

Setting up a Wealth Management Practice: Current Practices, Gaps & Solutions

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CURRENT WM

PLAYERS

- ▶ Banks (Cit Private, Axis Burgundy)
- ▶ Foreign Wealth Management Firms (Julius Baer, Macquarie Wealth, Barclays Wealth)
- ▶ Indian Boutique Wealth Management Firms / Family Offices (IIFL, Waterfield Advisors, Trust Plutus, Sanctum Wealth)
- ▶ National Distributors (NJ India, Prudent Wealth, Anand Rathi, Motilal Oswal)
- ▶ Independent Financial Advisors



CURRENT MARKET

SEGMENT

Investible Surplus

- ▶ Ultra HNWIs (Rs 25 crs+)
- ▶ HNIs (Rs 1 cr - Rs 25 crs)
- ▶ MNIs (Rs 25 lakhs - Rs 1 cr)
- ▶ Retail (upto Rs 25 lakhs)
- ▶ Segment Wise
 - ▶ Doctors
 - ▶ Defence Personnel
 - ▶ Women Investors
 - ▶ Retirees



CRITICAL COMPONENTS FOR A WM SET UP.....

- ▶ Strong conviction & passion
- ▶ Ethics & Integrity
- ▶ Transparency
- ▶ Great listener
- ▶ Master Story teller
- ▶ Knowledge of diverse industries
- ▶ Good Public speaking skills
- ▶ Need to be a good delegator
- ▶ High Tech & High touch



DIFFERENT REMUNERATION.....

MODELS

- ▶ Commission Income
- ▶ Commission + Fee Income
- ▶ Fee Offset model
- ▶ Pure fee Income
 - ▶ Flat fees
 - ▶ AUA linked fees
 - ▶ Hourly fees
 - ▶ Performance based fees
 - ▶ Cost plus fees

CURRENT GAPS IN THE WM INDUSTRY

- ▶ Trust deficit / mis-selling / transparency missing
- ▶ High pressure job / Targets driven
- ▶ Discontinuity of RMs
- ▶ Preference of complex products over simple ones
- ▶ Communication gap / Expectation mis-match
- ▶ One-stop solution not available
- ▶ Lack of robust platforms / complete end-to-end integration
- ▶ Focus on Returns / Goal based investing not yet mainstream



We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction.

