

**Wealth Management
Basics – Module 1-
Lecture 1**

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Topics to be Covered

- **Introduction to Wealth Management**
- **Need of Wealth Management & Financial Planning**
- **Wealth Management Process**
- **Features of Personal Financial Goals**
- **Financial Planning Life Cycle**

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Introduction to Wealth Management

- Wealth management is a high-level professional service that combines financial or investment advice, accounting, legal and tax services, retirement planning and estate planning.
- Wealth management is characterized by the imposition of one fee for the management of a wide range of financial instruments.
- Clients work with a single Wealth Manager who may coordinate input from financial experts.
- However, wealth management is more than just investment advice, as it can encompass all parts of a person's financial life.

Introduction to Wealth Management

- Wealth management undertakes a holistic approach in which a single manager coordinates all the services needed to manage their money and plan for their own and/or their family's current and future needs.
- Wealth Managers are often part of a wealth-management firm, with access to a team of in-house experts and services but may also be solo practitioners who rely on their own network of independent experts.

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Introduction to Wealth Management

- Management fees vary widely and should be researched thoroughly before engaging a wealth manager.



Need of Wealth Management & Financial Planning

- **Growth of HNIs:** As the number of HNIs and UHNIs increase in the economy, the demand for wealth managers increase.
- **Specialized Knowledge:** Wealth managers are able to provide expertise, leading to better returns.
- **Lack of Time:** people may lack time to research and invest in different arenas. In such cases, hiring professional wealth managers is a feasible choice.
- **Complex Financial Products:** with increasingly complex financial products, there is higher demand for expert advice for investment purpose.

Need of Wealth Management & Financial Planning

- **Complex Financial Products:** with increasingly complex financial products, there is higher demand for expert advice for investment purpose.
- **Wealth Transfer:** wealth managers can help in estate planning and wills, ensuring smooth transfer of wealth.
- **Goals:** wealth management ensures that there are funds available for hitting various milestones.

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Wealth Management Process

- **Data Gathering:** Establishing details about assets and liabilities, income and expenditure. Understanding arrangements already in place and attitude to investment risk.
- **Goal Setting:** Establishing client's goals and aspirations for the short and long term. Understanding your commitment to meeting your objectives.

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Wealth Management Process

- **Define the terms of engagement:** Wealth Manager for providing their services has to define the terms of engagement, the service deliveries and the fees the wealth manager is going to charge the client for their services.
- **Identification of Needs:** wealth manager analyzes client's current position and assess any gaps in their situation. Next it is identified what needs to be done to meet client's objectives.

Wealth Management Process

- **Report Preparation:** The analysis and recommendations are presented in a written report. This forms the basis of a formal review when an action plan is agreed upon.
- **Analyzing the opportunities and challenge:** Analyzing the opportunities and challenges is explaining the client the risk factors associated with each investment alternative that the wealth manager proposes.

Wealth Management Process

- **Implementation:** Executing the plan will invariably involve new and changed arrangements. Wealth manager liaise with providers and other professionals to implement the agreed plan.
- **Review and Revision:** Wealth management is a long-term plan that requires regular annual review. Changes in client's circumstances are considered as well as fund performance.

Features of Personal Financial Goals

Following are the main features of personal financial goals:

- **Specific:** There should be no ambiguity about the goals. These personal financial goals should be explicitly stated.
- **Measurable:** The goals should be defined quantitatively.
- **Action Oriented:** the goals should specify the activities required to be undertaken for achieving them.
- **Realistic:** the goals should be realistic keeping in view the client's current and future financial situation.
- **Time Based:** the goals should clearly specify the time required for their achievement.

Financial Planning Life Cycle

Following are the main steps undertaken in financial planning life cycle:

- **Determining Current Financial Situation:** Under this step, the current financial situation regarding income, savings, living expenses, and debts is determined.
- **Developing Financial Goals:** This step involves determination of short term, medium term and long-term financial goals.

Financial Planning Life Cycle

- **Identifying Alternative Plan of Action:** There are multiple ways of achieving personal financial goals. These different plans should be carefully identified and evaluated.
- **Create Financial Plan:** After considering different plans of action, a suitable roadmap should be decided.
- **Implementing Financial Plan:** This step involves actual implementation of the plan.
- **Review and Revise:** All the financial plans must be periodically reviewed and revised.

References

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