

'Our portfolios are almost similar to that of our clients'

RIA's need to have the ability to communicate with clients effectively, says Vishal Dhawan

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The start of 2023 marks a decade of market regulator Sebi's rules on registered investment advisors (RIAs) that came into effect in January 2013. To commemorate this landmark, *Mint* speaks to RIAs who have completed or are nearing a decade in the profession to understand their investment philosophy. In the first article of this series, Vishal Dhawan, founder of Plan Ahead Wealth Advisors, explains how he manages his clients' money and helps them achieve their financial goals. *Edited excerpts from an interview.*

What was your career like before you became an RIA?

Before becoming an RIA, there was one phase since 2003 where many of us had an independent practice. There was no concept of RIA from a regulatory perspective back then. And 2013 was when the RIA regulation came in. So, that 10-year period was the RIA mindset period, as I would call it. And then the period before that was where we were working in the corporate world, across different roles in banking, and the learnings from this helped us give advice in some form.

What was the financial advisory landscape before the RIA regulation came into force?

It all worked in that phase where many people were giving single-product advice. We had to be aware, as an investor, about the one product that the intermediaries brought to the table because it was very likely they would only talk about that product continuously.

It was a product-led conversation with clients most of the time in that phase. And, risk management was also not very well understood then. So, asset allocation principles, for example, were not spoken about too much. For instance, an insurance agent would only talk about insurance policies. Similarly a mutual fund (MF) distributor would only talk about MF products. So, in that phase, asset allocation, risk management, and a lot of such things were not very pronounced.

Who was your first client? Can you tell us about your first year of practice?

Our first client was a friend from college who had just heard that we were setting up a practice and said, "I need you to manage my money". So, I think it was just a leap of faith and friendship that made it happen. He continues to work with us. And we thank him for having that faith in us when not many other people had it.

What has been your proudest moment in serving a client?

I think there are quite a few of them. The common theme we see when dealing with clients is that money is a very emotional thing. It feels like it's just a number or quantitative thing. But actually, it's a very qualitative thing. And what happens, therefore, is the feeling of liberation it creates when people perceive they are able to achieve a financial goal or a set of financial goals. This feeling is so overpowering that it makes people very excited. So, we've had different situations where people,

An RIA's journey

WHEN DID YOU GET THE SEBI RIA LICENSE?
In 2013-14.

HOW LONG HAVE YOU BEEN ADVISING CLIENTS?
Around 20 years.

HOW MANY CLIENTS HAVE BEEN ASSOCIATED WITH YOU SINCE INCEPTION?
90-95% investors still associated with us.

WHAT IS THE SIZE OF ASSETS UNDER ADVICE?
Typically, that number is about ₹1,000 crore.

WHAT IS YOUR TEAM SIZE?
We have 25-30 team members.

HOW MANY FAMILIES' PORTFOLIOS DO YOU MANAGE?
We work with 300-350 families only.

WHAT IS THE ONE THING THAT YOU REGRET?
Initially, we thought investors should have some guaranteed insurance plans, but we were probably less conscious that guarantees come with costs.

HOW DO YOU REVIEW A CLIENT'S INVESTMENT PORTFOLIO?
We revisit the financial plans of clients once every year.

WHAT WAS THE FINANCIAL ADVISORY LANDSCAPE BEFORE THE RIA REGULATIONS?
It all worked in that phase where many people were doing single-product advice.

PROUDEST MOMENT IN TERMS OF SERVING A CLIENT
Clients came up with a bucket list and it included a car which they felt they could not afford—until we did the number crunching for them.

VISHAL DHAWAN
founder of Plan Ahead
Wealth Advisors



clients or families have brought a bucket list of what they wanted to do, like for instance buy a car, which they felt they could never afford—until we did the number crunching for them. We also said they can not just afford one, but also change it every five years if they needed to.

Did you ever regret something that you had recommended in

good faith?

In the pre-RIA days when we started, we had this mindset that investors should have some guaranteed products in their portfolio. And, we were probably less conscious of the fact that these guarantees come with considerable costs. So, we may have been giving up too much of a potential upside just because of these costs. And, I think that has been something we've done for a while.

For instance, some guaranteed insurance plans were launched from 2003 to 2006. We regret some of the advice we may have given on that. But, at that time, we looked at it in a portfolio format, saying that here is a bunch of market-related items and a bunch of products which are guaranteed, and when you put them together in a basket, you get a good combination.

However, we realized that people look at the products individually. So even though the basket might make good sense, those products are costly

and it's hard to rationalize why you might have paid so much for a guarantee.

Can you walk us through the growth in your practice?

I don't have very good data on when we started our journey. As a firm, we started with no clients and zero employees except for the promoters. But, to that extent, numbers can sometimes look like finite growth when you start with zero.

On a serious note, if you look at all of the parameters since 2013-14 when the RIA provisions came in, we have grown between 25% and 30% per annum. So, it's been a fairly steady growth. The number of families we work with is only

between 300 and 350.

That is fair, considering that we have been in business for 20 years. Typically, our fees range from about 0.5% to 1% per annum for most clients. The minimum fee is ₹100,000 plus tax.

So, today, assets under advice—where we charge a fee for our advice—would be in the range of about ₹1,000 crore. There could be other assets on which we don't charge a fee, and we don't know, technically, whether it should be called assets under advisement. Also, post the 2020 regulations, we will charge a fee only to ensure that clients only invest incrementally in products which are commission-free. **Do you put into practice what you advise?**

Yes, whatever we do in our practice

for our clients, we do pretty much the same for ourselves. So, for example, as a family, we have our own financial plan that we revisit once a year, and we have a portfolio which, due to sort of regulation, we tend to avoid any single security exposure. Our portfolios are often very similar to our clients' portfolios. In fact, we have listed our portfolios under the disclosure section of our website. We have even mentioned the products in which we have invested. And what many of our clients will see is that their portfolios have exactly what we have in our portfolios.

What's the most challenging part of being an advisor?

The most challenging part of being an advisor is the ability to communicate with clients effectively so that action can be taken on the advice given. We know this is a debatable area because many professionals say that their job is to only give advice and it's up to the clients to act on that. We agree with that. Our role is advisory. But what happens when you know something is significant and can make an impact but the client is unwilling to act on your advice. It is challenging, particularly when you try to present it in multiple ways and are still not able to communicate it efficiently to your client.

What's the single most important reform that should happen in the RIA rules?

The biggest thing that needs to happen is the separation of those who give stock tips from investment advisors doing financial planning, long-term investment, strategy, and wealth creation, etc.