— *Bill Gates* —

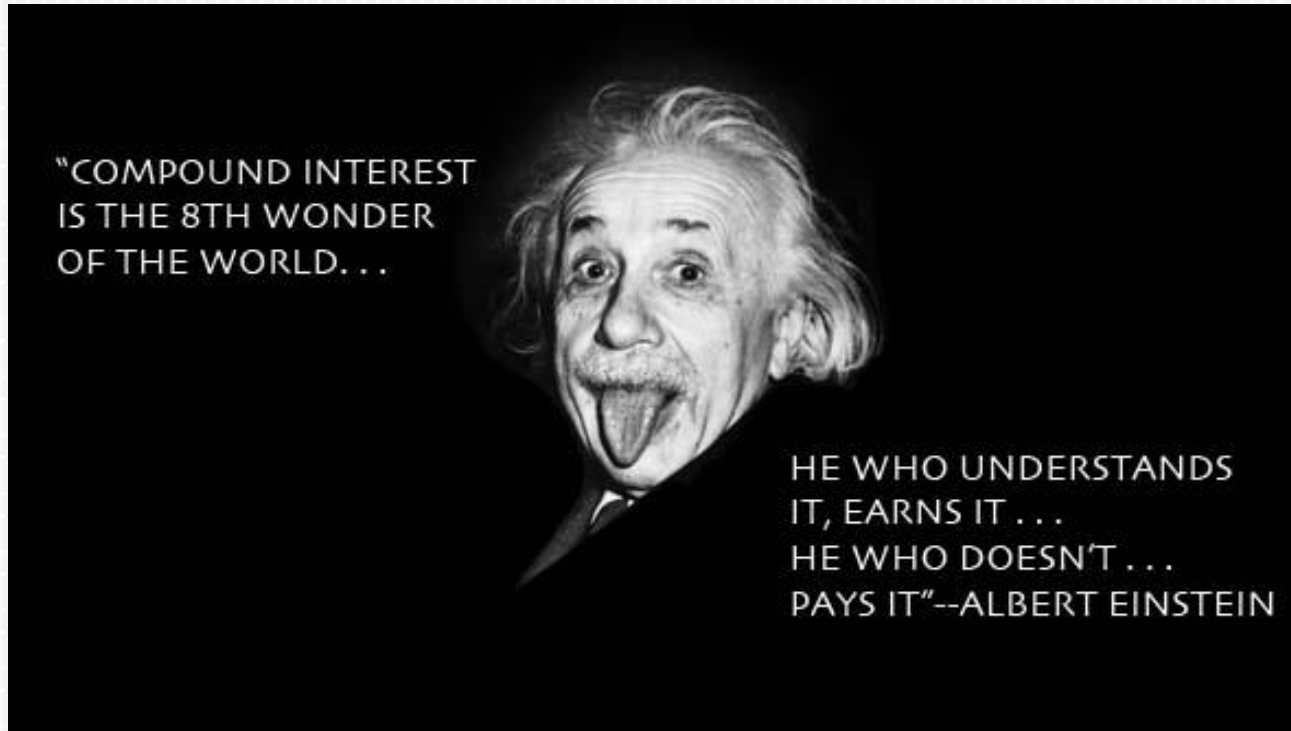
AZ QUOTES



“The single greatest edge an investor can have is a long-term orientation.”

— *Seth Klarman*

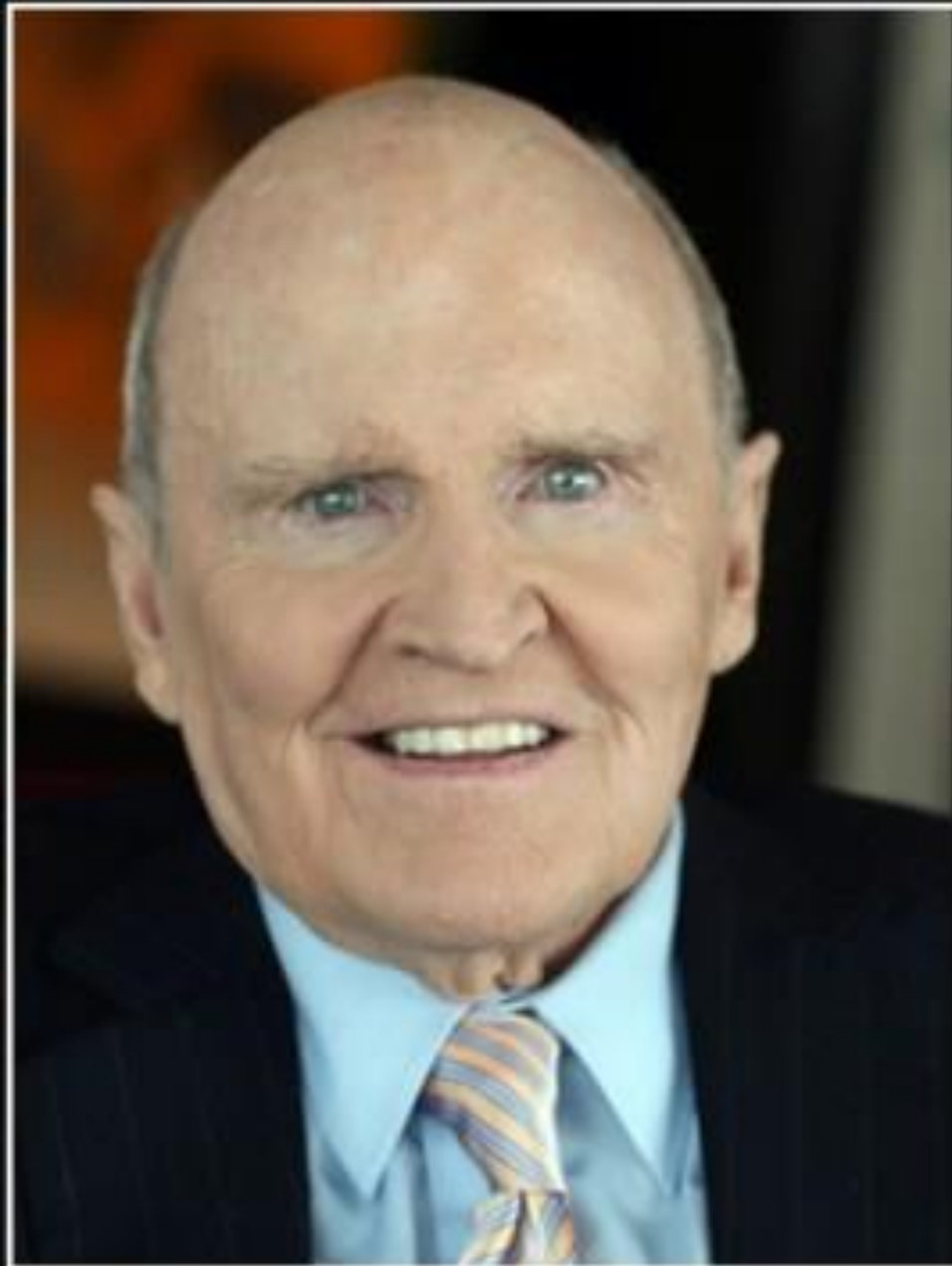
Do we really understand this business?



