

# FPA

CERTIFICATE IN FINANCIAL PLANNING & ADVISORY

## 1. Financial Planning Overview



# Content

- Financial Sector
- Financial Institutions & Products
- Financial Planning Concepts



# Section

## 1. Financial Services Sector

# Warren Buffet | Investor

American Investor

7<sup>th</sup> Richest Person in the world

Power of Compounding

Value Investor

Read – Annual reports, Articles

Letter to investors

Becoming Warren Buffet



# Peter Lynch | Mutual Fund Manager

Mutual Fund Manager

Magellan Fund, Fidelity

Invest. 1977 to 1990

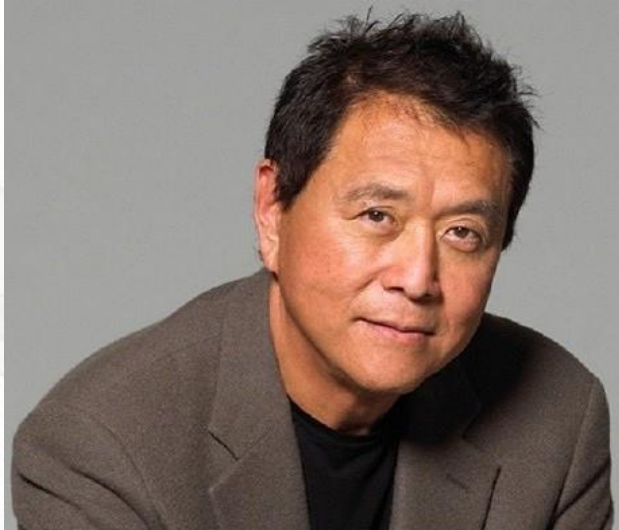
\$18M to \$14B

More than 1,000 stocks

29.20% Annual returns

Best performing Mutual Fund





The poor work for money.”  
The rich have money work for them.

Robert Kiyosaki | Real Estate  
Author, Rich Dad Poor Dad

# Michael Burry | Hedge Fund & Alternative Investments

Hedge Fund Manager

Scion Fund, 2000 - 2008

2001, Internet Bubble:

- S&P 500 fell 11.88%
- Scion rose 55%

Mid 2000s, predicted Subprime Crisis in early 2007

2008: Returns 489.34% (01-08)

Focuses now investing in one commodity: Water





# Rakesh Jhunjhunwala | Equity Stocks

Investor & Partner, Rare Enterprises  
Net Worth INR 17K Crores Top Indian  
non-promoter investor





# Ramdeo Agarwal | Equity Stocks & Funds

Equity Investor

Chairman, Motilal Oswal

Group 100% Equity Portfolio

Net Worth – INR 1,000

Crores as of 2020



# For Small Investors

## What doesn't work?

- Concentrated portfolio
- Asset Allocation
- Stock picking

## What works?

- Diversified Portfolio
- Asset Allocation
- Financial Basics
- Planning



# Financial Industry

- Regulatory Bodies
- Mutual Funds
- Banks
- Insurance
- Debt Markets
- Equity Markets
- Stock Exchanges
- Intermediaries



# Section

## 2. Financial Institutions & Products

# Financial Institutions

## List

- Banks
- Post Office Financial Services
- Insurance Companies
- Asset Management Companies
- Government
- State Governments
- Municipality
- Listed Companies

## List continued

- Non Banking Finance Corp.
- Commodity Markets
- Stock Markets
- Alternative Investment
- FinTech Companies
- Intermediaries

# Banks

## Functions

- Liquidity
- Ease of transacting
- Back bone to eco.
- Personal Finance
- Business Finance
- Earns by
  - Loans & Advances
  - Investing
  - Charges

## Top Banks (Market Cap)

- HDFC Bank – INR 7.89 Lakh Crores
- ICICI Bank – INR 4.29 Lakh Crores
- Kotak Bank – INR 3.44 Lakh Crores
- SBI – INR 3.39 Lakh Crores
- Axis Bank – INR 2.16 Lakh Crores

## Products

- Savings Bank
- Current Account
- Deposits
- Loans
- Credit Cards
- Forex
- Third Party Products

# Post Office Financial Services

## Purpose

- Government backed savings
- Inclusive Banking
- Interest Yielding Savings
- Senior Citizen, Girl Child
- Tax saving features
- Online Transactions

## Products

- Savings Account
- Deposits & Annuity
- Senior Citizen Savings Scheme
- Public Provident Fund
- Sukanya Samriddhi Account
- Investment Schemes
- Insurance Schemes



# Insurance

## Life Insurance

- Term Plan
- Traditional Plan
  - ULIPs
  - Money Back policy
  - Whole Life policy
  - Keyman Insurance

## Health Insurance

- Individual Health Cover
- Family Floater
- Critical Illness
- Personal Accident & Physical Disability

## General Insurance

- Vehicle Cover
- Home Insurance
- Fire Insurance
- Marine Insurance
- Travel Insurance
- Commercial Insurance

# Asset Management Companies

## Purpose

- Public Vehicle for Investments
- Professionally Managed Funds
- Affordable to retail investor
- Good for people who lack time or resources to research

