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A STUDY OF ROLE OF FINANCIAL PLANNER IN STOCK MARKET INVESTMENT IN INDIA

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ABSTRACT

It's difficult to plan for a stable financial future. However, people are taking more and more responsibility for their own financial destiny. Although most people understand how important planning is, many lack the time or knowledge to create a plan and make the necessary financial decisions. Financial advisors are therefore required to manage an individual's wealth, and this process is referred to as wealth management.
Numerous financial advisors provide a wide range of services to meet the various financial needs of their clients. These organisations provide the help of qualified financial counsellors to complete the process. These financial consultants offer a range of investment alternatives to assist individuals or corporations in properly managing their wealth.
The first step in a financial planner's job is a consultation during which the customer provides information about their money and financial objectives. The planner then creates a thorough financial plan that pinpoints issues, offers suggestions for enhancement, and chooses suitable investments in line with the client's objectives, risk tolerance, and expectation or requirement for a return on investment.

Keywords: Financial Planning, Financial Advisors, Need of Financial Advisor, Role of Financial Advisors

1. INTRODUCTION

It's difficult to plan for a stable financial future. However, people are taking more and more responsibility for their own financial destiny. Although most people understand how important planning is, many lack the time or knowledge to create a plan and make the necessary financial decisions. Financial advisors are therefore required to manage an individual's wealth, and this process is referred to as wealth management.
Numerous financial advisors provide a wide range of services to meet the various financial needs of their clients. These organisations provide the help of qualified financial counsellors to complete the process. These financial counsellors assist people or businesses in properly managing their wealth by:

(i) Investment Solutions: Using mutual funds, stocks, alternative investment plans, and even annuities to help people save for retirement, the financial planner assists clients in diversifying their portfolios.

(ii) Financial Planning: This practice aims to guarantee that the appropriate quantity of money is available when needed to achieve a person's financial objectives. Financial institutions use available alternatives analysis to help individuals plan their present spending and save for short- or long-term goals in the future.

(iii) Retirement Planning: Financial planners assist their customers in preparing for their post-retirement financial needs by assisting them in setting objectives, investigating and evaluating various options for obtaining capital, and selecting investments that best meet their requirements.

(iv) Managing Wealth: - It is a full-service programme designed to maximise, safeguard, and manage a person's, family's, or business's financial well-being. In its most basic form, it provides guidance on loans, investments, and insurance in order to provide a comprehensive picture of how people should allocate their financial resources. A more comprehensive picture can include company planning, estate planning, tax counsel, charitable foundations, and other financial requirements.

Object of study

- to understand the different kinds of investments
- to become familiar with financial planners
- to determine whether a financial planner is necessary
- to research financial planners' roles in investing

2. REVIEW OF LITTERATEURS

- **Laith Yousef Bani Hani (2020)** focused his research on individual behaviour investments and financial planning. He claims that using a financial planning service is a crucial and practical investment instrument that may help you achieve your goals in life by managing your money well.
- **Arif Shaikh, Shrirang Deshpande, and Abdulkayyum Attar, (2019)** study by investors require knowledgeable and skilled financial advisors to help them manage investment risk, capitalise on market volatility, and recommend strategies for their post-retirement needs as well as obligations to their families, including marriage, children's education, and age-related illnesses.
- **Agarwal et (2015)** He looks at the connection between personal investing and financial planning for the year 2015. He finds his conclusion by multivariate analysis as well. According to his research, men respondents are more likely than female respondents to receive accurate responses about financial literacy, and this likelihood rises with education level and assertiveness.

3. RESEARCH METHODOLOGY

- **Research types:** Qualitative in nature
- **Source of Information:** Information is gathered for the study via secondary sources, which include a variety of newspapers, journals, and websites.

Types of Investments

1. Stocks: Stocks are a symbol of ownership in a business. Purchasing stock entitles you to a portion of the business. The performance of the company, market conditions, and industry developments can all affect stock values.
2. Bonds: Issued by corporations, governments, or municipalities, bonds are debt securities. Upon purchasing a bond, you are effectively making a loan to the issuer in return for regular interest payments and the bond's face value being returned when it matures.
3. Mutual Funds: To invest in a diverse portfolio of stocks, bonds, and other securities, mutual funds pool the money of several participants. Professional portfolio managers oversee them and decide on investments on the investors' behalf.
4. Real Estate: Buying properties, such as houses, offices, or land, with the hope of eventually seeing capital growth or rental revenue is known as real estate investing.

