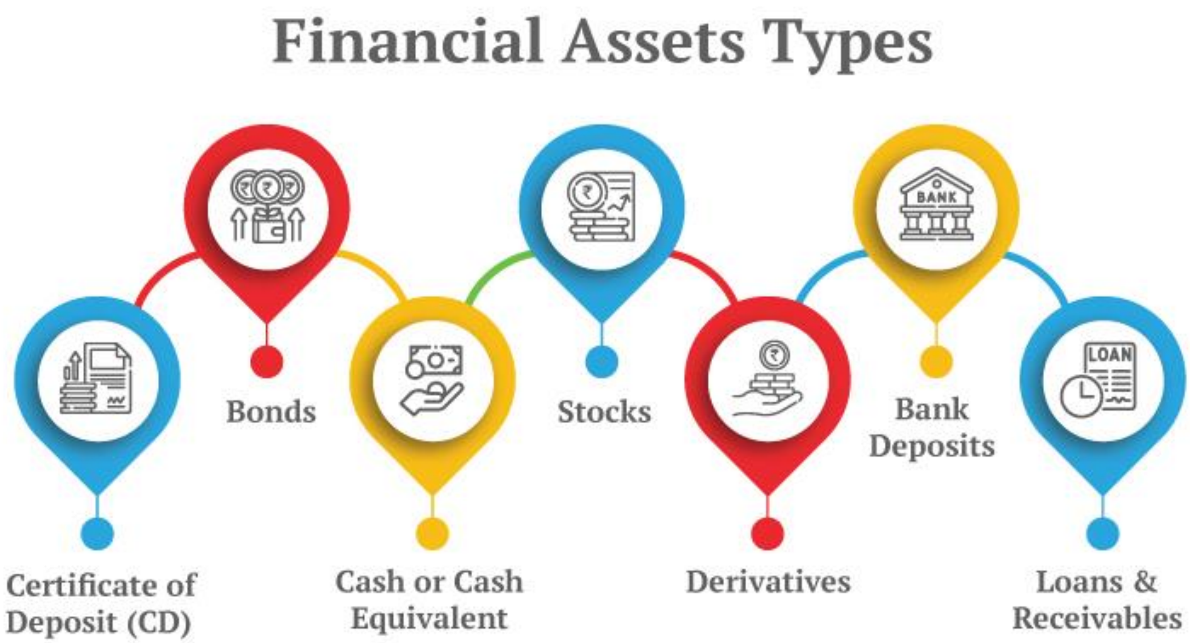
Wealth Management Services (PUN002)

Wealth management is a part of financial services that assists you in managing your money and provides you with advisory services, wealth management includes comprehensive guidance on finance, taxation, estate and legal. Your wealth manager can be your single point of contact who will collaborate with accountants, estate managers, and tax experts to design a holistic wealth plan. Wealth provides you with money that can be used to realize your financial and personal goals. It aids you to sustain life and remain in good stead even when you are no longer employed. Wealth can get eroded, i.e., reduce in value, over time, if parked on the wrong avenues. Proper wealth management can help plan your money better so that it continues to grow. Wealth management revolves around financial planning with a crystal-clear objective of offering better returns on investments. Some broad pointers on how wealth management works, your wealth manager will note your financial goals with specific timelines if any, by probing with a wide variety of questions, they will figure out your risk appetite, needless to say, you must provide details of how much money you want the wealth manager to "manage" or invest, at this stage, your wealth manager will draft an investment plan recommending different asset classes, financial instrument, timelines and allocations, will always be factored in so that you get the best possible exemptions and rebates, once you approve the plan, your wealth manager would go ahead and execute the same, the investments are monitored and modified if the need arises.



Everyone equates assets with wealth. Your daily sense of financial security and comfort is determined by your capacity to spend on necessities and luxuries. Everybody needs money to spend, therefore their assets must help meet that demand and be practical for their daily lives.

When the productivity of the human asset declines and other assets constructed with saved money can take its place, you retire. Investing in financial assets ensures a safer retirement plan and a stress-free early retirement age. So, financial assets are the need of the hour.

