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FIFA Perspectives

Dec 2012

FIFA elects a more inclusive board in its 1st AGM



FIFA held its 1st AGM on Dec 21st, 2012, at Mumbai. In the elections that were held through a formal secret ballot system, two new faces got inducted into FIFA's Board – which aptly represent the rapidly changing contours of FIFA. Mr. Vijay Agarwal from Indore represents the voice of IFA association members of FIFA and Mr. Bhavesh Dalpatram Damani represents the voice of FIFA members who have opted for the ordinary membership. FIFA welcomes its new Directors and reaffirms its commitment to staying focussed on a truly inclusive

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2 good ways to deal with the forthcoming change

Dhruv Mehta, Mumbai; Chairman - FIFA



The New Year brings for IFAs optimism on asset classes but some apprehensions as well on the new direct plan regulations that kick in from Jan 2013. Dhruv Mehta, in his new year message to all IFAs across the country, shares 2 key ways in which IFAs should prepare for the new paradigm and emerge stronger. Read on as Dhruv explains how going back to basics and sharing best practices can help all IFAs manage change successfully. This article is part of FIFA Perspectives - the monthly newsletter that Wealth Forum produces jointly with FIFA.

A mix of optimism and apprehension

All of us in the advisory and distribution business are approaching the new year 2013 with a positive view on debt and equity markets, which is good for our clients and for industry volumes. We are at the same time somewhat apprehensive about how recent regulatory changes might impact our business models.

At FIFA, we have been actively representing our views to the industry and to regulators about how we see the impact of new regulations - both positive and negative. We have been forthright in giving our suggestions on how some of these regulations can be shaped to better serve the objectives they are meant to. We await the final advisor regulations, and hope that our as well as everybody's comments and views are taken on board in framing these important regulations. On the other key issue that concerns us - direct plans at a lower expense ratio - we have actively put forth our apprehensions to the regulator.

While representations will continue and we at FIFA are committed to continue playing an active role in reaching the voice of the IFA to the regulators, we have to at the same time understand that it is in our best interests to prepare for the new environment that lies ahead of us.

When preparing for change, go back to basics

When preparing for change, it is always useful to go back to basics. We need to ask ourselves some simple questions - What is our business? Whom do we serve? What is the value proposition we offer to those we serve? We are all in the profession of offering advice and service to our investors. As long as we keep focussing on adding more and more value in terms of advice and service to our clients, our value proposition to them will remain strong. When our value proposition is strong, clients will continue to want our services. In other words, what I am really saying is that we must all introspect in our own business models to find out what will enhance our customers loyalty to us and to our services, and do what it takes to enhance loyalty.

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Sharing views and experiences is the best way forward

In large organisations, HR teams prepare you for change, help you with tips to deal with change, share best practices from other organisations on managing change successfully. We IFAs do not belong to any large organisation, and therefore do not have readymade access to such change management programs. But, we do have a fantastic opportunity to help each other, by sharing views and experiences. The more we do this, the more willing we will become to embrace change, deal with it and emerge stronger. Wealth Forum is a very useful platform for all of us to exchange our views on a common platform and imbibe best practices from each other. It is towards this end that many of our FIFA members have been actively participating - through FIFA Perspectives (the monthly newsletter that Wealth Forum and FIFA produce) - in sharing their insights and learnings on key business issues.

To download FIFA Perspectives, go to [FIFA Corner](#) on the Wealth Forum Ezine website

Let's come together and strengthen ourselves

It will be FIFA's ongoing endeavour to reach out to all IFAs across the country with an intention to share insights, learn from each other, and strengthen our common cause. FIFA now has 110 members (including one IFA association), from 21 cities across the country. I would like to use this opportunity to welcome all IFAs and IFA associations from all over the country to come together, join FIFA and strengthen our efforts. All information on how to join FIFA is available at www.fifaindia.org or in Wealth Forum's [FIFA Corner](#)

Biggest service for our clients in 2013 is to get their asset allocation right

Finally, I suppose all of us are quite optimistic about both the key asset classes - debt and equity - as we go into 2013. This augurs well for our clients and for business volumes. The one thing that we all need to reiterate to ourselves, as we go into the new year, is to ensure we do our best to get all our clients' asset allocation right. If we succeed in executing this one thing properly in 2013, I am sure we will have many satisfied clients and consequently more robust businesses by the end of the year.

Wish you a very happy and successful 2013 !



