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FPSB INDIA

JOURNAL

OF FINANCIAL PLANNING IN INDIA

JUNE 2025

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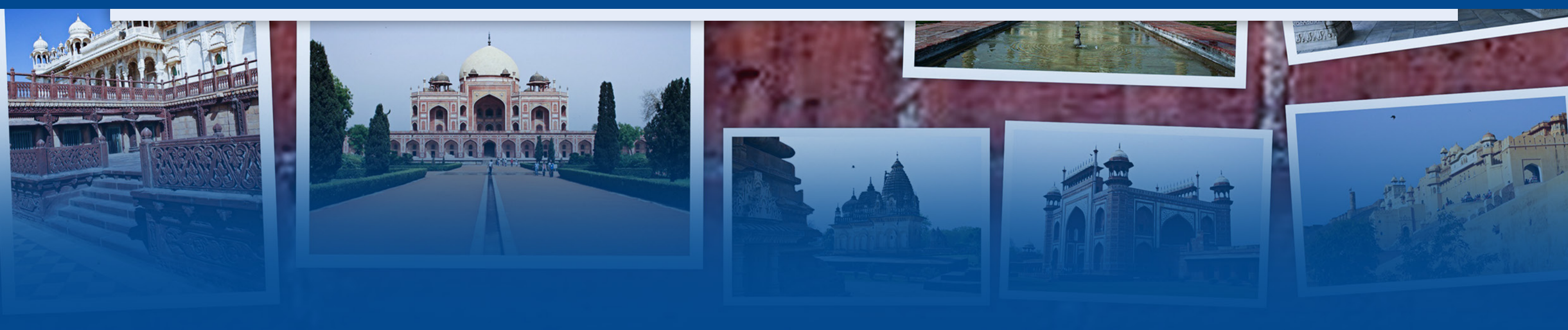

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EDITOR'S NOTE

DEAR **READERS!**

A very warm welcome to another edition of the Financial Planning Journal.

We have been receiving very encouraging feedback from many of you about the diverse content covered in the articles. Thank you for sharing your thoughts with us.

In the current decade India's household debt is tilting sharply towards consumption and away from asset-building. According to a recent study by a leading credit platform of India, there is a significant downward shift in the age at which Indians are availing their first credit. The shift also points towards a changing consumer mindset of instant gratification through credit, rather than building a corpus for future use. Some generations ago, it was common for individuals in the mid-40s to seek credit. However, today's youth is accessing their first credit in their mid-20s. As per the study, this trend is largely driven by increased financial awareness, easy access to digital lending platforms, higher aspirations, and early entry into the workforce.

As individuals start building credit histories early, this could help in improving their access to larger loans in the future (say for homes or businesses). Early access to credit shall also enable increased consumer spending, which can fuel economic growth.

On the flip side, without adequate financial literacy, young borrowers may fall into debt traps due to over-leveraging or mismanagement of credit. In fact, RBI has repeatedly flagged rising personal loan and credit card balances as a potential risk to household balance sheets.

While the shift towards early credit usage reflects a more financially integrated society, it also demands stronger support systems to promote responsible borrowing habits among the youth. Integrating financial education into school and college curricula to teach significance and impact of a responsible credit behaviour becomes crucial.

CFP Professionals can help youngsters in many ways including –

- identify what causes impulsive purchases and how to manage those triggers, recommend a beginner-friendly budgeting method,
- set up automatic transfers to a savings or emergency fund as soon as salary arrives,
- suggest using a low-limit card with autopay to build credit safely,
- use relatable stories or simulations showing how small debts snowball over time but savings grow with compounding interest,
- guide in identifying short, medium, and long-term financial goals and how debt-free living supports those goals

In this environment, role of the CFP professionals in reaching out to the masses for guiding and helping them in their own individual way cannot be emphasized enough.

We invite you to continue engaging with our articles, sharing your feedback, and continue the conversation surrounding personal finance.

Your thoughts and suggestions are welcome at **akumar@fpsb.in**

Best Regards!

CEO NOTE

DEAR **READERS!**

It is with great pride and heartfelt gratitude that I share some of the recent milestones that are shaping the future of financial planning in India.

At the heart of our progress lies a deep commitment to excellence, innovation, and purpose. I am pleased to share that FPSB India has been recognized as ET NOW's Most Innovative Organisation 2025 and one of the Best Organisations to Work For in 2025. These twin recognitions are a powerful testament to our collective vision to lead with integrity, to innovate with intent, and to build a culture that values collaboration, learning, and professional growth. These accolades belong to every individual from the FPSB India team, whose dedication, creativity, and professionalism shape our culture and drive our impact. I am deeply grateful to work alongside such a committed and inspiring group of professionals.

One of our proudest recent milestones is the onboarding of State Bank of India (SBI) as an Authorized Corporate Partner, marking a transformative step toward embedding global financial planning standards within India's largest banking institution. The integration of the CFP® certification into SBI's talent development framework will enable thousands of professionals to upskill and thrive in an evolving financial services environment.

We have also taken bold strides in academia. Our partnership with the Indian Institute of Management Ranchi (IIM Ranchi) is set to co-create industry-aligned academic and executive programs, fostering a generation of professionals equipped with globally benchmarked competencies. Additionally, FPSB India has signed a strategic MoU with Atlas Skilltech University to co-develop a full-time, integrated financial planning program. This pioneering initiative bridges classroom learning with professional practice, aligning seamlessly with the CFP® certification pathway to empower students with technical expertise, ethical grounding, and real-world readiness.

