

Mr. Advisor – The Right One for You

Girish Porwal, my friend and colleague works with a MNC in the middle management, needless to say drawing big money & living a life style which commiserate with his position & package. But when it comes to saving & investing his hard-earned money, he takes a back-seat making almost all his financial decisions on a ad-hoc basis and based on advice (or shall I call it the sales pitch) of his various financial advisors. Let me illustrate the circumstances under which he takes his financial decisions.

Girish goes to his bank to make an enquiry, his personal banker “Hello Mr. Porwal! How are you? ...XYZ Mutual Fund has launched a new fund; the fund will invest in both mid-cap & large-cap exploiting the market opportunities. Why don't you invest some money?” Every year in the mid of January Girish gets anonymous calls “Good Morning Mr. Porwal, I am Jennifer from XYZ Life Insurance and we provide financial consultancy. I would like to introduce our product in which you can make investments to save on your taxes, plus you will get a life cover too.” Now just imagine consultants & professionals making cold calls. Taking financial decisions on a ad-hoc bases puts your personal finance situation in a mess.

These are just some of the circumstances under which not just Girish but many of us make our financial decisions. If only you have a financial advisor who would understand your financial goals, has knowledge of financial products and markets & advises products based on your needs and not on based on his commissions or targets, life would have been much simpler and peaceful at least with regards to you financial health.

The onus of getting the right financial advisor and getting the right financial advice is on you. Getting good financial advice will make a real difference to achieving you financial goals. You might want to buy a house or car, you may want to plan for you children' education or marriage, put yourself on track for a comfortable retirement or may just want to reduce on income tax which is the most popular goal for many. There are hundreds more things to think about and a good financial advisor will help you understand and prioritize you financial needs, as well as recommend products which can help you.

Now that we have seen under what circumstances we need financial advice and the importance of getting the right advice, let us see how to choose a financial advisor. In the marketplace, financial advisors are called by various names like financial consultant, financial planner, relationship manager, investment advisor, wealth manager, personal finance consultant, insurance advisor, portfolio managers, tax consultant etc. By whatsoever name they are called with, most of them sell/advice on mutual funds, insurance, equity shares, bonds, deposits, small savings schemes, loans, income tax etc. You may choose to work with multiple or a single financial advisor depending on your individual situation, product needs and availability of good advisors.

Types of Financial Advisors

Financial Advisors in the market can be broadly segregated as Institutional and Independent. Each one of them has their own strengths and weaknesses. Whichever category they fall into and by whatever name they may be called, most of them are driven by targets and commissions. Let us accept this fact and learn to choose a financial advisor and get the right advice for the financial products we are buying.

Institutional Financial Advisors

They are the one who are employed by Financial Products and Services Company. Most of them are MBAs or Graduates with AMFI and NCFM Certification. Their strength lies in the company name they are employed with. It gives a great level of comfort dealing with well-established company which is handling money of thousands of investors like you. The advisors undergo continuous training & have ready knowledge source for any kind of information you may ask them. But at the same time one should remember, your financial success at times depends on your financial advisor and not on the company he/she is associated with.

It may be noted that they may be driven by high sales target they get which makes them spare minimal time on after-sales service/advice. Second, they are young professionals switching jobs from one company to another in pursuit of higher packages. There is a degree of comfort level which is built, which is lost once your advisor switches and you may have to deal with a new advisor. It is always beneficial for both the advisor and the client to have long-term relationship, which may not be possible in this case.

Employed by	Products for sales and advice
Insurance Companies	Insurance Policies
Mutual Fund Companies	MFs, PMS Services
Equity Broking Firms	Share trading, IPOs & PMS Services
Private & Foreign Banks	MFs, Insurance Policies, Bonds, Deposits
Distribution Houses	MFs, Insurance, Bonds, Fixed Deposits, Govt. Schemes & IPOs

Independent Financial Advisors

The Independent Financial Advisors are self-employed who run their business from a small office with some support staff. Most of them are your friendly neighborhood LIC agents and share sub-brokers. They are friendly, flexible & spend time to understand your needs & make you understand the products which will fulfill them. Their only marketing tool is word of mouth and reference, so they try their best to keep you happy. But the disadvantage is they may lack training support & professionalism in their service. You may also find it uncomfortable to deal with them unless you have received very good reference about them.

Category	Products for sales and advice
Insurance agent	Insurance Policies
Mutual Fund distributor	Mutual Funds
Equity share broker/sub-broker	Share trading, IPOs
Income tax consultant	Tax Planning, Employee Benefits
Distributor/Advisor of multiple financial products & services	MFs, Insurance, Post Office schemes, share trading, tax etc

Parameters to choose your Financial Advisor

While you may choose to work with different advisors for different investment needs or work with a single trusted advisor year after years, you will find the following parameters useful in deciding if the advisor you are choosing deserves your confidence and trust.

1. *Qualifications* – Check what qualification he has in the field of personal finance. Professionals like Certified Financial Planners (CFP^{CM}) go through elaborate education program & adhere to strict ethical guidelines.
2. *Experience* – Choose an advisor who has prior experience counseling individuals on their financial needs.
3. *Association /Professional Membership* – Find the credibility of the Financial Advisor's employer or the professional organization he is associated with.
4. *Reference* – Always ask for two references of his clients. Asking references keeps the advisor on toes and doesn't let him take you for granted. Also be ready to give reference if you are satisfied with his services.

Responsibilities as a Client

- To communicate clearly and honestly with your advisor so they understand your financial circumstances, investment objectives and experience.
- To ask questions about investment matters that you do not understand.
- Be realistic in your expectations
- To track & monitor your investments based on your changing needs

What to expect from your Financial Advisor

- to be competent and ethical, and to act in your best interests at all times.
- to deal with you fairly, honestly, and in good faith.
- to find out your general investment needs and objectives.
- to make recommendations that are consistent with those investment needs and objectives.
- to disclose the risks associated with their recommendations.
- to provide regular statements of accounts detailing the transactions in your accounts, the fees charged and the securities held on your behalf.

In the Long Run

You may already be dealing with a number of advisors or you might be looking for the right one. For long term benefits, get yourself a financial advisor who can give you holistic advice on various products and plan your investments, retirement, insurance & taxes. The one who understands your needs completely and guides you to your financial goals.