P #1: Power of Compounding

Rate \ Years	10%	15%	20%	25%	30%	40%
3	1.3	1.5	1.7	2.0	2.2	2.7
5	1.6	2.0	2.5	3.1	3.7	5.4
10	2.6	4.0	6.2	9.3	14	29
15	4.2	8.1	15	28	51	156
20	6.7	16	38	87	190	837
25	11	33	95	265	706	4,500
30	17	66	237	808	2,620	24,201

Difference between 10 and 30 years is not 3x but 87x!



If the rate of change on the outside
exceeds the rate of change on the
inside, the end is near.

— *Jack Welch* —

AZ QUOTES

FUTURE OF WM BUSINESS

- TERs are going to come down / Hence commissions to come down as well
- Future Trail Commission will look like -
 - Debt Funds: 0.25% to 0.50% p.a
 - Balanced & Equity Funds - 0.50% to 1.0% p.a
- Volumes will go up but revenues per client will come down
- Costs will have to be brought down
- Time is Currency. Delegation will play a key role. Anything not critical needs to be outsourced
- Collaboration will certainly be required
- Direct is threat as well as an opportunity
- Need to have defined processes so that as teams grow it doesn't create roadblocks
- Segmentation of clients will be key to decide profitability
- Robo Advisory will also be a big part of the industry
- Ethics and Integrity will be the single most differentiator
- Complete technology interface. No Ops Team reqd.

FUTURE OF WM BUSINESS

- High tech & High Touch will be the norm of the future
- One-stop relationship will be preferred as clients will be reluctant to share their confidential data to many advisors / distributors
- Need to spend lot of time training oneself and team
- Need to invest significantly in business infrastructure
- Compliance costs will be significant as records for every aspect of business to be maintained
- Need to hire like minded employees who also share your vision and also need to have profit sharing with them so that they are motivated to stay longer
- If possible need to hire smarter people than us so that newer ideas can flow in
- Clients need to see tangible values by being associated with us else they will leave
- Competition will also be severe as larger banks / wealth management firms will try to lure top 10% of our clients.
- Clients are also becoming smarter by the day. They will keep asking tougher and pointed questions. Complete transparency is very critical.