5. Certificates of Deposit (CDs): Banks and credit unions provide CDs as time deposits. A fixed interest rate is paid to investors for their fixed-term deposits, and this rate is maintained until the CD matures.

6. Savings Accounts: Banks and credit unions provide low-risk deposit accounts known as savings accounts. They usually yield lesser returns than other types of investments, but they do give fund safety and liquidity.

7. Retirement Accounts: Long-term savings and investments can benefit from tax advantages offered by retirement accounts including 401(k)s, IRAs, and pension plans. Depending on the investor's risk tolerance and retirement objectives, they frequently consist of a combination of stocks, bonds, and other assets.

8. Gold: A number of criteria, including investment objectives, risk tolerance, liquidity requirements, and costs, should be taken into account when making gold investments. Numerous factors, such as geopolitical events, inflation, currency fluctuations, and economic conditions, can affect the price of gold. Thus, before making any investing selections, it's imperative to carry out in-depth study and speak with a financial counselor.

<u>Financial planner (wealth planner)</u>

Planner for finances (wealth planner) Identification of different taxable and non-taxable investments is aided by the financial planner. This is not an exhaustive inventory of services. Depending on the financial management provider, they could vary. A person can choose the services based on their needs, whether they are professional or personal.The first step in a financial planner's job is a consultation during which the customer provides information about their money and financial objectives. The planner then creates a thorough financial plan that pinpoints issues, offers suggestions for enhancement, and chooses suitable investments in line with the client's objectives, risk tolerance, and expectation or requirement for a return on investment. Financial institutions typically have meetings with their established clientele to provide them with updates on possible investments and to find out if there have been any life events that could have an impact on their financial objectives, such as retirement, marriage, or a disability.One of the most crucial aspects of a financial planner's work is acquiring clients and developing a clientele, as recommendations from contented customers are a valuable source of new business. In addition, a lot of institutions meet their clientele through social and business connections or by holding seminars or lectures.

Need of Financial planner

The necessity of a certified financial planner (CFP) is shown in the following points.

• **Holistic perspective**: When offering advice, CFPs take into account all relevant factors, including family requirements, objectives, values, and aspirations.

• **Professionals:** CFPs uphold the highest ethical standards, safeguard privacy, and invest in ongoing education to improve their credentials and skill set.

• **Educative in character:** CFPs walk someone through options and provide comprehensive explanations to assist in making the best decisions.

• **Devoted to success:** Adapting a holistic financial strategy to changing life goals is a commitment, not an event.

Role of Financial planner

Financial planners play the following roles:

a) Setting Your Objectives: - A planner will list all of your financial objectives. You save for a number of purposes, such as purchasing a home and a vehicle, educating your kids, helping them launch their own businesses, arranging for their marriage, taking vacations, and, ultimately, providing for a nice retirement for yourself. However, not everyone defines what a "good" education or a "comfortable" retirement entails in monetary terms.

b) Setting aside money for them: Putting these objectives in writing makes it obvious how much money you'll need to set aside right now to achieve them. Savings are no longer seen as "something that's left over," but rather as "something that you target every month." The planner forces you to record your income and expenses in great detail, which aids in budgeting. He assists you in making sense of unnecessary spending and setting up a monthly surplus-generating technique. The hunger for the newest things in life fades when you realise how important saving money is and how big your investing goals are. To put it another way, planning is the process of generating money and effectively managing it.

c) Covering Risk: Afterwards, the planner evaluates your insurance requirements, which differ depending on your age and personal circumstances. Disability insurance is more important to get when you're a young single with no children than life insurance, but life insurance becomes necessary as soon as you get married and have a wife who stays at home and needs to be supported. The cost of your life insurance and disability benefits will go up when the kids grow up and your elderly parents also need to be supported. Your insurance needs will be identified, measured, and policy options will be suggested by the planner.