On the thought leadership front, I had the privilege of moderating a distinguished CEO Panel at the Insurance Institute of India's 70th Foundation Day celebrations in Mumbai. The panel addressed critical issues around building sustainable and inclusive pension systems in India ranging from the need to enhance financial literacy to greater stakeholder collaboration.

As we look ahead, I extend a warm invitation to you to join us at the International Conference on Financial Planning 2025, being hosted on 22 July 2025 in New Delhi, in collaboration with PHDCCI. With global leaders, educators, and practitioners coming together, the conference promises to be a celebration of thought leadership, cross-border collaboration, and the evolving role of financial planning in shaping economies and empowering lives.

At FPSB India, we remain steadfast in our vision to build a robust community of trusted professionals—committed to lifelong learning, ethical practice, and global excellence. I thank you for being an integral part of this movement and look forward to continuing this journey together.

Warm regards,

Krishan Mishra, CEO, FPSB India

ABOUT THE JOURNAL

The purpose of the Journal of Financial Planning in India is to expand the knowledge base of CERTIFIED FINANCIAL PLANNER professionals and those interested in the profession. Future contributions will span a variety of areas including industry interviews, viewpoint columns, insightful articles and peer-reviewed technical papers. We wish to provide content that is interesting, original and, most importantly, beneficial to CFP professionals and their work on behalf of their clients.

Journal of Financial Planning in India is published by FPSB India. The opinions, beliefs and viewpoints expressed by the various authors in this Journal do not necessarily reflect the opinions, beliefs and viewpoints of FPSB India, its employees or its affiliated organizations. The information provided in the Journal is for informational purposes. It should not be considered legal or financial advice. You assume the sole responsibility of evaluating the merits and risks associated with the use of any information or other Journal content and should consult with an independent professional to determine what may be best for your situation.

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Brand Guidelines

These brand guidelines are applicable to Education Providers, Universities, Business Schools, Colleges, and the Corporates, collectively referred to herein as "Partner(s)."

CFP® Certification *Global excellence in financial planning*

About FPSB India

FPSB India is the leading financial planning body in India and is dedicated to establishing, upholding and promoting professional standards in financial planning throughout India. FPSB India offers the globally recognized CFP certification, which represents excellence in financial planning through rigorous competency and ethical standards. It is home to over **3215** CFP professionals in India and part of a global network of organizations representing more than **230,648** CFP professionals worldwide. FPSB India is the Indian subsidiary of Financial Planning Standards Board Ltd., the global standards-setting body for the financial planning profession and owner of the international CERTIFIED FINANCIAL PLANNER® certification program.

Purpose

The main objective of these brand guidelines is to ensure the consistent positioning and promotion of the CFP marks throughout India. These guidelines are essential for maintaining a unified and cohesive visual and tonal representation of the CFP certification. Our partners play a crucial role in spreading awareness about CFP certification among potential students. Therefore, it is vital to use accurate messaging and provide students with trustworthy information. This approach not only helps build trust within the student community but also safeguards the integrity of our brand.

Promoting yourself as an Authorized Education Partner / Accredited University / Business School / Approved Corporate Partner

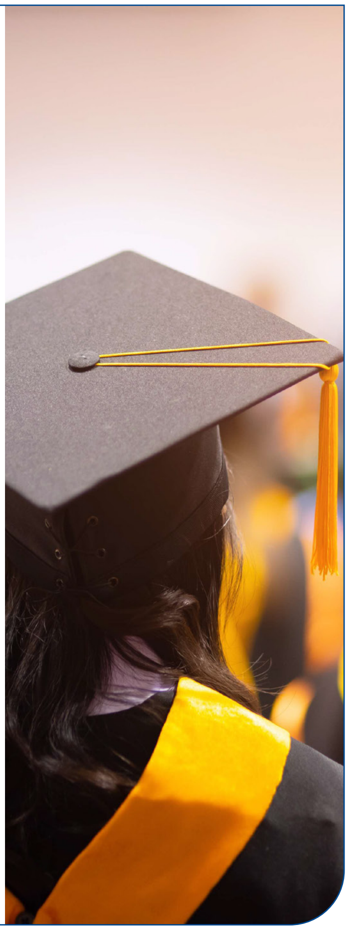
Status Prerequisite: Partners must not self-promote as Authorized or Approved partner until they have obtained the required status.

B2B Collaborations Responsibility: Partners engaging in B2B collaborations must ensure that all affiliated entities adhere to FPSB's promotional guidelines and best practices in student counselling.

Modification of Program: Partners intending to alter program structure, teaching methods, or study modes must notify FPSB India in advance to maintain transparency and program quality.

Websites, Social Media, & Press Releases: Partners cannot host websites or profiles resembling FPSB India's. However, they can include hyperlinks from FPSB India's site to their own.

Promoting as Authorized Education Provider: Advertise yourself as an Authorized Education Provider (AEP) of FPSB India. Refrain from using terms like AEP of "US FPSB" / "Global FPSB" / "Global CFP Certification".



