

Building Blocks of a Financial Planning Practice



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Practitioners often want to know how they can build an enduring and profitable Financial Planning practice. How to make an impression on clients and build a lasting relationship with them, what are the processes, systems and procedures required to set up a thriving Financial Planning practice, are some of the questions to which they seek answers.

Based on my experiences I am happy to share some behavioural traits and decision-making tools that can help to start, maintain and grow a robust Financial Planning practice.

TRUST AND RELATIONSHIP BUILDING

Creating trust is the first and the most important parameter for a client when selecting a Financial Planner. How an advisor presents herself, her USP and what she can do better than any other advisor, are some of the elements that influence them in their choice of a practitioner.

Trust is an important prerequisite for creating a long-term relationship. Building trust with the client begins with having trust in ourselves, our conviction in what we are recommending to our clients and assuring them that we would have done the same thing if a similar situation were to confront our finances.

Very often investors seek advisors due to their ignorance about various aspects of personal finance, lack of time and lack of subject matter expertise. As such, the client's needs, objectives and expectations as to what we can offer, the scope of the engagement and our limitations as an advisor, should be covered in the initial discussions before on-boarding the client.

PROFESSIONAL ADVICE

The need for timely, professional, unbiased and ethical advice cannot be emphasised enough. A businessman seeks advice from his tax consultant. Similarly, an investor seeks guidance on aspects relating to his personal finance - from investing in the right instrument to asset allocation and merits of choosing a particular investment vehicle, strategies to follow, why to invest in "A" instrument and not in "B", tracking portfolio performance etc.

As a fiduciary advisor one should always provide a holistic approach to a client's finances and

focus on wealth creation for the client. Often we also give advice to the children of our clients, who are just starting their careers, to save and invest in long term products that would help in creating



a base of savings for their future.

For instance, we help clients surrender their old and low interest earning insurance policies thereby streamlining the cash flows into some better interest earning instruments. A simple debt management advice as to what type of interest to opt for, loan tenure, prepayment schedule etc. can help a client in creating a clean and healthy balance sheet in the long run.

BUSINESS MODEL AND FEES

The ideal type of client you would like to work with is another crucial factor which will help you shape your business. Details of fee structure and business emphasis are important decisions to be made here.

Talking about the business model is important, especially with regard to how the billing will be done - on the basis of time spent with the client, or on the basis of the assets managed or any other method. It is essential that the client understands exactly what she is paying for and how much at each stage of the process. If the advisor is earning any commissions

from recommending or sale of products, this should be disclosed upfront.

Financial Planning in India is still a nascent profession with changing dynamics, regulatory

checks and growing best practises. It is important to quantify and communicate to the client what goes into preparation of a comprehensive Financial Plan, the time and efforts involved in both client-facing and backend operations, the comprehensive level of planning and basket of services to suit varying requirements of clients. The certification, qualification and experience of an advisor can also determine the level of fee.

SERVICE

Showing the client that you care and are always there to address her queries and doubts should be an integral part of your guidelines and policies. Timelines for responding to a client's questions play an important role in the service standards we set for ourselves. Establishing a process for resolution of queries gives the client the comfort that the advisor is giving her focused attention.

TOOLS AND TECHNOLOGY

An investment advisory firm can scale up its operations using and implementing technology with

accuracy and speed. Routine tasks can be speeded up with the effective use of technology. It frees up the advisor to focus more on other important tasks. Detailing and following a process can also help in scaling up the business while ensuring service standards are met.

COMPETENCE/EXPERIENCE

Clients want to work with advisors who have the experience across geographies, asset classes, and knowledge to address technical aspects of finances. Regulatory changes mandate proper qualification, education and experience to provide quality advice to the client. An advisor needs to constantly update her knowledge and be aware of relevant regulatory changes in order to be of the best use to the client.

IDENTIFY SPECIAL NEEDS REQUIREMENT

Seeking answers through open-ended questions is the best way to identify behavioural and special needs requirement of clients. Questions such as - What is bothering you the most? What would you like to achieve from us? Would you like to leave a legacy for your family? What are some of the better, and not so better, investment decisions you have made? etc. - help in identifying a client’s pain points and then provide solutions incorporating these concerns.

CLIENT ENGAGEMENT AND COMMUNICATION

Communication forms the key to client engagement. As a financial advisor, create formal communication plans with clients’ feedback incorporated from time

to time. Whatever the method, filter the best communication channels and maintain frequency and subject matter of interest as specified by the client. Recording investment recommendations have become a necessity now with Investment Regulations and more importantly to document the basis of advice provided and rationale for the same. Documenting important points of advice, suggestions, has become the need of the hour.

HUMAN RESOURCE

Finally, having a team with a common vision helps in the long run. Understanding roles and responsibilities and stated objectives is crucial along with initial orientation of team members. Regular discussion helps in recording, identifying and rectifying mistakes in the process.



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