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Fear is your biggest enemy - nothing else

Ravi Kohli, BlueChip Capital, Delhi; Founder – Director, FIFA



Ravi Kohli is not just one of India's most successful IFAs, but one that most of the IFA fraternity looks up to as a friend, philosopher and guide - a mentor who generously and willingly imparts the wisdom he has collected over 25 years in this profession, to any IFA - big or small, who seeks his inputs. As the IFA fraternity once again finds itself at the crossroads that new regulations have placed them at, Wealth Forum turned to Ravi to share with the distributor fraternity his insights on what it really takes to build regulation-proof and market-proof business models. This interview forms a part of FIFA Perspectives - the monthly newsletter that Wealth Forum produces jointly with FIFA.

WF : You have completed 25 years in the financial advisory profession. A lot has changed in the landscape, and continues to change, even as we speak. When you look back at the last 25 years, what were some of the defining moments that you think impacted this profession most? In what ways did you evolve your own business model to stay in tune with changing times?

Ravi : Last 25 years have been eventful in the financial services industry. Industry has changed a lot in terms of way we save, the way we invest. To take you back in the 80's the investor's community had broadly three options of investments - Unit Trust schemes, Company Fixed Deposits and Postal schemes. In 1991 after the first round of liberalisation, the Government allowed Private Mutual Funds to operate in India which to my mind was a defining moment for the financial services industry. For the first time returns were correlated to the market performance of the investment. This was such a unique opportunity for investors in India to realize the optimum return on their investments. Before that the return were fixed and the investor could not take the full benefit of the capital markets.

We at Bluechip Capital change our strategy decisively in favour of Mutual Funds by mid 90's and since then we have been focusing on mutual funds. We realise that the future of investments will be mutual funds for a very long time to come and changed our business strategy accordingly.

By Mid 90's many companies failed in their obligation to repay Fixed Deposits to their investors and hence we saw emergence of Mutual Funds in a big way - and that trend has continued till now. Till the late 90's we spent our time, money and energy to educate our clients on various facets of Mutual Funds & its schemes. We were rewarded for our effort when our investors gradually shifted from traditional investment products to Mutual Funds. We made them comfortable with the plain vanilla debt schemes and gradually made them invest in hybrid equity funds and later on equity funds. These changes in investor habits take time - you have to persevere and stick with your strategy, if you are convinced this is the best for your clients.

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WF : Your core philosophy, for as long as I have known you, has always revolved around the belief that relationships are your biggest armour against volatile markets and ever changing regulations. Can you please elaborate on this and share with us your own experiences that reinforce this point?

Ravi : Our core philosophy is that "there is no right way for doing a wrong thing". We have given utmost importance to build relationships with clients and earn their respect and trust. Respect come with time as we build strong foundations of relationships with our clients, as we believe in giving clients a total solution of their investment needs. Regular interaction with the investors and updating them with the changes in the market is our biggest armour against volatility of the market. We make an extra effort to interact with the clients. When the markets are extremely volatile we hold their hands at such a difficult time and make them aware of the reward of passing through this volatility.

I always tell this little story to my IFA friends : imagine you are a pilot, flying 200 passengers on your plane. Your plane hits quite a severe air pocket and the turbulence makes many passengers nervous. You get on to the PA system and start speaking with your passengers. Now, what you tell them and how you tell them is very crucial. If your voice were to betray anxiety and nervousness, think of what will be going on in the minds of your poor passengers - they will be left with only praying to God, as they instantly give up on the pilot. On the other hand, think of a situation where the pilot gives a reassuring and calm message that yes, there is a severe air pocket, that it will last for many more minutes, but please sit back and stay calm - we have flown through many such air pockets in the past successfully, we will fly through this one too and will get all of you to your destination safe and sound. Think of how comforted the passengers will feel with such a message. It will instantly give them the confidence that they will indeed reach their destinations safe and sound - because they have a pilot whom they now trust, to get them there.

This is exactly the role that we advisors play when turbulence hits our investors portfolios. How we proactively handle our investors concerns and reassure them is what builds trust, is what strengthens relationships. In the last equity melt down (2008), when people in general were redeeming their equity portfolio from various mutual funds, Bluechip's share of redemptions was bare minimal. We consider this as a reward of our continuous engagement with our clients.

WF : How do you see the wave of regulations that advisors and mutual funds are being subject to over the last few years?

Ravi : In the Wealth Management industry we are seeing lots of changes in terms of regulatory intervention. We firmly believe regulations are important to instill confidence in many of investors as they feel their money is safe in the light of regulations. To give you an example when people make Bank Deposits they don't generally ask about the health of the bank as they feel that with RBI as regulator, the money is safe. We believe SEBI being regulator for mutual funds and now for advisors, has definitely brought the confidence of safety of money in the mind of investor.

