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## Your Money

Don't experiment with investments

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What investors want are simple solutions that will help realise their dreams, says Tanwir Alam, founder and CEO of FinCart, an online financial advisory service. He talks of building wealth using simple and effective steps.

### **Why should anyone opt for online wealth management services?**

A virtual relationship manager (RM) can manage more customers compared to their physical counterpart; hence they can offer quality advice to mass affluent families in all locations, including tier 2/3 cities. Investors can also login and check their portfolio 24x7 from anywhere, anytime.

### **Financial advisory needs a lot of personal contact. How do you, as an online advisor, build trust?**

Whether it is online or in person, what investors want are simple solutions to help them realise their dreams, rather than exotic or complex products.

We understand the client's financial needs and judge their risk tolerance level by asking psychometric and behavioural questions.

We record the advisory conversation and share the audio link with the customers.

New clients are encouraged to seek second opinion on their existing investments and insurance portfolio. These simple steps help to build trust.

My philosophy is that before an adviser recommends a product to a client, he/she must ask "will I sell this to my loved ones?"

### **Many sites offer free financial tools. What is your advice about using them?**

Financial calculators and other tools are helpful in creating awareness. For example, you may not know how much to save to fund monthly expenses after retirement.

You must not however take the result as an advice; it is just a guiding tool.

Be aware that the calculators make a lot of implicit assumptions. Your situation is likely to be very different, making the advice less

suitable for you.

### **What value can financial advisors add to investors?**

First, they plan the finances. Second, they help the client invest in the right set of products that will meet his objective and suit the risk profile.

Finally, they manage the investment across market cycles to generate long-term wealth.

Advisors can also help evaluate some important trade-offs in financial decisions. For example, you may have two home loans.

If you have extra funds and want to repay the loan, it may be better to pay off the first home loan.

This is because there is no limit for tax deduction on the interest paid for the second home, while the interest amount on the first home is capped.

Such simple suggestions steer you to make better financial decisions that would help you in the long run.

### **What are the good products you would recommend for retirement?**

Planning for retirement has two phases — accumulation and distribution. To ensure you accumulate maximum money you need good discipline to invest and pick good equity or balanced fund.

One way to bring in discipline is to go with National Pension Scheme (NPS). It has the lowest fund management charges, thereby optimising returns.

It also brings in the discipline to stay invested for a long tenure, as you cannot withdraw immediately. During the distribution phase, a combination of Monthly Investment Plan (MIP) with a Systematic Withdrawal Plan (SWP) option, along with a prudent mix of Post Office Monthly Income Scheme and Senior Citizen Savings Scheme, can help you generate regular income in a tax-efficient manner.

### **What is your advice to young investors?**

Young people should educate themselves about finances. You can look at the websites of mutual funds such as IDFC, Franklin Templeton and DSP BlackRock to learn about various investment choices.

The cost of learning by trying out investments can be very high. So try to minimise this by educating yourself and taking the help of an adviser when needed.

You must start to invest at a young age and not simply save. The quality of your life will depend on how well you invest.

When invested wisely, your funds will grow and offer you financial freedom to pursue other goals in life.



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