## Types of Assets

- Equity Mutual Funds
- Debt Mutual Funds
- Gold ETFs / Gold Funds
- Real Estate Funds / REITs
- International Funds
- Hybrid Funds



# Governments

## Purpose

- Finance the economy
- Liquidity – short term debts

## Products

- T-bills
- Bonds & Debentures
- Flexi rate bonds
- Tax saving bonds
- Tax free bonds



# Listed Companies

## Purpose

- Long term Capital
- Working Capital
- Company Valuation
- Popularity

## Products

- Equity Shares
- Bonds & Debentures
- Deposits
- Commercial Papers

# Non Banking Financial Corps.

## Purpose

- Intermediary Services
- Better Client Services
- Various products under one roof

## Products

- Demat & Trading Account
- Mutual Funds
- Insurance
- Corporate Deposits
- Bonds & Debentures
- Forex

# Commodity Markets

## Purpose

- Price discovery
- Trading platform
- Transparency

## Commodities

- Precious Metals
- Agriculture Produce
- Live Stock
- Natural Resources
- Raw Materials



## Section

# 3. Financial Planning Concepts





# TVM Variables

- Present Value (PV)\*
- Annuity (PMT)
- Tenure (N)
- Rate (R)
- Future Value (FV)\*\*

\*PV = Principal

\*\*FV = Amount

# Computation

Mr. Hitesh wants to invest Rs.1 lakh in a Fixed Deposit for 5 years expects to give 11% returns. How much amount will the client get after 5 years?

# Financial Goal

Mr. Kapoor is planning to buy a car after 5 years when it is expected to cost ₹50 Lakhs. He invests ₹30 Lakhs today. If his savings earn a compound annual interest rate of 12%, will he be able to reach his goal?

# Goal Planning

Ms. Yadav plans to accumulate Rs.5,00,000 to start her own business after 5 years. She plans to invest every month in a balanced fund which will fetch her 10% returns. What amount will she invest every month to achieve her goal?

# Comprehensive Planning

Emergency  
Funding

Retirement  
Planning

Financial  
Freedom

House  
Purchase

International  
Vacation

Children  
Education

Sabbatical  
Planning

Car Purchase

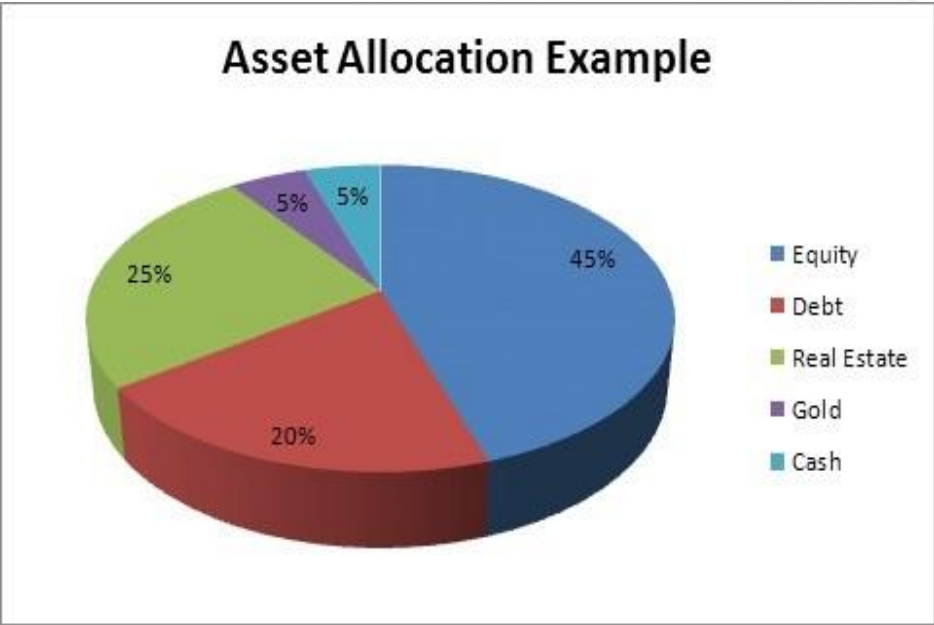
Charity

# Comprehensive Planning

Goal #	Goal	Priority	Year	Investment
1	Emergency Funding	High	2021	INR 5,00,000
2	Retirement Planning	High	2050	INR 10,000 (Monthly)
3	Children Education	High	2025	INR 50,000 (Monthly)
4	House Purchase	Medium	2025	INR 1,50,00,000
5	Car Purchase	High	Recurring (5 Years)	INR 10,000 (Monthly)

# Asset Allocation

Equity  
 Debt  
 Gold  
 Real Estate







# Portfolio Management

- Net Worth Statement
- Cash Flow Statement
- Insurance Covers
- Tax Planning
- Asset Allocation
- Align to Financial Goals
- Review – once or twice a year

# Difference

## Financial Planning

- Goals based planning
- For everyone
- Wealth building
- Recommendations generally revolve around monthly investments

## Wealth Management

- Asset based management
- For those who have wealth
- Wealth Management & distribution
- Recommendations generally revolve around Asset Allocation & Wealth Portfolio Management

**Thank You**