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Role of Wealth Managers in the Investment Planning

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ABSTRACT

Complex nature of the financial products available in the market made wealth management service highly essential. Investors with low financial literacy or lack of updated knowledge find it difficult to optimize returns on the investments made by them. Dynamic conditions of all types of financial markets, complicated legal procedures etc. are making wealth creation difficult. Looking at this situation management of wealth becomes crucial. Wealth management can be considered as the science of protecting and enhancing financial wealth of the client. Investors from the Mumbai City & Suburbs are considered for the study. The Study will be based on both primary and secondary data. Primary data will be collected through survey method in selected geographical area and Secondary data from journals, books, websites & magazines. The study is presented in the form of research paper based on the original work.

Keywords: Wealth Management, Investment Planning

INTRODUCTION

Wealth

Wealth is the richness of possessing valuable financial assets or physical properties which can be converted into monetary form to be used for dealings. As per economic term, wealth is the net worth of an individual, household, or state that means, the value of all possessions owned after deducting all liabilities payable at any point of time.

Investment

In modern era, investment is the tool considered to create and enhance wealth of an individual.

Basically, to invest is to earmark money in the expectation of some value addition in the future.

An investment is a property or item owned with the aim of creating revenue or appreciation. In economic terms, an investment is the acquisition of goods which are not to be consumed today but to be used to create wealth. In finance, an investment is a financial asset acquired with an intention that the asset will provide revenue in the future or will later be traded at a greater price for a profit.

Investment Avenues

Bank FDs – An option which is considered as most safe option by most of the people. It is one of the traditional ways of investment. It gives moderate rate of returns.

Life Insurance – Now-a-days Insurance, mainly a security tool, is also being used for investment purpose. Various lucrative schemes, attacking emotional marketing and tax benefits are the drivers of success of this investment avenue.

Real Estate – An investment avenue which has romanticism attached to it, many people look at this avenue as a dream. This investment avenue is also considered as an opportunity to earn double income.

Bullion – Indians cannot be taken away from their traditional fascination. It is considered as dual beneficial investment avenue. Customs and tradition of India requires bullion investment as well as it is considered as an investment to be used in emergency by every household.

Equity Markets – Secondary markets' instruments available for investors which provide various alternatives to investors to gear their capital, their lucrative returns as well as high risk rider makes it an avenue which needs deep study before investing in it.

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Mutual Funds – This avenue pools capital of number of investors and further being invested in equity, gold, debt etc. it is managed by professional fund managers. It is now being opted in place of direct share market investment as its diversification allows cushion from volatility of share market. Also, Systematic Investment plan (SIP) made it more convenient & popular.

Government Bonds – It is safest investment option available. It is backed by government which make it safest.

Debentures/ Bonds – Basically when incorporations need to raise their funds, they can issue fixed interest instruments like debentures or bonds. Though they are not as safe as government bonds but do provide higher returns than government bonds.

Post offices – One of the safe ways of investment available nationwide, it provides relatively low rate of returns.

Pension Schemes – Various pension schemes provided by both private finance institutes as well as government. Long term annuities provide relatively moderate returns and do also considered as safe way of investment. (Government schemes specifically)

Post Office Schemes – Offered by Government of India through post offices across the nation for the various duration at different rates of interest. It is considered as the most secured investment.

Provident Funds – It is a long-term investment option; wherein certain amount is to be deposited in regular intervals and at the maturity lump sum amount can be withdrawn. It is mainly for salaried employees however general public also can deposit by way of public provident fund.

Investment Planning

Investment planning is the process of recognizing financial goals and converting them through structuring a plan. Investment planning is the key element of financial planning. The investment planning begins with recognition of goals and intentions. Then we need to harmonize those goals with our available financial possessions. In current era there are many investment avenues to invest in. Formation of systematic strategy to achieve financial goals considering available investment avenues is investment planning.

Importance and benefits of Investment Planning:

Financial Security: Investment planning is an important aspect from the point of view of financial security. In case of contingencies, individuals can be secured financially by the investments he made.

Income Management: Investment plans facilitate the investors to manage incomes in most beneficial way which can increase future revenue.

Financial Literacy: Involvement of investor in creating investment planning leads to improve financial literacy. Improved understanding about financial concept will eventually enhance investment quality.

Liquidity: Better investment plan always take care of availability of liquid funds whenever needed.

Growth of Capital: Investment planning aims to increase the Corpus created by an individual.

Tax Minimization: Investment planning takes in to consideration the reduction of wealth erosion due to tax payments using tax saving investment avenues.

Standard of Living: Better savings, Improved returns and strengthen assets enhance the quality of standard living.

