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Preview Latest Issue

Importance Of Financial Planning

| 10/7/2014 4:21 PM Tuesday



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Tell us something about Fincart and your journey with us. What was the motive behind starting Fincart?

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MINDSHARE

LIC Housing Finance to raise up to Rs 47,000 crore



Today LIC Housing Finance declared, it will raise up to Rs 43,000 crore through ...

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Let me share the story of how the business idea got conceived. One live experience in 2007 at a bank premise sowed the germinating seed for this business. I used to visit bank branches, as they were selling Mutual Funds products. On one such bank visit I noticed a big commotion, where a Kabadiwala (junk or scrap dealer) wanted to commit suicide. Given my existing relationship I could unearth the true story. This Kabadiwala had come to the bank branch one year before with his life's savings of Rs 6 lakhs and wanted to do a Fixed Deposit; apparently he was sold a ULIP. He was oblivious until he got the renewal premium notice to pay Rs 6 lakhs. When he came to the bank branch, every soul could sense the case of mis-selling. To this guy's bad luck, the relationship manager and the branch managers both got changed. He was running from pillar to post with no help. Seeing no light at the end of the tunnel he was trying to take this drastic step.

This incident made me ponder two questions –

- . Was it fair on the Relationship Manager's part to have played around with this poor man's hard-earned money?
- . Why did he do so?

The first answer is very obvious and a no-brainer but the second question was more important. By nature human beings and even animals don't harm if their existence is not under any threat – known as the survival instinct. My deep investigation revealed that the current distribution model is the culprit. The current Brick 'n' Mortar model of interacting face-to-face is an expensive model; that poses a threat to the Relationship Manager's job or existence and in order to survive the axe that hangs

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around their neck, he mis-sells preying on people who are financially unaware.

So we started working on a low-cost model that aims to hand-hold people in their financial journey with the focus on creating financial awareness. I quit from my job in December 2012 and started working on the pivot starting January 2013 we launched our product in June 2013.

Will people accept Financial Planning & Investment Advisory Services over phone? Will this long distance love-affair work?

Last 12 months was a good learning experience, we not only successfully delivered the Financial Plan but have hand-held a lot of investors in their financial journey playing the role of a Financial Coach. We acquired customer across Mumbai, Delhi NCR, Bangalore, Chennai, Hyderabad, Kolkata and even some small town such as Ranchi & Gorakhpur. We are feeling elated now with what we have achieved but the journey had its own share of pain. Like all entrepreneur & start-ups at times these lows were abysmally low and these achievements takes you to the highs that is intoxicatingly very high.

Give us a brief about the services you offer?

Our services are very simple – we offer Financial Planning & Investment Advisory services to Individuals by hand-holding them in their personal finance journey. Indian's by nature only save and not Invest so we dig

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deeper to understand why they don't invest, what are their fears, their past experiences and then simply try to hand-hold them in their Life-Planning.

Why do you think is Personal Finance important for an individual?

I grew up in an era when things like Air-conditioner, Washing Machine, Cars, were luxury. Today it's bare necessity for my son. Our aspirations & life-styles is a one-way journey – that is moving upwards only.

Life planning from personal finance perspective is important for 2 reasons

–

- . We are human beings and these aspirations keep us moving
- . To keep pace with increasing life-style and to beat increased cost of living – we have to invest.

I would like to quote – “The quality of your life does not necessarily depend upon how much we earn, how well we save but it depends upon how well we invest.”

What are the areas than one should look for while taking investment decisions?

Most common mistakes people do is buy financial products in an ad-hoc manner based on suggestions by friends, relative or your neighbor-hood agent. I also come across this question very often – Which is the best scheme to invest on? Product selling approach is an age-hold practice that



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has now got deeply embedded. This approach has to change.

Investors must ask these insightful questions to themselves – such as what does money mean to them? What are they saving or investing for? What is the time horizon to your goal? How will the investment product suggested help them meet their dreams? What is the risk associated with the product? Does it go with their risk tolerance level?

These questions will help you iron out three important aspects with regard to investments – Safety (How well does it address your fear with regard to investing in such products), Liquidity (How soon can you get your money back if you wish to exit?) & Returns (What is the expected outcome with regard to the risk taken)?

In your opinion, how important is the role of a Financial Advisor?

Let me explain this through a personal story. I can ride a bicycle and drive the car but I can't drive a two wheeler. Why is it so?

When I started learning to drive a 2-wheeler I met with an accident and decided that I won't drive a two-wheeler, it is too risky for me. However, I learnt driving the car and am comfortable now because I learnt driving the same at a driving school.

Most people's experience at the initial stage of learning decides whether

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Sep 09 02:39PM

@Jeswin. Thank you

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Hold for 5 years

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the person will drive or not drive. It is similar to one's experience with investment. Most people who experience unpleasant experience with initial investing become completely risk-averse thereafter.



So what's the difference in both these ways of learning to drive with friendly non-professional help & learning to drive under a professional driving coach from a licensed driving school? When one learns to drive under the guidance of the driving instructor from the learning school, the instructor has the control with him when you are learning (i.e. - the car is fitted with extra clutch & brake set adjacent to the driver seat). The coach helps you avoid accidents during the initial learning stage.

Where do you see Fincart five years from now?

Our vision:

To improve people's lives financially by inculcating investment habit through education & advisory services – ethically & transparently, always.

Our vision aims at addressing 3 very important Issues:

- . Change Saving Habit to Investing Habit
- . Spread Financial Awareness & Literacy
- . Honest Advisory Services – First Company to record advisory conversation and share the audio link with the investors.

To bring about this change in a meaningful way, we may have to touch upon lives of people in a big way. We wish to touch atleast 1% of earning population lives by 2019.

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