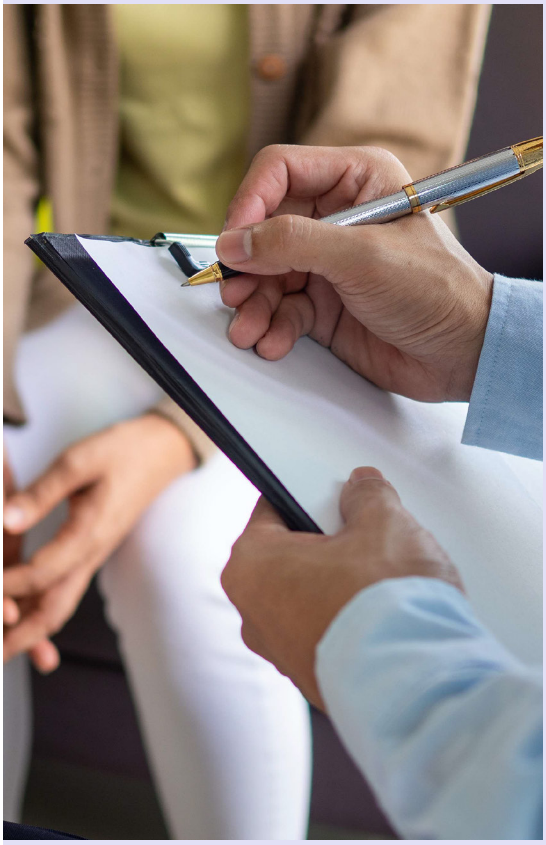
Promotion of Integrated Program

Few examples of how to promote an Integrated Program

- → Course name with CERTIFIED FINANCIAL PLANNER®
- → Pursue CFP® certification along with your post-graduation/MBA.
- → Unlock the potential for a dual achievement – embark on your journey towards CFP® certification while pursuing your post-graduation/MBA.
- → Fast-track your progression towards a thriving career in financial planning by pursuing a dual degree – Course name with CERTIFIED FINANCIAL PLANNER®
- → Plan your studies to complete CFP® certification along with your xyz course, FPSB India conducts exam every month, to know more visit FPSB India.
- → Course name (CFP ® Logo) - powered by FPSB India (to be mentioned below the course name)

Student Counselling & Messaging

- **Respectful Promotion:** Avoid comparing CFP certification with other qualifications in a way that discredits any institute or qualification.
- **Transparency:** Ensure students are well-informed about program details, fees, exams, ethics module, work experience requirements, and the suitable pathway.
- **Avoid Unsubstantiated Claims:** Avoid making unsubstantiated claims such as declaring to be the "Best tuition provider" or offering pass guarantees. Claims must be substantiated by evidence, and it is advised to refrain from offering pass guarantees.
- **Clarification on Promises:** When making promises regarding placements, exercise caution and clarify that employment guarantees are offered by the partner institution, not by FPSB India.
- **Promotion of Course Completion:** Avoid promoting the certification with claims like "can be completed within 6-8 months." Or "easy to pass" Instead, highlight the flexibility of the certification program, emphasizing higher exam frequencies and remote/center-based options, while also addressing the program's rigorous curriculum.
- **Fast Track Pathway Promotion:** In promoting Fast Track pathways, emphasize recognizing prior learning and experience, rather than the number of exams exempted. Fast Track pathways aim to credit a student's prior learning and experience, making this the primary focus of promotion.



Logo Usage

01

FPSB Ownership:

The CFP marks must be used in a way that makes it clear that FPSB owns them.

02

Logo Alteration:

The FPSB India/ CFP marks logo should not be altered by modifying in text form, animating, making three dimensional, or using them on patterned background as a watermark or as part of background itself.

03

Territory Specific Trademark:

Use a territory specific trademarks symbol. For India we use registered trademark. i.e., ®

04

Color Alterations and Logo Size:

The logos cannot be used in different colors other than which is provided below. To ensure optimum legibility of the logo, a minimum size of 6mm width is recommended.

Logo for CFP Marks:

FPSB India Logo:

Logo on white Background

Logo on Dark Background

CFP Marks Usage guidelines

E.g., Jane Smith is a CFP® professional. She achieved the CERTIFIED FINANCIAL PLANNER® designation in 2010. The CFP mark represents the global symbol of excellence in financial planning.

- Always use CFP and CERTIFIED FINANCIAL PLANNER as adjectives.
- Always use an approved nouns with CFP and "CERTIFIED FINANCIAL PLANNER:
- Mark(s), professional, practitioner, exam/examination, certification, designation, credential, certificant, education.
- CERTIFIED FINANCIAL PLANNER must always be used in all caps or small caps in copy. This distinguishes the words to confirm its status as trademark.
- CFP should not be used as an acronym for CERTIFIED FINANCIAL PLANNER including in parentheses.
- CFP mark in India is now listed as a Registered Trademark.
- Do not use or pronounce CFP in a plural form, such as "CFPs." Instead, refer to individuals as CFP Professionals or use other approved nouns from the list mentioned above.
- First use of CFP and CERTIFIED FINANCIAL PLANNER must appear with ® (superscript) in its first use in written/ printed materials.

Compliance with FPSB India Guidelines:

Consent for Student Data: Always obtain written consent from students before uploading their details or declaring results on your social media channels.

Result Accuracy: Present results exactly as provided by FPSB India; avoid any alterations, combinations, or recalculations.