Financial Assets are intangible assets, meaning they cannot be touched or felt. They are liquid assets, and the contractual claims serve as the basis for their values. A contract is signed between two parties providing:

- It is a contract between two parties, i.e., investor and FI, corporate or Govt
- The two parties can consist of people, businesses, or even the government
- Financial asset grants the investor a right to obtain the financial benefit from the party in which the money was invested
- Financial assets facilitate the movement of money. They move money from those who have extra money to those who need it for further financial activity.
- Financial assets are a safe option or claim of having future cash.
- Bonds, fixed deposits, derivatives, equity shares and insurance contracts are a few types of financial assets.

  Financial assets, around the world, help channel money into investments and financial activities. In India, there are the following types of financial assets:

a) Cash/Saving Bank Account: It refers to the company's highly liquid current assets, such as cash on hand, the balance in its bank accounts, checks from customers that have not yet been cashed by the bank, commercial paper, etc.

b) Retirement Savings Accounts: Retirement savings like EPF and NPS are long-term financial assets. These assets are meant and built over a long time to financially secure your retired life. These are also perhaps the second most important financial asset in your life.

c) Stocks: The value of stocks fluctuates over time depending on the company's success. They are fractional ownership interests that may yield dividends. Stocks are perpetual. Stockholders are the individuals who own these stocks. You can purchase a certain stock of a company and be an owner of the corresponding part of it.

d) Bonds: Bonds are fixed-income securities, which reflect loans from investors to borrowers (typically corporate or governmental). A bond is an agreement between a borrower and investor which outlines the terms of the loan and the associated payments. Companies, states, municipalities and sovereign governments make use of bonds for financing initiatives and operations. Bondholders are the issuer's debtors or creditors.

e) Life Insurance: Life insurance is a long-term financial asset. You can use various types of life insurance contracts to meet different financial goals.

f) Fixed Deposits: A Fixed deposit is a sum that businesses place with other organizations in the hopes of receiving interest payments in return for their deposits. You deposit a large sum into a fixed deposit with your bank for a set period at an agreed-upon rate of interest. You receive the amount you invested plus compound interest at the end of the term.

g) Debentures: Debentures grant their holders the right to collect interest on the money they have invested at a certain rate and on defined due dates. The sum invested is also returned to the debenture holders at the time of maturity, and debenture holders have the right to claim the assets of the issuing firm before preference shareholders and equity shareholders do when the issuing company is wound up.

h) Mutual Funds: A mutual fund is portfolio investment. Mutual funds pool funds from a large number of investors and invest in securities, like equity stocks, bonds, etc. to generate returns. The investors get rewarded with returns in proportion to their invested amounts.

The difference between financial management and financial planning could be difficult to ascertain. However, you should understand it as well as you can as both the activities add value to your financial life, but have different purposes. You will need financial management far more often than financial planning. So, let’s explore the terms further and understand how they can be useful in your financial life.

Financial Management: Financial management is the name of day-to-day financial decisions you make to ensure that you can meet your immediate goals for saving and expenses. In other words, you can say that financial management will help you meet your financial targets efficiently. This may require an understanding of the best practices and extensive knowledge of financial instruments such as credit cards, loans, FDs, RDs, etc. However, the financial targets you want to achieve with financial management do not include your life goals

Objectives of Financial Management:

You would want to achieve the following objectives with financial management:

- Keep your expenses within the budget
- Meet your monthly and annual savings targets
- Ensure optimum use of available funds
- Ensure fast conversion of savings to investments
- Ensure availability of funds for necessary expenses
- Maintain low cost of funds, i.e., when borrowing. You can also include looking for the least costly alternatives for large expenses under financial management objectives. Financial management is often a skill acquired by sheer experience. How well you can use your credit cards to spend money without sinking into debt is one example of good financial management. Whereas, staying prepared for emergencies like hospitalisation and saving adequate money for retirement is the achievement of a good financial plan. Financial management is a necessity even if you find this hobby difficult to pursue. You should use the following instruments to organise and improve your financial management:

Regular Budgeting: Budgeting is the exercise you need to conduct at least once a month. But the best results will arrive when you have an annual budget as well. The idea is to maintain your annual targets. Even if you happen to exceed your quota for a month, you can recover and maintain your annual budget limits. One step that a lot of investors often miss during budgeting is that you need to also keep a note of your expenditures. Use a spreadsheet or a mobile app to immediately take note of your outflows in the day. This will help you tally your spending habits with your budget limits.