LITERATURE REVIEW

Jean L.P. Brunel (2011) studied wealth management as a discipline which gained important role in the financial industry after the melt down of 2008, and concluded about the framework of wealth planning for private wealth planners & investors.

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Shijia Gao, Huaiqing Wang, Yingfeng Wang, Wenqi Shen, SiubunYeung (2005) studied about the web-based service agents (wealth managers) concluding about the need of such techniques are essential. The growing number of well-to-do families, large amount of intergeneration of transferable wealth, volatile financial markets, frequently fluctuating tax laws and increasing complexity of planning increases the demand of aggregated family wealth management (FWM) services.

Dennis Ceru (2004) suggests that financial service institutions' interest in the "new wealth management" is a natural evolutionary response of institutions seeking to regain and renew their competitive advantage. e concludes that, without a dedicated commitment to changing culture, actively reforming process, and engaging in strategic collaboration, the firm (and its divisions and advisors) will remain an island unto itself—a value proposition that cannot be sustained when clients and their fortunes are at stake.

NEED OF STUDY

Wealth Management is always considered as a tool for affluent investors. It is said that Wealth management is done for 'Richie Rich'. But in India with emerging economy, the need is different. As per the data published by Income Tax Dept. for A. Y. 2018-19 approximately 64.25% taxpayers are earning taxable income which is less than Rs. 5,00,000. Since these taxpayers are not affluent investors so wealth management is not considered for them. The study and the recommendations based on it, is a sincere attempt to provide wealth management solution to them which will help them to invest in focused direction.

RESEARCH DESIGN

A. Objectives of the Study

i. To know investment pattern of the investors.

ii. To know role of wealth management in focused investment

iii. To understand investment goals of investors

iv. To offer suggestions and findings of the study

B. Hypothesis of the Study

a. Hypothesis 1

H_0: There is no association between Annual Income and Preferred Investment Avenues of the respondent

H_1: There is an association between Annual Income and Preferred Investment Avenues of the respondent

b. Hypothesis 2

H_0: There is no association between Annual Income and Investment Planning of the respondent

H_2: There is an association between Annual Income and Investment Planning of the respondent

c. Hypothesis 3

H_0: There is no association between Annual Income and Investment Decision Influencer of the respondent

H_3: There is an association between Annual Income and Investment Decision Influencer of the respondent

C. Research Methodology

The data have been collected through both primary and secondary data. The primary data have been collected through a well-structured questionnaire, comprising optional type and Likert's 5-point scale type questions. Secondary data is referred from internet, books, magazine, journal, newspaper etc.

- Research design – Descriptive and Explanatory
- Sampling method – Random sampling
- Sample size – 103
- Tool used – MS-Excel & SPSS

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- Data collection tool- Questionnaire
- Data analysis tool- Frequency & Percentage analysis
- Data presentation tool- Table, Pie & Bar Diagrams
- Hypothesis testing – Kruskal–Wallis Test

LIMITATIONS OF THE STUDY:

The research area of the study is confined to Mumbai city and suburbs. The data provided by the respondents is purely based on their discernment only. The quality and reliability of the data collected is the actual expression of respondents. Results of the present may not be generalized, as different results could be obtained due the different perception of individuals in another city.

Hypotheses Testing

Details –

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of ModeofInvest is the same across categories of Annual Income (Rs.).	Independent-Samples Kruskal-Wallis Test	.010	Reject the null hypothesis.
2	The distribution of Investplanning is the same across categories of Annual Income (Rs.).	Independent-Samples Kruskal-Wallis Test	.029	Reject the null hypothesis.
3	The distribution of InvestDecision is the same across categories of Annual Income (Rs.).	Independent-Samples Kruskal-Wallis Test	.002	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

	Null Hypotheses	P Value	Decision
Hypothesis 1	H_0: There is no association between Annual Income and Preferred Investment Avenues of the respondent	0.010	Null Hypothesis Rejected
Hypothesis 2	H_0: There is no association between Annual Income and Investment Planning of the respondent	0.029	Null Hypothesis Rejected
Hypothesis 3	H_0: There is no association between Annual Income and Investment Decision Influencer of the respondent	0.002	Null Hypothesis Rejected

FINDINGS

1. 64.08% of the respondents not availed wealth management services.
2. Following are the reasons to avoid Wealth Manager