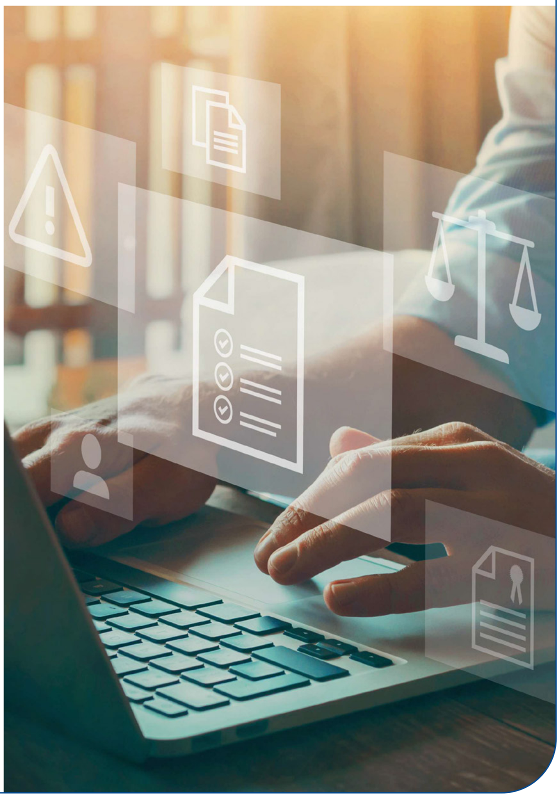
Avoid Misleading Claims: Refrain from making claims such as having the highest number of rankers or members in your region or country.

Pass Percentage Comparisons: Do not compare your pass percentages with National Pass Rates or reference them.

Continuous Education: Stay informed and updated about the latest information and changes related to CFP certification to provide accurate guidance to students.

Creative Approval: Prior to publishing, obtain approval for your promotional materials and creatives from the regional team of FPSB India.

Listing FPSB India Official Names: Do not use the names of FPSB India officials for marketing events or engagement activities without their written consent.



Violation of Brand Guidelines Consequences:

In cases where partner and their affiliates breach the advertising regulations outlined herein, FPSB India will follow a specific course of action:

Written Warning

FPSB India will issue a written warning to the partner, specifying the breach and setting a reasonable timeline for them to respond and rectify the issue in 3 days.

Resolution Deadline

If the partner fails to resolve the breach within the stipulated timeframe or commits repeated breaches, FPSB India reserves the right to take further action.

Suspension or Removal of Accreditation

FPSB India may, at its discretion, suspend or revoke accreditation or authorized approval if a breach persists or if there are repeated violations of the advertising regulations. The decision to suspend or remove accreditation will be made solely by FPSB India and will be considered final.

THANK YOU

For any query feel free to contact us at

fpsb.institute@fpsb.in

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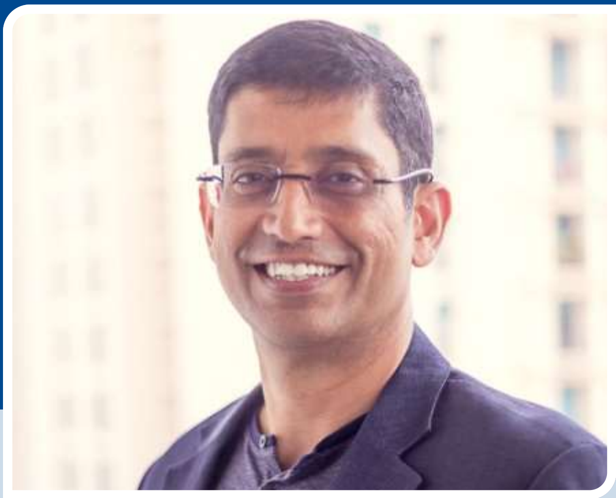
ENHANCING FINANCIAL PLANNING WITH GENERATIVE AI: INSIGHTS FOR INDIAN CFP PROFESSIONALS



Rajan Raju, *Director, Invespar Pte Ltd.*

Based on: From Models to Markets: Generative AI and Its Emerging Role in Indian Financial Services ***(SSRN: https://ssrn.com/abstract=5223947)*** and FPSB Global Research Report 2025 on the Impact of AI on Financial Planning

Executive Summary

As Generative Artificial Intelligence (GenAI) becomes increasingly embedded in financial services, Indian CFP™ professionals face a dual challenge: harnessing its potential for personalised, efficient client service while ensuring ethical, regulatory, and linguistic fit. Drawing from the 2025 FPSB Global Research Report and recent academic findings, this article examines how GenAI can support financial planners in client communication, risk profiling, onboarding, and workflow optimisation. With nearly two-thirds of 6,200 financial planners globally already using or planning to use AI in the next 12 months and 49% of planners prioritising data literacy, GenAI tools are reshaping the practice of financial planning. However, challenges such as misrepresentation risks in Indic languages, data scarcity, hallucination in large language models, and the need for explainability demand a structured approach.

This article adopts Actor-Network Theory (ANT) to show the interplay between human and non-human actors in GenAI adoption. It applies the Business Model Canvas (BMC) to assess its strategic fit. Ethical implementation frameworks, especially the FATE principles (Fairness, Accountability, Transparency, Explainability), offer safeguards for responsible deployment. Ultimately, GenAI can help widen access to financial planning—a national imperative in India—but must be used judiciously, respecting SEBI's regulatory boundaries and preserving the client-centric ethos of the CFP profession.