Bank Accounts: You should know your bank account very well. Most of the transactions in your financial journey will start and end with your bank account. So, it is very important to know what you can and cannot do with it. For example, most banks with internet banking allow the following investment options:

- Bank FDs
- Corporate FDs
- Public Provident Fund (PPF) investments
- Credit Card payments
- Recurring Deposits

Line of Credit: If you have surplus money in your bank, you can use a line of credit using your FDs. A line of credit allows you to use the money in fixed deposits even before maturity. The interest rate on the line of credit (lien on FD or Overdraft) is usually lower than other credit instruments.

Debit/Credit Cards: Debit and credit cards are common instruments for daily transactions. Using them carefully can allow you multiple benefits. Though unrestricted and indiscriminate usage may also lead to financial hardships. Thus, anytime you take a debit or credit card, try to understand your benefits from them well. Most debit and credit cards offer points for the money spent.

Financial Planning: It is a more comprehensive and holistic exercise in your financial life. Financial Planning and Standards Board (FPSB) defines financial planning as a process of developing strategies to help people manage their financial affairs and meet life goals. Here the words – 'strategy and life goals' are very important, as a financial plan is usually a document for your life's financial journey. Thus, a financial plan is a strategic document which aims to draw a roadmap toward all short, medium and long-term life goals.

Objectives of Financial Planning: Financial planning objectives are long-term and may continue to apply for life. The following five financial planning objectives are the most common:
-Understand sources and applications of funds
- Understand life's important financial goals
- Prepare for contingencies
- Build a roadmap to meet life's long-term goals in a tax-efficient manner
- Prioritise fund allocation to needs, goals and aspirations in that order
Financial planning objectives will also define the roadmap. Almost all investment options including the instruments of financial management can become a tool in your financial planning. However, financial planning deals with majorly investment and insurance avenues. Both insurance and investments in financial planning will provide solutions for long-term financial needs. few prominent instruments of financial planning:

Term Life Insurance: Term life insurance is a necessary investment, especially when you have dependent family members. A term life cover of 10-15 times your annual income is sufficient for your family to look after the following after your untimely demise:
a. Their regular living expenses
b. The cost of important goals
c. Repayment of any ongoing debt
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Mediclaim: The importance of Mediclaim and critical illness insurance is not hidden. Family Mediclaim insurance will come in handy in emergency health situations. However, critical health insurance will offer a lump sum benefit in the case of a diagnosis of illnesses such as heart failure, cancer, etc.

Unit Linked Insurance Plans (ULIPs): ULIPs are long-term diversified investments which allow tax benefits. Other important ULIP features are listed below:
a. Partial withdrawals after five years
b. Invest in a mix of diversified funds of equity and debt
c. Bonuses for long-term investors
d. Invest up to the age of 99 years with plans like Invest 4G ULIP from Canara HSBC Life Insurance
e. Use automated strategies to manage equity investments

National Pension Scheme (NPS): NPS is directed towards building a retirement corpus. Investing in NPS allows you to benefit from the following features:

- Invest in a diversified portfolio of equity, debt, and alternative assets
- Use automated strategies to manage portfolio risk
- Emergency withdrawals allowed for child education, 1st home purchase, medical emergency
- You can withdraw up to 60% corpus at the age of 60 tax-free

Mutual Funds: Mutual funds are simple and versatile investments which offer great flexibility and liquidity in investment. Here are the benefits of investing in Mutual Funds. If financial planning is your map across the financial life, financial management is your skilful driving. The combination offers you the best results when it comes to money. While planning offers a long-term vision, the management deals with the daily decisions.

Thank You…