Bringing holistic advisory to life in India

Plan Ahead Wealth Advisors is one of the 500 or so investment advisory firms in India which appears to take its fiduciary role seriously. Vishal Dhawan outlines the structured process he follows to bring more transparency and better-quality advice to his clients.

The tightening regulatory net around providing investment advice in India looks set to favour those firms which have been most proactive in putting in place a structured advisory process.

This is in line with the clear fiduciary responsibility the firm has for its clients, given that it is registered with the Securities and Exchange Board of India (SEBI).

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VISHAL DHAWAN
Plan Ahead Wealth Advisors

Plan Ahead Wealth Advisors is among them. "We continue to work closely with clients to ensure that our practice is continuously evolving to exceed client expectations and reinforce their trust in us," explains founder and chief executive officer Vishal Dhawan.

"We strive to maintain the highest standards of integrity and client confidentiality in our practice," he adds.

Such a mind-set, however, hasn't been the norm in the Indian wealth management landscape. Indeed, three years after the Securities and Exchange Board of India (SEBI) issued its investment adviser regulations, only just over 500 licences have been issued (both individuals and firms, as of September 2016). Yet there are roughly 10,000 active distributors (out of around 70,000 registered).

Market practitioners believe the larger fiduciary role which advisers must play once registered has been a deterrent. Plus, the regulator left a loophole

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which has to date enabled IFAs to continue ‘advising’ without becoming ‘registered advisers’.

This might get closed in the wake of recently-proposed changes in mid-2016 to the investment adviser regulations.

The outcome of the current consultation might mean that advisers won’t need to register with SEBI, but that anyone giving financial advice will fall under its ambit.

Regardless, the kind of holistic approach that Plan Ahead Wealth Advisors – and some of its peers – have already put in place creates a value proposition which is likely to appeal to clients who seek an adviser who is fully aligned with their objectives.

STRUCTURED ADVICE

Since setting up the firm 13 years ago in Mumbai, Dhawan has abided by a philosophy where all advisers strive “to add meaning to finance and add time to life”.

They do this by encouraging time-poor individuals to outsource their wealth management to professionals. These clients can then focus their limited time on their work and family.

As a result, while only relatively small with 20 staff – including three advisers and a team of researchers, para-planners and client service executives – he believes Plan Ahead Wealth Advisors has gained wide acceptance and generated significant goodwill amongst its clients and other stakeholders.

The structured process which the firm’s advisers follow starts with what he calls ‘discovery’. More specifically, during the first meeting with a prospect, advisers use various life planning tools, including one from US company Money Quotient.

This 20-question methodology looks at and measures financial satisfaction levels which, importantly, then gets written down. It gives direction to what the adviser should focus on during the discussion, he explains.

This might range, for example, from concerns over spending habits, to worries about retirement, to how they manage their documentation.

Advisers also run clients through questions on a variety of potentially-relevant issues relating to wealth transition, children’s education, setting up businesses, and relocation or migration.

After this 45-minute to one hour meeting, Dhawan says it becomes possible to filter out those individuals who don’t fit the firm’s client profile. The adviser might also use the opportunity to discuss the firm’s services. “This is typically an advisory conversation around their asset and liabilities, and income and expenses,” he adds.

From this, the firm creates a financial plan and the next steps.

“This is a roadmap in terms of what the client is looking to achieve and how they can achieve it,” says Dhawan. “They can do this as a one--off exercise to get

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Enhancing the offering

Dhawan has three clear objectives to develop his business and offering in 2017.

First, he will continue to drive the transition towards being a fee-only firm. “This is important as we think that our fiduciary role demands it, so that we can be completely independent in our advice,” he explains.

Secondly, Dhawan wants to add a few more advisers to the team – perhaps seven to eight in total.

His approach to talent development will also involve grooming staff in research and para-planning roles to become advisers. “There is not a lot of ready talent available who can follow our holistic approach, so most of our new advisers will come from within.”

Technology is the third priority. He wants to streamline it, rather than being subject to too many disparate systems which don’t connect or communicate well with each other. “We are looking for a more enterprise solution,” says Dhawan.

their financial situation in order, or they can take the decision to engage with us over the long term."

WELL THOUGHT-OUT INVESTMENT

Typically, the planning process would include a focus on investments, risk management and wealth planning.

In terms of fund selection, Dhawan says that there is an in-house research process which involves the use of rolling return data.

"We think this is a better way to measure the long-term performance and ensure consistency," he adds.

Here also, the firm calls on an online financial planning tool, Value Express FE. This is a collaboration of the most respected mutual fund industry information providers in India, Value Research, and FE, a leading UK provider of mutual fund data and analytical tools.

From a risk management perspective, Plan Ahead Wealth Advisors essentially looks at areas such as life coverage, critical illness, disability, house insurance and life insurance.

WELL-PLACED

The firm's attention and commitment to the advisory process is likely to stand it in good stead amid the expected direction of the market amid SEBI's regulatory vision.

There are roughly 2 million people in India – across insurance, banks, IFAs and national distribution firms – who discuss financial services with clients. But only around 40,000 of these are regulated by SEBI.

"We think [rolling return data] is a better way to measure the long-term performance and ensure consistency."

"The regulations say that if someone is offering more than one product type to a client, then they will need to get an investment advisory licence [from SEBI]," explains Dhawan.

For those firms and individuals which, going forward, want to still operate as a non-adviser, then they must call themselves a 'mutual fund distributor' and give no advice.

Yet Dhawan believes that most people will want to evolve to providing advice.

Meanwhile, the regulator is showing that it is not to be messed with. In late November 2016, for example, it banned three entities from acting as investment advisers, after finding them guilty of providing unauthorised services to investors.

FILLING THE GAPS

There is also a pressing need within the advisory landscape in India to address some structural weaknesses, in order to rise to the challenge of providing a suitable and consistent service.

For example, the Indian wealth management industry continues to suffer from a lack of advisory talent.

"There is a clear need for more training and development in the local market, with specialist programmes needed," explains Dhawan.

"We think that this should start at the high net worth level and then move down," he adds.

The availability of products is another issue. For example, REITs have been under discussion for several years but haven't really taken off.

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More broadly, beyond funds, there is a need for more diversity and options. For example, many individual investors look at funds as one 'bucket', and once they have too many, Dhawan says they don't want any more. ■