1 Introduction: The GenAI Revolution in Financial Planning

Generative Artificial Intelligence (GenAI) refers to AI systems that create novel content, including text, images, videos, and audio, by learning patterns from large datasets. Notable examples include Large Language Models (LLMs) such as ChatGPT, Gemini, and Claude.

These systems have gained prominence for their ability to synthesise human-like responses, automate complex tasks, and adapt to contextual inputs.

In financial planning, GenAI offers significant improvements in tasks such as client communication, data analysis, risk profiling, and operational efficiency. Consider retirement planning: CFP professionals often conduct scenario analyses manually, using spreadsheets. In contrast, pre-trained GenAI systems can rapidly analyse data, simulate multiple scenarios, and generate client-friendly, multilingual insights. This boosts productivity and enhances the planner's ability to deliver tailored, informed advice—particularly important in India, where linguistic diversity, varying financial literacy, and a unique investment landscape require localised solutions. With a national shortage of skilled professionals, GenAI also offers a powerful multiplier effect.

Nevertheless, despite these compelling benefits, GenAI's adoption raises concerns around data privacy, model reliability, and regulatory compliance, particularly under SEBI oversight. Ethical and responsible implementation of this new technology is essential to uphold the trust in the CFP profession in India.

2 Actor-Network Theory: Understanding GenAI Adoption

Actor-Network Theory (ANT) provides a framework for viewing GenAI adoption as a socio-technical process involving both human and non-human actors. Unlike traditional innovation models, ANT focuses on the broader ecosystem, including planners, clients, regulators, GenAI systems, data structures, and regulatory frameworks, that collectively influence integration.

ANT describes this through four "moments of translation":

- **Problematization:** Framing GenAI as a solution to defined challenges. FPSB (2025) finds 61% of firms plan internal AI deployments driven by business needs. Poorly articulated problem statements contribute to India's high failure rate of ~30% (Raju, 2025). Issues such as multilingual communication, onboarding delays, or inconsistent risk profiling must be clearly scoped.

- **Interessement:** Aligning stakeholder interests, including planners, clients, SEBI, and vendors. Alignment becomes particularly complex when external parties, like third-party vendors or account aggregators, are involved, requiring shared objectives and clear role definitions.

- **Enrolment:** Formalising roles and responsibilities. State Bank of India's internal assistant, askSBI, exemplifies how GenAI can institutionalise expert knowledge and enhance decision quality. Enrolment stabilises roles and builds trust through accountability structures.

- **Mobilisation:** Scaling successful GenAI deployments, promoting best practices, and continuously refining governance processes. External deployments complicate mobilisation due to increased regulatory oversight, data-sharing issues, and vendor integration challenges.

GenAI adoption requires precise problem framing, stakeholder alignment, and careful orchestration. Given India's regulatory and multilingual complexity, this alignment demands thorough planning and robust governance to ensure accountability and transparency.

3 Strategic Insights: How GenAI Reshapes Financial Planning Business Models

The Business Model Canvas (BMC) helps map GenAI's practical impact on financial planning. The FPSB (2025) report highlights key adoption areas: client communications (41%), onboarding (34%), risk profiling (30%), and workflow optimisation (33%). Leveraging GenAI requires planners to address how their core business components are impacted systematically:

- **Value Proposition:** GenAI has the potential to enhance the personalisation of advice, enabling planners to deliver highly tailored services that reflect clients' individual needs and contexts. Particularly relevant in India's multilingual and diverse client profile market, GenAI allows planners to provide sophisticated, language-appropriate interactions, thereby deepening trust and increasing the relevance of advice for the client.

- **Customer Relationships:** GenAI can effectively automate routine communications (e.g., standard enquiries, periodic updates). This shift allows planners to invest more time in complex, high-value conversations, reinforcing their role as trusted advisors. From the client's perspective, this means more timely responses and access to richer, more personalised engagement, enhancing both service satisfaction and relationship depth.

- **Channels:** GenAI integrates with everyday platforms—WhatsApp, email, voice—making services more accessible, particularly in regional languages.This digital-first approach benefits those who prefer or require interactions in regional languages or simplified communication formats, aligning with India's financial inclusion and client empowerment goals.

- **Cost Structure and Workflow Efficiency:** Automating compliance, documentation, and onboarding processes through GenAI leads to substantial operational efficiencies. Planners can reduce time spent on repetitive tasks such as data entry, regulatory form generation, and follow-up reminders. These workflow gains, cited by 33% of firms in the FPSB study, not only lower operational costs but also accelerate service delivery for clients, reducing onboarding time and increasing overall responsiveness.

Nevertheless, planners must address risks such as data scarcity, algorithmic bias, and model opacity. Strong governance and ongoing monitoring are essential to ensure ethical and effective deployment that upholds client trust.

4 Responsible Implementation: Navigating Regulation, Ethics, and Inclusion

As GenAI tools become more embedded in financial planning, CFP professionals must navigate a regulatory landscape that is both evolving and fragmented. India does not yet have a unified AI law. Instead, regulation remains decentralised across entities such as SEBI, RBI, and MeitY, creating a landscape of flexible—but also ambiguous—oversight. SEBI's current AI-ML circulars emphasise transparency, explainability, and documentation, but lack detailed implementation guidance for client-facing advisory contexts. This regulatory lag, while allowing experimentation, also places greater responsibility on individual planners and institutions to interpret and apply responsible AI practices.