STRATEGIES THAT WORKED FOR ETICA WEALTH

- Try to educate your client as much as possible
- Invite them for seminars and other useful events
- Never ask for any reference yet we got the maximum business through reference
- Be very transparent with your client
- Never show desperation for the business
- Our decision to shift to South Mumbai has rewarded as well
- Reward your employees well. 5/10/15 structure
- Team Azure, Next Advisors, FP Study Circle, FIFA, Network FP, CFA Society

OUR ADVICE

- Get 3-5 yrs exp working with a Bank / WM Firm / IFA
- Take measured risks
- Read, read, read – This is very critical to our business
- Invest in yourself and your business
- Don't be distracted by noise
- Future is going to become more and more difficult
- Yet huge opportunities exists
- Maintain calendar
- Look for long term relationships
- Diversify your business and thus your revenue streams
- The power of trail commission / fees is humongous
- Always stretch yourself. If you are not living on edge you are wasting space
- Finally Act Fast...Time is running away.

EXAMPLE

Your Name: Rahul Kumar Your Firm Name: XYZ Financial Advisors

S.N.	Areas of Practice	Current Status (July 2019)	3 Year Goal (July 2022)
Efforts			
1	Number of Active Families Served	100 Families	200 Families
2	Team Size (including self)	2 (Self + Assistant)	5 (Self + 1 Admin + 1 Advisor + 1 RM + 1 Operations)
3	Products offered for Commissions	Mutual Funds, Life Insurance	Mutual Funds, PMS, LI, GI, AIF, CDs, Loans
4	Solutions offered for Fees	None	Financial Planning, Wealth Management, Tax, Loans
5	Office Space (Size/Area)	Home Office	A 200 Sq Ft Office
6	Softwares / Technologies Used	MF Operations Software, MF Transaction Platform, GSuite	MF Comprehensive + Financial Planning, Research Tool, CRM
7	Geographical Presence	Mumbai	Mumbai + Virtual Presence
8	Certifications / Qualifications Held	AMFI + IRDA + NISM	CFA / CFP / QFP
9	Licenses held	AMFI + IRDA	AMFI + IRDA + SEBI RIA
10	Firm's Legal Identity	Proprietary	Private Limited Company
Results			
11	Average Revenue Per Client/Family	₹ 15,000 p.a.	₹ 45,000 p.a.
12	AUMA – Assets under Management & Advice	₹ 20 Cr	₹ 100 Cr
13	Mutual Fund SIP Book	₹ 30 Lakhs per month	₹ 100 Lakhs per month
14	Gross Income (Annual)	₹ 15 Lakhs p.a.	₹ 90 Lakhs p.a.
15	Take Home Income (Annual-after expenses)	₹ 7.5 Lakhs p.a.	₹ 30 Lakhs p.a.

Etica Wealth Management: Business Plan 2019-20

Description of the Problem:	We work hard for money. But does our money work equally hard for us?
Solution:	To make our clients financially independent
Business Model:	What is good for the client is good for the firm? Our investor grows, and we grow with them. Our business model is earning from trail commission / charging fees linked to the AUM. The revenue is broadly 0.75% of the total AUM. We have both RIAs and distribution model in place.
Target market:	Mass affluent with an investible surplus of Rs 25 lakhs - Rs 5 crores. Most of the clients are acquired from IAPs and client referrals.
Business Areas:	Financial Planning, Mutual Funds, Insurance, Estate Planning, Training, IAPs
Competitive Advantage:	What we do for ourselves is what we do for our clients. We show our portfolio to our investors. We like to be very transparent with our clients which give them very confidence on us. Detailed Financial Planning with top 20% clients.
Team:	Presently, we have 2 directors followed by 5 BPs and we have an in-house team of 18 employees comprising of 6 RMs and the rest being operational staff.
Business Summary:	Present AUM: Rs 580 crores (Equity - 55%, Debt - 45%) Rs 1 cr+ : 73 clients; 113 clients 71% of AUM - 75% Rs 50 L - Rs 1 Cr: 49 clients, 79 clients; 11% of AUM - 10% Rs 25 L - Rs 50 L : 81 clients; 98 clients 9% of AUM - 6% Rs 10 - Rs 25 L : 161 clients; 5% of AUM Rs 0 - Rs 10 L: 877 clients; 4% Total: Approx 1300 families (mix of Retail & HNI)
Monthly SIP book:	Rs 3.5 crs
Net Sales for 2018-19	Rs 158 crs
Targets: March 2020	Net Sales: Rs 200 crs AUM: Rs 850 crores (46% growth) SIP Book: Rs 5 crores Employees: 25 Business Partners: 2
Tailwinds:	Lower Interest rates, TINA factor, More awareness
Headwinds:	Central elections, Regulations, Crude Oil
New Initiatives:	Striving towards paperless office, Multiple offices, Investors get-together events
Aspiration:	Move towards Goal based investing



