

Sound Advice from Financial Advisors

When we see a doctor to treat our illness, we like it when the doctor tends to go beyond the immediate problem and takes a holistic view of our health. When he treats us for flu, we like it when he tells us how to build higher levels of immunity so that we protect from viral infections. A financial advisor plays a similar role. A holistic approach to our financial well-being is what a financial advisor can offer.

There are several common mistakes that we may commit and not understand the implications for our financial well being. We may hold too much in our savings account, unwilling to take risk with our money. A financial advisor can point out how much of emergency funding we need, and show us how the surplus can be invested. We may be unwilling to invest in equity, because we may think that equity is risky. A financial advisor can show us how equity investments can provide growth in the value of our investments over the long run, and advise an appropriate percentage allocation to equity, based on our risk tolerance. We may think that income is the only indicator of how an investment is performing and choose dividend and income options on our investments. A financial advisor can assess our need for income and help us choose growth options where suitable, so that we benefit from appreciation in the value of our investment. A financial advisor can help us plan our taxes taking into account our income and saving capabilities.

Holistic financial advice thus moves beyond mere product recommendation. Financial advisors help us define our financial goals, advice us on how to save and invest in order to meet those goals. They are able to help us choose from a range of products those that suit our specific needs. Given the bewildering choice of investment products, we need an expert to assess these products for their risk, return and performance and help us choose what is good for us. Financial advisors play that role.

In order to evaluate our needs and to find investment vehicles that help meeting those needs, financial advisors should have the expertise. They need to understand the technical nature of investment products and understand how these products function when market dynamics change. Asset allocation, or the allocation of our investment across investment options, is a decision that requires an advisor to understand investor needs as well as product performance in a dynamic market. A strategic allocation can be build to suit the goals of the investor, but it may need tactical revisions based on the market situation. For example, an investor who has 60% in equity to meet his long term goals, might need to reduce that exposure when equity markets are overvalued. An advisor provides the inputs to monitor the portfolio and suggest tactical changes, within the overall objective. The equity allocation can be restored later, when the equity markets are undervalued. The tactical changes have to be driven by the advisor, who needs to have the expertise to prescribe the medicines, study the results and modify them as the patient shows improvement. Sound financial advice is thus holistic, on-going and involves regular monitoring and modification.

SIMPLY INVEST KARO Toll-Free: 1800 22 1230 SMS: INVEST to 5676756	An Investor Education Initiative  uti UTI Mutual Fund
Mutual fund investments are subject to market risks. Please read the scheme information document carefully before investing.	