To implement GenAI ethically and effectively, planners must adopt a structured approach that blends compliance, ethics, and inclusion:

- **Model Governance and Oversight**

  Planners should establish robust governance frameworks that include continuous model validation, retraining protocols, and audit trails. Human oversight and clear accountability must be embedded at key decision points—especially in risk profiling and financial recommendations—to prevent overreliance on opaque “black-box” outputs. Compliance with data privacy and residency requirements must also be rigorously ensured.

- **FATE Principles for Ethical AI Use**

  Ethical adoption of GenAI begins with adherence to the FATE framework:

  - **Fairness**: Ensure systems do not embed or amplify biases across gender, geography, or socio-economic lines—especially in credit scoring and retirement planning.
  - **Accountability**: Clearly delineate responsibility when errors occur—whether they lie with the planner, vendor, or underlying model.
  - **Transparency**: Maintain records of model inputs and outputs; offer clients clarity on how AI contributes to recommendations.
  - **Explainability**: Use techniques that demystify GenAI outputs, particularly when decisions materially affect a client’s financial well-being.

- **Capability Building and Statistical Competence**

  With 49% of planners identifying data analysis as a top upskilling priority (FPSB, 2025), building fluency in GenAI requires more than just tool usage. Planners must strengthen their understanding of data quality, bias detection, and statistical reasoning. At the institutional level, firms must invest in internal competency frameworks to manage the GenAI lifecycle responsibly.

- **Advancing Financial Inclusion**

  GenAI also has the potential to support India’s broader financial inclusion agenda. Tools that simplify documents, offer multilingual interfaces, and streamline onboarding can extend advisory services to underserved, semi-literate, or remote populations. However, this requires intentional design and validation to prevent misclassification or exclusion of low-data clients.

In sum, the absence of a holistic regulatory framework means that CFPs must proactively assume the role of ethical stewards of technology. Responsible GenAI deployment demands a combination of professional judgement, ethical frameworks like FATE, operational readiness, and client-first design—particularly in a diverse, multilingual, and data-fragmented environment like India.

5 The India Imperative: Tailoring GenAI to Local Realities

While global momentum behind GenAI grows, its application in Indian financial planning demands a locally attuned approach. Adopting Western tools without adaptation risks overlooking critical differences in economic structure, client behaviour, regulation, and data and technology infrastructure.

Linguistic diversity and highly varied financial literacy shape India’s financial ecosystem. GenAI must function in multiple Indian languages and accommodate clients with limited formal financial literacy and awareness. This heightens the need for explainable, intuitive outputs within the local Indian milieu.

Moreover, India’s investment universe and risk-return expectations differ significantly from Western models. Planning tools must reflect local economic and tax regimes, savings habits, and market volatility, which requires domain-specific fine-tuning of GenAI. GenAI models trained predominantly on Western financial data may underperform or mislead in this environment unless adapted with India-specific datasets and domain logic.

Indian planners also contend with a fragmented data infrastructure. In contrast to developed markets with structured datasets, many local clients have thin or unstructured financial histories. GenAI models must therefore be validated carefully and supplemented by professional judgement.

Finally, skill shortages in AI literacy and model governance are common. Few planners are trained in algorithmic risk, bias detection, or statistical reasoning. Bridging this capability gap is essential for sustainable adoption of GenAI.

These factors demand that GenAI deployment in Indian financial planning be both locally grounded and professionally governed. Success depends on tailoring tools to India's regulatory, behavioural, and data environments, rather than retrofitting foreign approaches without adaptation.

6 Conclusion: Innovation with Integrity

GenAI presents a remarkable opportunity for Indian CFP professionals: it can scale engagement, reduce costs, and improve client understanding. But these benefits come with responsibilities.

Frameworks like ANT and FATE offer practical guidance for managing complexity and ensuring responsible adoption. The Business Model Canvas helps align GenAI use with client outcomes and operational goals.

In a fluid regulatory environment, CFPs must lead with integrity. GenAI is not a replacement for human judgement but a tool that, when deployed thoughtfully, can enhance the planner-client relationship. By adapting solutions to India's unique landscape—linguistically, behaviourally, and structurally—planners can turn GenAI into a force for greater trust, access, and value in financial advice.

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Financial Planning Standards Board. (2025). Impact of AI on financial planning: Global research report. ***https://fpsb.org/wp-content/uploads/2025/04/250000_rpt_AI_Research-FIN.pdf***

Raju, R. (2025). From models to markets: Generative AI and its emerging role in Indian financial services. SSRN. ***https://ssrn.com/abstract=5223947***