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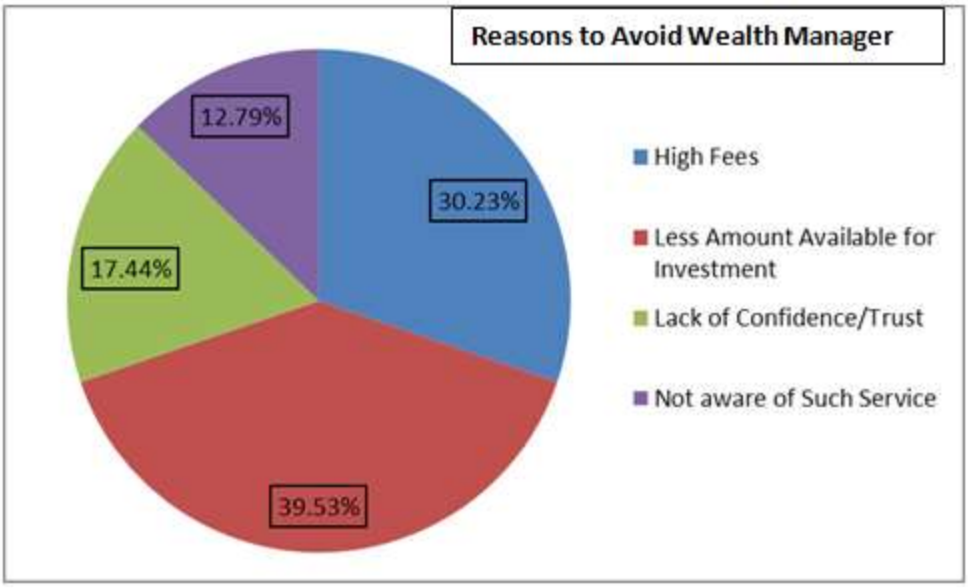
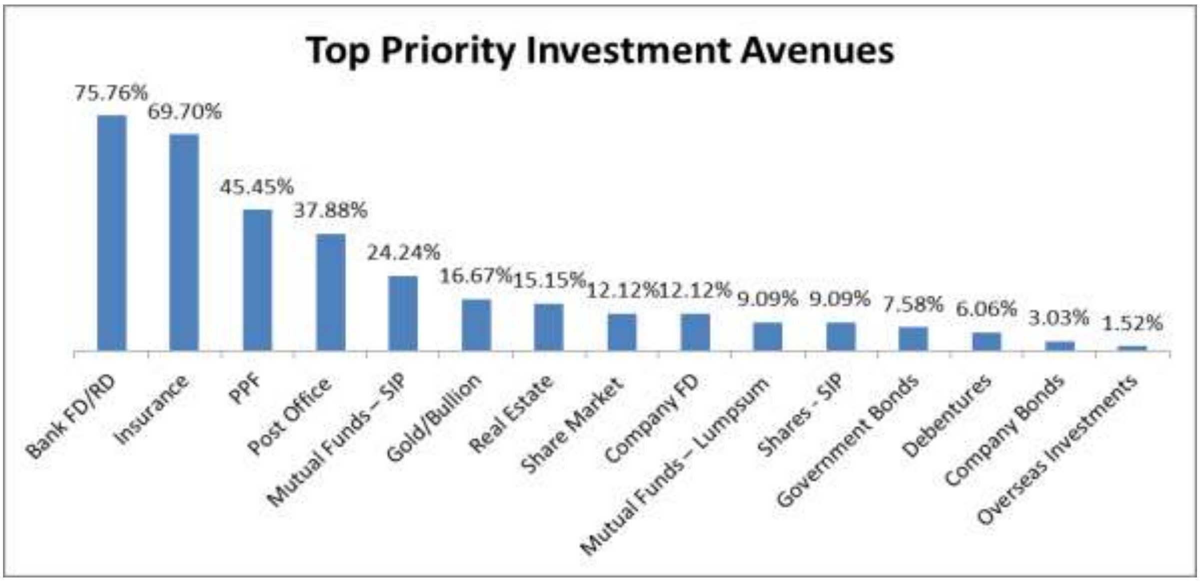


3. Respondents not hiring wealth management do not diversify their investment. They majorly stick to traditional investment options and hardly explore the non-traditional ones. Moreover, they consider insurance as investment option instead of protection tool.



4. 34.85% of the respondents not hiring wealth management services ignore financial goals while investing.
5. 80.30% of the respondents not hiring wealth management services invest only because of availability of funds without any prior investment planning.

CONCLUSION & RECOMMENDATION

1. Investor Awareness is highly needed about the various aspects of investment planning viz. investment avenues, focused investment, wealth management
2. Wealth management services may gain more popularity if they will be available at affordable fees.
3. Wealth Management services are generally available for higher amounts which can be introduced for lower amounts as well.

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4. It was also observed that many of the respondent s not hiring wealth management services are ignoring their financial goals while investing which actually is a big matter of concern.
5. Many of the respondents though covered under life or health insurance but their cover is not adequate in proportion with their annual income.
6. Tough most of the respondents invest in the various insurance schemes and also availed health insurance but very few of them are aware about liability(loan) insurance.

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