



YOUR MONEY

CHOOSING A FINANCIAL ADVISOR

Hire early, go for one with experience of multiple mkt cycles

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The Securities and Exchange Board of India (Sebi) recently introduced significant changes to the norms governing registered investment advisors (RIAs). These changes come at a time when the number of RIAs in India has dwindled to below 1,000.

“Sebi has eased the norms to encourage more people to become RIAs,” says Avinash Luthria, Sebi-registered investment advisor and founder, Fiduciaries.

Why you need an advisor

Retail investors often lack the expertise to handle the complexities of personal finance. “A financial planner can offer advice on all aspects, including investment, insurance, estate planning, portfolio construction, and goal setting,” says Arnav Pandya, founder, Moneyeduschool.

Biases cloud investment decisions, particularly during market highs. “In a bull market,

investors fall prey to overconfidence bias. A financial planner can help by moderating expectations,” says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

To younger investors, who have not experienced multiple market cycles, an advisor can provide guidance during turbulent periods.

“In dual-income households, advisors often help partners align their financial goals,” says Dhawan.

They also ensure balanced

asset allocation, avoiding extremes in equities or other asset classes. Retirement planning is another critical area where advisors add value. “Engaging with an experienced advisor can help arrive at a high-quality calculation of how much corpus you need,” says Luthria.

Financial advisors also assist in selecting cost-effective and tax-efficient products. “If you have an advisor, you can also check with them if a recently launched product is relevant for you,” says Luthria.

Hire early

Whether or not to consult an advisor should not depend on portfolio size.

“Seek an advisor if you need advice on various aspects of personal finance. Even young couples may struggle with questions like whether to use money to pay off a loan or to invest it, whether to buy or rent a house, and so on,” says Dhawan.

Luthria recommends that any household able to afford ₹12,000–15,000, the typical starting fee for RIAs, should consider engaging one. Pandya adds that early guidance from

an advisor can set individuals on the right financial path from the outset.

How much do they charge?

Sebi regulates fees charged by RIAs, capping them at ₹1.25 lakh annually under the fixed-fee model and 2.5 per cent of assets under advice for the asset-based model (GST is extra). In practice, fixed fees range from ₹12,000 to ₹1.25 lakh, with most advisors charging well below the upper limit. Asset-based fees typically hover around 1 per cent.

Choosing the right advisor

Sebi’s website lists around 944 RIAs, but not all may be active or offer financial planning services. Check the Sebi website to ensure that the RIA you are planning to hire is registered with the regulator.

Next, check qualifications on LinkedIn: A degree such as an MBA, certified financial planner (CFP), or chartered financial analyst (CFA) signals competence.

Experience plays a crucial role. “Go for an advisor who has been through multiple market cycles and gathered useful experience. The fact that a person has survived as an advisor for long also indicates competence,” says Dhawan.

References from existing clients and initial discussions with multiple advisors can provide valuable insights. “Find out how they work and whether you will be able to trust them and be comfortable working with them over the long term,” says Pandya.

An RIA should be able to address multiple areas like investment, insurance, estate planning, and so on.



RED FLAGS

- Beware of advisors making tall claims or promising guaranteed returns
- Avoid those who skip discussing your financial goals or risk profile and focus solely on selling products
- Stay cautious of advice aimed at boosting their business profits
- Choose a RIA that sticks to a fee-only model and does not in any way earn commission from recommended products