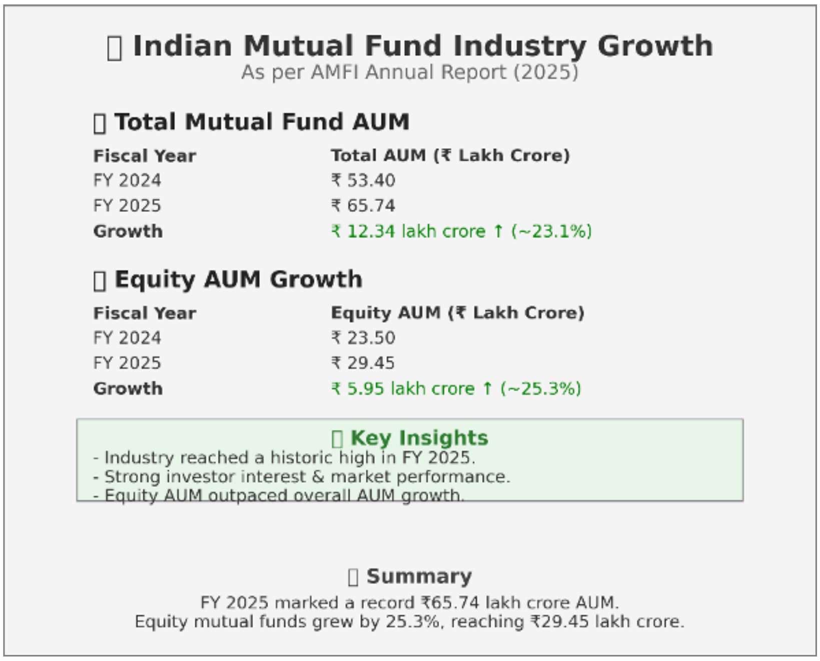
Rajan can be reached at **rajanraju@invespar.com** and on Twitter at **@rajanraju26**. His research is available on SSRN at ***https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=3354364***.

CHASING RETURNS IS A FALLACY: AN INDIAN PERSPECTIVE ON WEALTH CREATION

Joydeep Sen
CFP, Corporate Trainer and Author,

Dr. Kiranjit Kaur Kalsi
PhD, National Institute of Securities Markets (NISM)

Indian retail investors are often inclined towards the mutual fund investments, focusing particularly on mid and small cap funds. Such inclination is driven by the assumption of past outperformance signals[1]. As per Annual Report of AMFI (2025), the fiscal year for Indian Mutual Fund Industry has closed at a record of Rs. 65.74 lakh crore in March 2025 in comparison with the fiscal year 2024 that closed at Rs. 53.40 lakh crore. The equity Asset Under Management (AUM) in Indian mutual funds have increased rapidly to Rs. 29.45 lakh crore in FY 2025, from Rs. 23.50 lakh crore in FY 2024.



Indian Mutual Fund Industry Growth
As per AMFI Annual Report (2025)

Total Mutual Fund AUM

Fiscal Year	Total AUM (₹ Lakh Crore)
FY 2024	₹ 53.40
FY 2025	₹ 65.74
Growth	₹ 12.34 lakh crore ↑ (~23.1%)

Equity AUM Growth

Fiscal Year	Equity AUM (₹ Lakh Crore)
FY 2024	₹ 23.50
FY 2025	₹ 29.45
Growth	₹ 5.95 lakh crore ↑ (~25.3%)

Key Insights
- Industry reached a historic high in FY 2025.
- Strong investor interest & market performance.
- Equity AUM outpaced overall AUM growth.

Summary
FY 2025 marked a record ₹65.74 lakh crore AUM.
Equity mutual funds grew by 25.3%, reaching ₹29.45 lakh crore.

As per AMFI's past reports, it can be stated that mutual fund investments in the Mid Cap and Small Cap schemes have attracted heavy inflows, stimulating the belief in rapid wealth accumulation by chasing funds with high returns. Yet, many investors continue to choose schemes based solely on trailing returns, often ignoring volatility, valuation, behavioural tendencies and suitability for individual goals. This article descriptively analyses that chasing returns is attractive but strategically could be flawed.

BEHAVIOURAL DRIVERS OF RETURN CHASING

Rankings from media and aggregator portals regularly highlight top-performing funds[2], prompting disproportionate inflows into current high-return-yielding schemes. Moreover, the behavioural biases, particularly the recency bias and the herd mentality led investors to assume that previous years' leaders will outperform[3].

AMFI's monthly inflow data confirms this pattern, showing surging capital into mid and small cap categories during high-return periods as they have approached elevated valuations[4].

An investor survey conducted by the Axis Mutual Fund indicates that 59% of mutual fund investors rely on past returns when selecting a fund, while others rely on their risk appetite, diversification etc. for decision making[5].

Equity Category Performance

Table 1. Trailing[6] Returns of Equity Large, Mid and Small Cap Funds

Category	3 Year CAGR	1 Year Return	Year to Date Return
Large Cap	18.38 %	2.01%	6.0 %
Mid Cap	25.58 %	1.89%	1.48 %
Small Cap	26.04 %	1.47%	−0.85 %

Source: Value Research aggregation[7]

These figures show that while small cap and mid cap funds led over three years, recent six month performance is not impressive, as small caps have turned negative, mid caps slowed drastically, while large caps posted steady though modest gains. This volatility and rotation undermine the assumption of persistence.

