than the wealth manager – difficult to manage them
- ◉ Greedy Clients – want high return in short period – better to avoid accepting such clients

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CHALLENGES TO WEALTH MANAGEMENT IN INDIA

- ◉ Regulatory environment
- ◉ Entry blocks
- ◉ Finance literacy
- ◉ Sector reach
- ◉ Products and services offered
- ◉ Consistent service
- ◉ Client risk tolerance
- ◉ Attracting and retaining advisors and clients
- ◉ Uncertain markets and prices
- ◉ Shortage of talented professionals
- ◉ IT technology
- ◉ Lack of trust

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WEALTH MANAGEMENT FIRMS IN INDIA

- ◉ IIFL Wealth Management
- ◉ AVENDUS Wealth Management
- ◉ Centrum
- ◉ Kotak Wealth Management
- ◉ Edelweiss
- ◉ SMC Global
- ◉ Karvy Wealth
- ◉ ICICI Asset Management Company
- ◉ Reliance Asset Management Company
- ◉ Anand Rathi
- ◉ Sanctum Wealth Management

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CODE OF ETHICS FOR WEALTH MANAGER BY AIWA

Association of International Wealth Managers is a non profit organisation which encourages, promotes and strength global education for private banking industry and to set recognised standards for qualifications and service ethics of private banking professional.

Rule 1

- ▶ Principles of professional ethics
- ▶ Independence
- ▶ Integrity
- ▶ Professional and diligence
- ▶ Loyalty and priorities for clients interest

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CONTD

- Rule 2
- ▶ Compliance with applicable rules
- Rule 3
- ▶ Duty of information
- Rule 4
- ▶ Conflict of interest
- Rule 5
- ▶ Personal investment transaction of members
- Rule 6
- ▶ Duty to inform the employer
- Rule 7
- ▶ Sanctions

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FPSB CODE OF ETHICS

Financial Planning Standards Board of India is a public private enterprise and a professional standards setting body that closely works with all the stakeholders.

- ▶ Client first
- ▶ Integrity
- ▶ Objectivity
- ▶ Fairness
- ▶ Professional
- ▶ Competence
- ▶ Confidentiality
- ▶ Diligence

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