

# Overview of Financial Planning in India

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**Abstract – Financial planning is industries that emerge from the desire of households to receive financial advice from a single source. According to the Financial Planning Association, a main industry organization representing financial planners, financial planning is a process that involves taking stock of all existing resources of individuals, developing a plan to utilize them, and systematically implementing the plan in order to achieve short- and long-term goals of individuals.**

**Keywords:** Planning, Systematically, Readily, Organization

## I. INTRODUCTION:

Financial planning is a relatively new industry that arose from the desire of households to receive comprehensive financial advice from a single source. According to the Financial Planning Association, a main industry organization representing financial planners, financial planning is a process that "involves taking stock of all your existing resources, developing a plan to utilize them, and systematically implementing the plan in order to achieve your short- and long-term goals" [Financial Planning Association (FPA), 2007a].

Financial planning is goal seeking process involving determining one's own current financial position and formulating strategies to achieve desired objective. Coined in other words the process of financial planning involves following key steps:-

- a) Finding out present net worth of an individual.
- b) Formation of objectives
- c) Estimating future cash inflows and outflows (Budgeting)
- d) Keeping track of current expenses. (Recordkeeping).

As Garman et. al. (1987) point out that Recordkeeping, Budgeting, Comparison and Estimation of net worth are four essential prerequisites of effective financial management.

"Financial planning is concerned with helping to establish context, a framework within which clients can explore the tradeoffs they face when making

decisions, tradeoffs that go beyond the financial dimension and incorporate the subjective, psychological, and humanistic dimensions as well."

At a very minimum as Mitra (1990) points out that it is widely accepted that financial planning is about developing multi-dimensional strategies by which to achieve life goals.

## II. PROCESS OF FINANCIAL PLANNING

The Financial Planning process is an approach that is systematic and through. "The financial planning process can be likened to a puzzle that the advisor and client jointly build. The problem is both never have all the pieces, and when they find one piece they lose another, and when two pieces fit together they don't seem to fit with any other. The financial planning is an ongoing negotiation process that should leverage the expertise of advisor for the benefit of client."

Some extensions to the traditional six-step planning model within the field of financial planning have been offered by Kinder and Galvin (2005) including the EVOKE (Exploration, Vision, Obstacles, Knowledge, and Execution) model.

## III. FINANCIAL PLANNERS

Financial planning service domain is not restricted to any specific professional and a variety of financial planning service providers are now available readily.

"With the current revolution in the financial services market, personal financial management is becoming increasingly complex and single service

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financial companies are being replaced by financial supermarkets. Financial planning services are now being provided by chartered financial consultants, certified financial planners, credit counselors, finance company loan officers, various tax shelter salesmen, stockbrokers, life insurance agents, mutual funds salesmen and even department stores.”

Though with the increase in number and type of financial planners have increased in the market offering the consumers a wider array of choices but at the same time it has made difficult for the consumers to distinguish between these types of financial planners.

As Hung et al (2007) has found in their study consumers are often unable to discern between brokers and investment advisors. This failure of investors to discriminate between types of financial planners poses a challenge for the universal designation for this profession.

### Definition of financial planners

In the present study financial planners are defined as registered professional who advise client on various financial decisions for a fee or commission. The financial planners in the study context include

- i) Charted Accountants (CA)
- ii) Tax consultants (TC)
- iii) Stock Brokers (SB)
- iv) Life Insurance Agents (IA)
- v) Mutual Fund Agents (MFA)
- vi) Postal Agents (PA)

## IV. SIGNIFICANCE OF FINANCIAL PLANNING

Financial planning is of great importance to one's personal life and career success. It teaches how to manage planning effectively and make the best of it.

### Significance of Personal Financial Planning to Development of Nation

- Fewer instances of Financial Swindling
- Increased Investor awareness
- Savings could be channeled to proper resources for development
- Decreased role and liability of Government to manage pension funds
- Decreased liability of Government for welfare schemes

- Increased Employment Opportunities.
- Increased Employee productivity and thus increase in national productivity

### Significance of personal financial planning to development of individual

The benefits of financial planning though universally agreed are difficult to quantify for each individual. As Chang (2005) rightly points out in his article entitled “With a little help from my friends” in *Social Forces* that there has been little research quantifying the benefits of financial planning, although there has been some research on types of households that use financial planner<sup>5</sup>. The present section deals with the financial planning benefit derived by investors who do their financial planning meticulously.

#### 1. Confidence

The benefits of using a financial planner potentially include increasing wealth, protecting wealth and smoothing consumption. The investors who refer to a financial planner can feel confident about their investment decisions as they are endorsed by experts. As Schlaka (2009) point out that many Industries surveys typically show those who use planners feel more confident.

#### 2. Organized Financial Practices

As Marsden (2011) quoted that the financial management practices depend upon the association with financial planner. Working with an advisor is related to several important financial planning activities, including goal setting, calculation of retirement needs, retirement account diversification, positive behavioral response to the recent economic crisis, and retirement confidence.

#### 3. Lower stress

The sound financial management practices are at base of overall happiness which shall lead to lower stress, and sound financial management practices in turn are a part of financial advice by most of financial planners.

#### 4. Goal Formation

“Financial advisors encourage people to examine their most basic desires and priorities, establish concrete goals, withstand (and even taken advantage of) adverse events, and feel confident about their future.”

## V. CONCLUSION:

Financial planning is a growing profession which is gaining recognition outside developed

countries. In India the Financial Planning Board has been incepted to cater to the growing Indian market. Financial planning is one of the tools to achieve desired goals. Financial planning has wide scope of activities, which include planning, allocating, setting goals, delegation, analysis of planning spent, monitoring, organizing, scheduling, and prioritizing. Previously financial planning referred to just business or work activities, but now days the term broadened to include personal activities.

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