ETICA WEALTH

MANAGEMENT (P) LTD

- 26 Nov, 2009 - An idea called Etica Wealth was born
- Started with 270 sq ft office in Lokhandwala, Andheri
- 3 member team
- Opened branches at Jorhat (Assam), Kolkata and New Delhi
- Major Focus on Financial Planning.
- Charging on Online Term Insurance policies
- Wealthforum Emerging Advisor Award 2013
- Mass affluent with an investible surplus of Rs 25 lakhs - Rs 5 crores. Most of the clients are acquired from IAPs and client referrals.
- Diversification is the key
- Today we are overall 30 member team across India managing assets of Rs 607 crs across 1385 families with an SIP book of Rs 3.5 crs





WALI



शुभ
दिपावली

HAPPY DIWALI







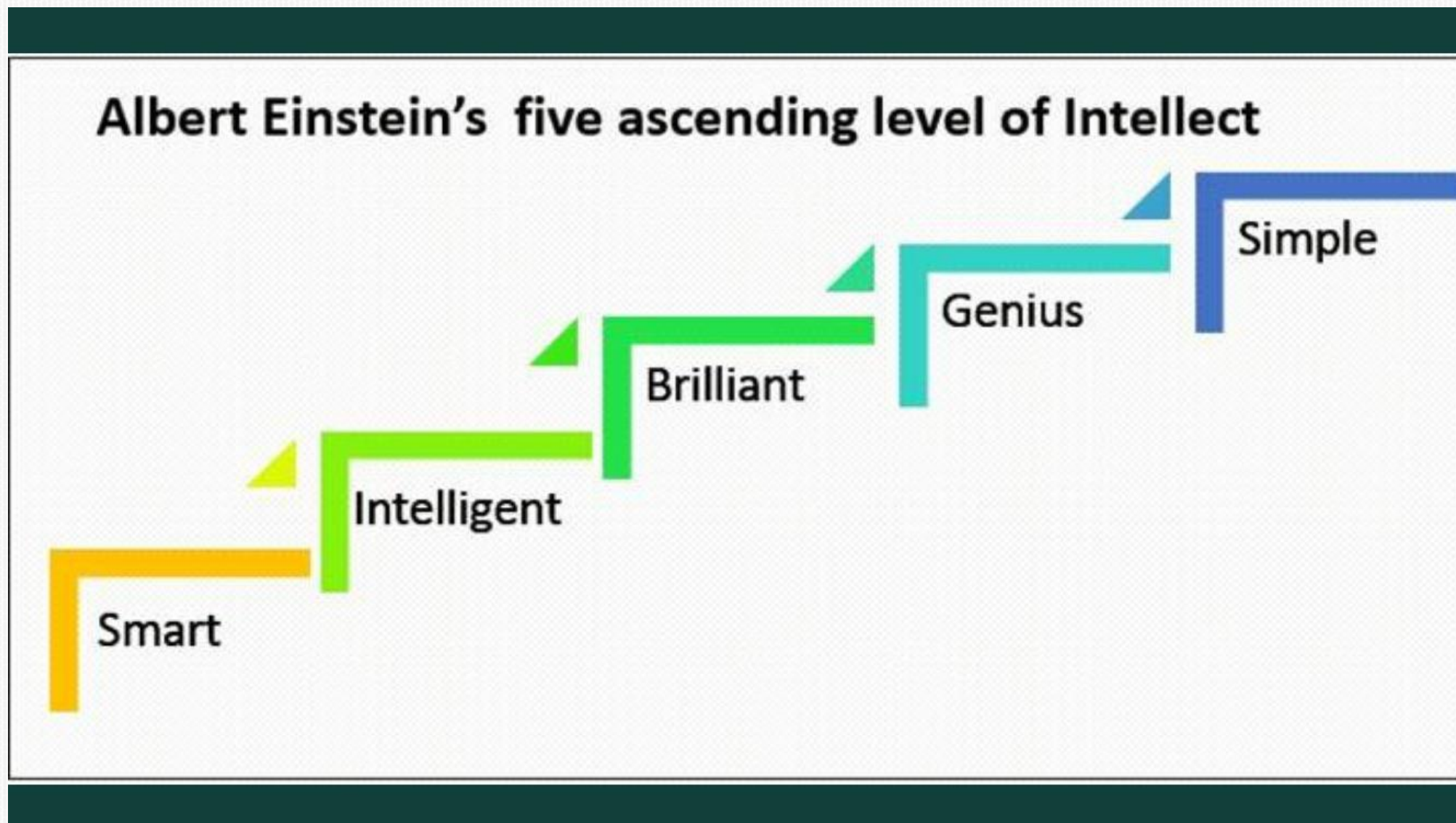
EMOTIONAL INTELLIGENCE
FOR PROFESSIONALS



KEEP IT SIMPLE STUPID (KISS)

“That’s been one of my mantras - focus & simplicity. Simple can be harder than complex. You have to work hard to get your thinking clean to make it simple but its worth it in the end because once you get there, you can move mountains”

- Steve Jobs



KEEP IT SIMPLE

- Buy a Term Insurance Plan
- Buy a Health Insurance Plan / Personal Accidental / Critical Illness Cover
- Start your Investments - Liquid Fund / Debt Funds / Balanced Funds / Diversified Equity Funds

Life is really simple, but we
insist on making it complicated.