The Wealth Management industry in fact is 20 years old in India. Changing regulations have made the environment tough for many distributors of financial products. Many business modes were evolved in the past and they continue to evolve with change in regulations. The recent regulation regarding investing directly in mutual funds has made a deep impact on the distributor community. We feel many distributors will not be able to cope up with the new regulatory changes including the direct investing one and may not sustain in this business for long. We believe distributors with strong business fundamentals will survive and will be able to change their current strategies to deal with the new regulations and look forward to a rewarding future. Time has clearly come to become an advisor than a product pusher. As long as good advice is at the centre of your business model, you should be able to navigate these challenging times successfully.

WF : One very noteworthy facet of your business is that you have been very successful in dealing with, retaining and growing relationships across generations within your client families - sometimes dealing with 3 generations of the same family. What does it take to build and sustain such inter-generational relationships? What are some of the challenges in dealing with families across generations and how do you cope with this?

Ravi : The biggest challenge for any advisory organisation is not only to build the relationship with the first generation but how to carry forward it to the next generation.

We strongly believe that wealth creation is not only the responsibility of one person but a collective effort of the entire family and some habits need to be inculcated into the next generation and for which we believe a financial advisor's role become very important. In the 80's when we were dealing with clients, the financial products were much more simpler, service delivery was average, technology played a very little role. But in the last 15 years the investment products have become complex, standard of service has greatly improved, and technology is playing an integral part of managing wealth and services. Some of the challenges that we face with the second generation is that many of them have spread across the region and the globe hence we have to rely greatly on technology in terms of not only communicating with them but giving them solutions which are more appropriate to their individual needs. Another challenge that we face is that the new generation has no time and wants quick results. We really have to work hard to make them realize the ground realities and make them a part of a long but successful wealth creation goal.

WF : Many IFAs find themselves at the crossroads, again - and are seriously questioning their own business models. Direct plans and the proposed advisor regulations are leading to a lot of introspection within the IFA fraternity about the road ahead. You have seen many upheavals in your rich experience as an advisor. How are you preparing for the new playing field that you are going to see in 2013? What advice would you like to give fellow IFAs at this juncture? How should they shape their business models to overcome challenges and grow rapidly?

Ravi : Fear defeats more people than any other thing in the world. Fear has the way of making things bigger than they are. Don't allow fear to settle in any part of your life. It is a defeating attitude and a negative emotion - replace it with a problem solving attitude. Have faith in yourself and work hard. Put that formula in to working order for yourself and you will be dealing from a position of power that is winning.

This is the advice I give to many IFAs I come across : sooner they get adapted to the new regulations, it will help you to survive - and believe me, there is enough room for us to grow, despite all the new regulations. When entry load was removed from direct investments in 2008, there was a general fear among the IFA community that their clients will leave them and invest directly with the fund houses. The historical data shows that a very small number of people opted for direct mode. The reason for that is good advice cannot be replaced by a low price alone.

We strongly believe in delivering robust and good advice, which is an integral part of a successful practice. We further believe that these regulatory changes will not deter our mission of wealth creation.

Bluechip has been dealing with HNI segment ever since its inception and most of our clients have seen different cycles of investments and we have created a strong bond with our clients based on strong value system in our company which make us feel sure of their association. Regulations have changed many times in the past and I am sure they will continue to change in future as well. It is the ability to quickly adapt to the new regulatory regimes which help us to sail through turbulent times successfully.

As Napoleon said "A leader has the right to be beaten but never the right to be surprised". My advice to IFA's is to see themselves as leaders..... start right now. It will mean you are self reliant, responsible and not being unnecessarily surprised by the vicissitudes of life, whether you are in business or not. Another advice to IFAs in 2013 is have confidence in themselves and continue their mission of wealth creation for your clients. Build strong relationships with clients - your value addition will make them stay longer with you and there is no needs to be fearful of the new regulatory regimes. Adapt and act. Have a very successful year 2013.



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FIFA welcomes its new members

Life Members who have joined us between Oct-Dec 2012

SUBRAS INVESTMENTS	KETAN SHAH	MUMBAI
SUBRAS INVESTMENTS	VISHAL SHAH	MUMBAI

Ordinary Members who have joined us between Oct-Dec 2012

INVEST EXPRESS	HIMANSHU KIRTIKUMAR DANI	MUMBAI
WEALTH INDIA FINANCIAL SERVICES PVT LTD	SRIKANTH MEENANKSHI	CHENNAI
WEALTH INDIA FINANCIAL SERVICES PVT LTD	C.R.CHANDRASEKAR	CHENNAI
PEGASUS ADVISORY PVT LTD	SANJAY SONDHI	NEW DELHI
BHARAT R THAKKAR	BHARAT R THAKKAR	MUMBAI
M2M FINANCIAL SOLUTIONS PVT LTD	MINESHKUMAR MEHTA	MUMBAI

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