d) Retirement Planning: - The planner then assesses your requirements for retirement and makes preparations for the period of time you will not be able to work. Naturally, your contributions to your PPF and EPF accounts will assist you in that regard—as long as you've maintained discipline and haven't taken any money out of them in the middle.

e) Bringing It To Pass: - Even now, when it comes to the actual investment, it has taken the planner so long to determine what your financial goals are. Your "risk profile" will now be evaluated by the planner. This is merely a method to gauge your comfort level with risk. Your age and the conditions of your family would determine this.

f) Total Financial Solutions: - A planner can spot the connections between all of your goals, spending, and investments since they have a "big picture" perspective.

g) The Act of Balancing: But a planner's duty doesn't stop when you purchase a product. For example, he still needs to grasp your hand when the stock market crashes or rises. Inexperienced investors typically sell during a downturn and buy during a market upswing. The planner assists you in rebalancing your portfolio and teaches you the benefits of frequent investing and a long-term strategy.

Responsibilities of Financial planner for portfolio creation

By offering customers thorough advice and assistance in managing their investments, a financial planner plays a critical role in portfolio management. In terms of portfolio management, a financial planner's main responsibilities include the following:

1. Knowing the Objectives and Risk Tolerance of the Client: The first step for a financial planner is to ascertain the client's time horizon, risk tolerance, investment goals, and financial goals. This serves as the cornerstone for developing an appropriate investing plan.

2. Asset Allocation: The financial planner chooses the best asset allocation plan based on the client's objectives and risk tolerance. This entails choosing how to allocate funds among several asset types, including bonds, equities, properties, and alternative investments.

3. Portfolio Construction: Based on the client's requirements and preferences, the financial advisor puts together a balanced portfolio. This could entail picking particular assets, mutual funds, exchange-traded funds (ETFs), or individual equities.

4. Risk Management: One of the most important aspects of portfolio management is risk management. In order to meet their clients' investment goals, financial planners evaluate a variety of risks, such as inflation, market, interest rate, and geopolitical threats, and then put policies in place to reduce them.

5. Monitoring and Rebalancing: To preserve the intended asset allocation, financial planners regularly analyze the performance of their clients' portfolios and make necessary adjustments. Rebalancing, particularly following market fluctuations or changes in the client's financial status, entails buying or selling assets to bring the portfolio back in line with the target allocation.

6. Tax Planning: To reduce a client's tax obligations, financial planners apply tax-efficient solutions and take into account the tax ramifications of investment decisions. This could entail harvesting tax losses, utilizing tax-advantaged funds like 401(k)s and IRAs, and timing capital gains realization to maximize savings.

7. Cost Management: Because these expenses can gradually reduce returns, financial planners work to reduce investment costs such taxes, transaction fees, and management fees. To help the client get the highest possible net returns, they might suggest inexpensive investment options and effective trading techniques.

8. Frequent Review and Communication: Financial advisors keep lines of communication open with their customers, giving them information on the success of their portfolios, the state of the market, and any changes that should be made to their investment plan. In order to evaluate the client's progress toward their objectives and make any required adjustments to the financial plan, they also carry out regular reviews.

4. CONCLUSION

The aforementioned factors indicate that investors have a low potential for saving, that the primary goal of their investments is capital growth, that they make their own financial decisions, and that they are highly satisfied with their current financial advisors. These findings suggest that financial institutions should approach these investors in a way that maximises their potential for saving and diversifies their portfolio. In summary, the aforementioned research validates the financial and marketing viability of financial adviser prospects in the Indian market.

5. SUGGESTIONS

The financial landscape in India is evolving. Interest rates have dropped, and unlike in the past, there are now many financial products and services available with varying risk/growth and asset accretion offers to attract savings. People are starting to realise more and more that if they kept their money in the bank, it would really lose value. Thus, their desire to identify the best path for increasing their assets or savings.

The following are some considerations that a general financial advisor should take into account while interacting with clients, based on an examination of the unique characteristics of the wealth management sector and investor comments regarding their impression and expectations of a financial advisor. Even if there is no denying that this is a wish shared by all, the reality is that some people lack the time and/or the ability to monitor the financial markets. As a result, people start making financial decisions based on vendor sales pitches or gossip about relationships.

Conflicts of Interest

None.

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