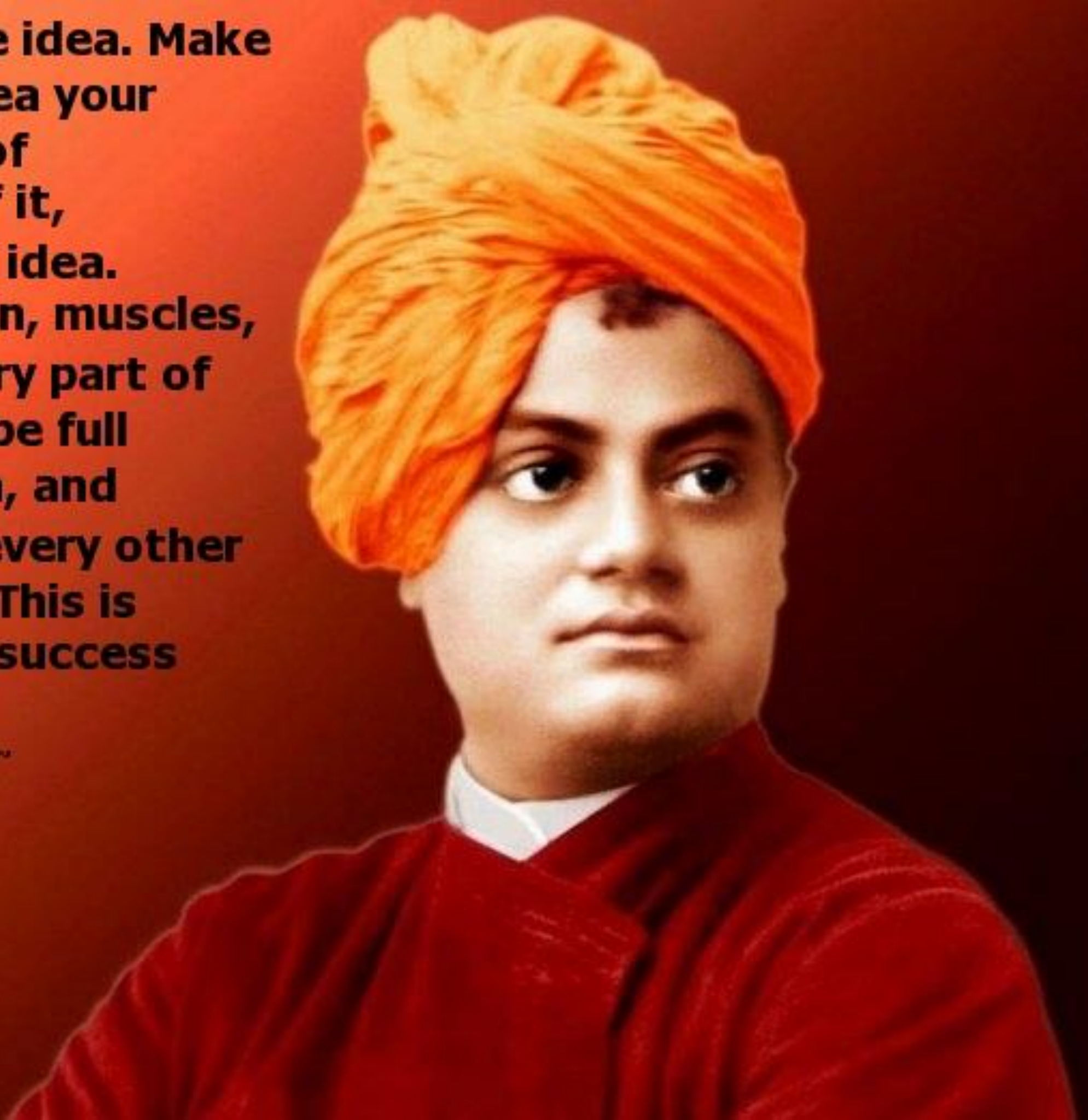
Confucius

**SIMPLICITY
IS THE ULTIMATE
SOPHISTICATON.**

- LEONARDO DA VINCI

Take up one idea. Make that one idea your life - think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success

~ Swami Vivekananda ~





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I am

ONE IDIOT



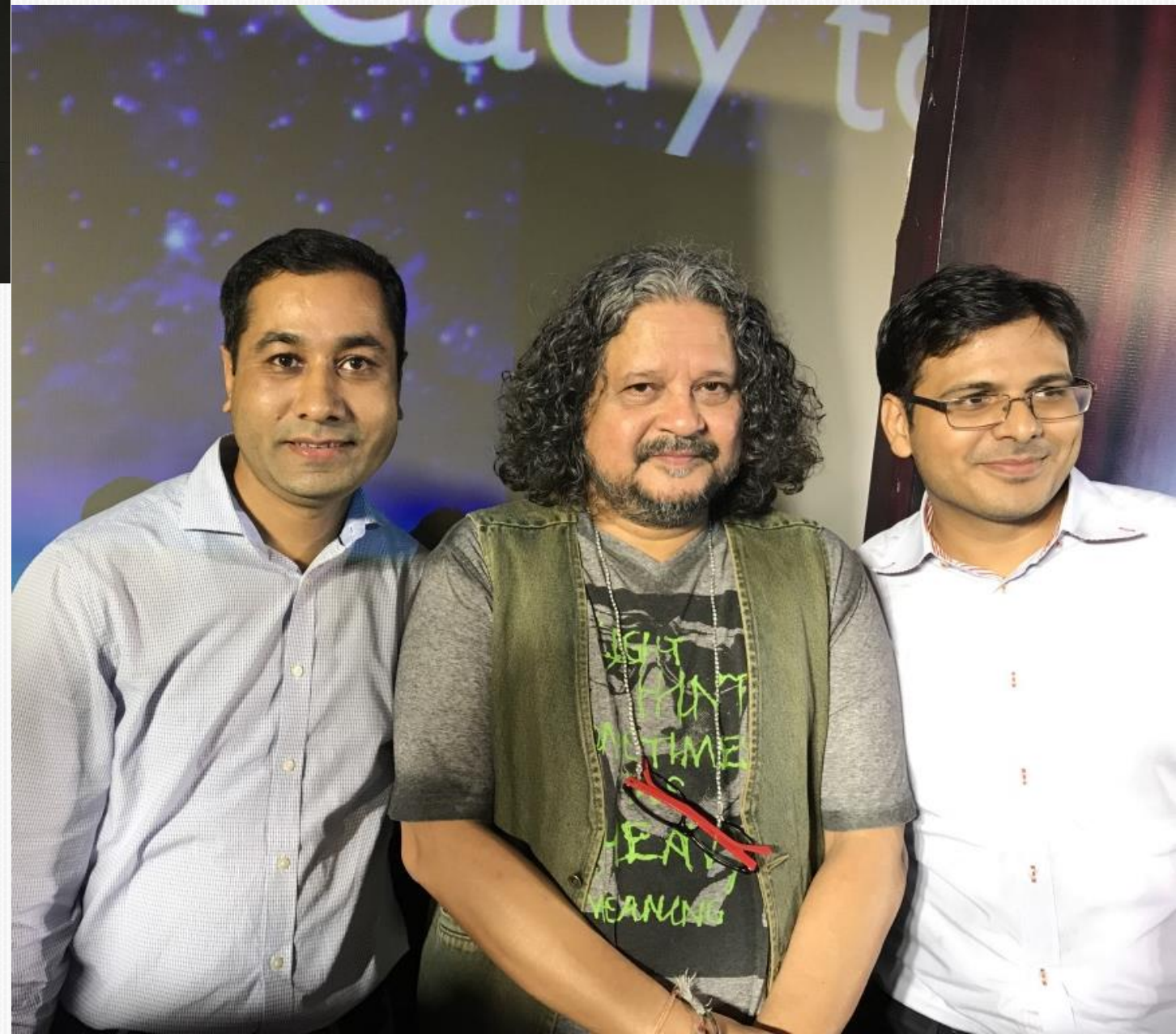
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Amole Gupte
The creator of
"One Idiot"

Bugs Bhargava
aka "One Idiot"



INSPIRED BY THE “ONE IDIOT” MOVIE

Monthly Amount	Rs 1,20,000
Period	25 years
Total Investment	Rs 3,60,00,000
Return @15%	Rs 39,40,88,848
Return @20%	Rs 1,03,52,04,978

My
retirement
portfolio at
the end of my
55th Birthday

Atleast
100 crores

You earn regularly,

You spend regularly,

Why not invest regularly?



EXISTING SIP AND FUTURE TARGET

Started with Rs 10,000 SIP in Aug 2010

Total existing SIPs per month: Rs 6,37,000

<i>SIP Monthly Target</i>	<i>SIP Amount</i>
<i>March 2016</i>	<i>3,00,000</i>
<i>March 2017</i>	<i>4,00,000</i>
<i>March 2018</i>	<i>5,00,000</i>
<i>March 2019</i>	<i>6,00,000</i>
<i>March 2020</i>	<i>7,00,000</i>
<i>March 2025</i>	<i>12,00,000</i>

The first idea – simple but easy to overlook – is that building wealth has little to do with yo



TOPICS FOR WC

DISCUSSION.....

- ▶ SWOT Analysis
- ▶ Infrastructure required
- ▶ Expertise involved
- ▶ Client Acquisition strategy
- ▶ Remuneration models



ULTRA HNWIs (RS

25 CRS+).....

- ▶ SWOT Analysis
- ▶ Infrastructure required
- ▶ Expertise involved
- ▶ Client Acquisition strategy
- ▶ Remuneration models



MNIS / HNWIs (RS 25

L-25-CRs).....

- ▶ SWOT Analysis
- ▶ Infrastructure required
- ▶ Expertise involved
- ▶ Client Acquisition strategy
- ▶ Remuneration models



RETAIL (UPTO RS

25 LAKHS).....

- ▶ SWOT Analysis
- ▶ Infrastructure required
- ▶ Expertise involved
- ▶ Client Acquisition strategy
- ▶ Remuneration models



BOUTIQUE

·SEGMENT.....

Defence personnel, Women investors, Doctors, Celebrities, Retirees etc

- ▶ SWOT Analysis
- ▶ Infrastructure required
- ▶ Expertise involved
- ▶ Client Acquisition strategy
- ▶ Remuneration models