Monthly flow trend of growth/equity-oriented schemes (Rs crore)

Category	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025	Dec 2024
Mid-cap funds	3,754	2,809	3,314	3,439	3,407	5,148	5,093
Large-cap funds	1,694	1,250	2,671	2,479	2,866	3,063	2,011
Small-cap funds	4,024	3,214	4,000	4,092	3,722	5,721	4,668

Source: AMFI Monthly Note June 2025

Scheme Category-Wise Annualized Returns

Table 2. MF Scheme Category wise Annualized return (past two years)

Scheme Category	2023	2024
Large Cap	25.56 %	14.26 %
Mid Cap	39.77 %	26.58 %
Small Cap	26.31 %	43.42 %

Observations:

- **Large Cap** has seen strong returns in 2023 (25.56%) but moderated in 2024 (14.26%).
- **Mid Cap** performed best in 2023 (39.77%), with reduced but still healthy gains in 2024 (26.58%).
- **Small Cap** reversed the pattern—modest in 2023 (26.31%), followed by a surge in 2024 (43.42%).

This rotation reinforces the importance of diversification and cautions against chasing trailing performance.

Source: Value Research - evaluated up to July 11, 2025

Analysis of Scheme-Wise NAV Returns of Mid Cap Funds (Two Year Period)

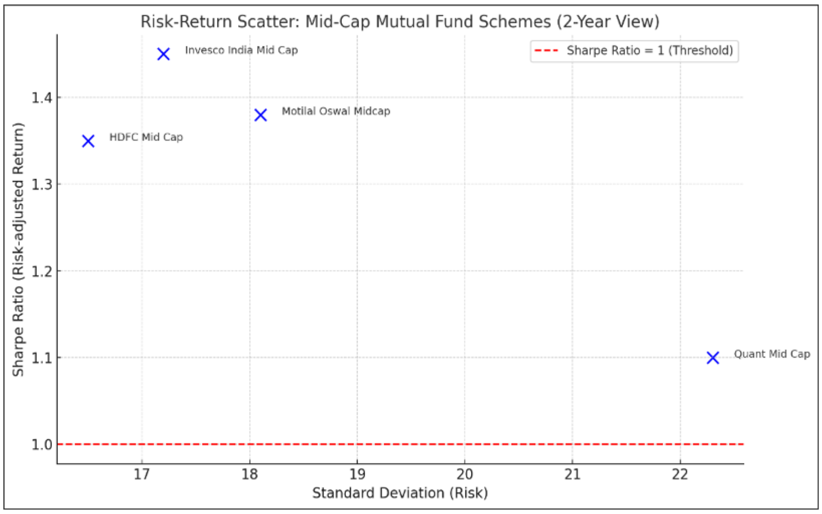
Table 3. Selected Mid Cap Funds, 2 Year Annualized & 1 Year Returns

Scheme (Direct Growth)	1 Yr Return	2 Yr Annualized Return
Invesco India Mid Cap Fund	16.9 %	32.9 %
Motilal Oswal Midcap Fund	7.5 %	33.9 %
HDFC Mid Cap Fund	7.6 %	31.98 %
Quant Mid Cap Fund	−10.7 %	24.4 %

Source:
Value Research

Here's a graphical risk return scatter plot of selected mid-cap mutual fund schemes. Each point represents a fund, plotted based on its standard deviation (risk) and Sharpe ratio (risk-adjusted return):

- Funds to the **left and higher** on the plot offer better risk-adjusted performance.
- The red dashed line marks the **Sharpe Ratio = 1** threshold, often considered a baseline for acceptable performance.



This visual underscores that while some schemes (e.g., Invesco, HDFC) deliver strong returns efficiently, others (like Quant) may carry significantly higher volatility without a proportional reward, highlighting the fallacy of chasing raw returns without assessing risk.

RISK-ADJUSTED METRICS:
A BETTER LENS THAN ABSOLUTE RETURNS

While CAGR often dominates investors' attention, risk-adjusted performance metrics offer a more robust and meaningful framework for fund evaluation particularly in the context of volatile categories like mid and small caps. The key indicators include:

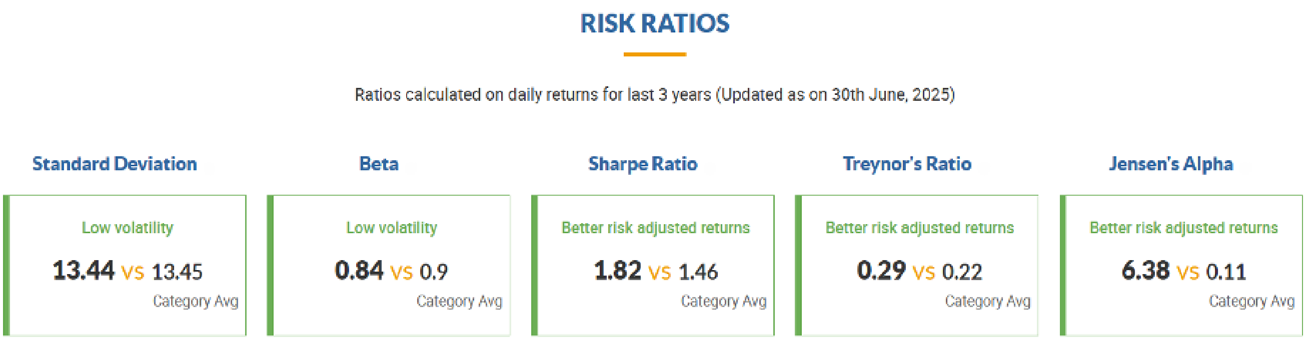
Sharpe Ratio
It measures excess return per unit of volatility (standard deviation). A higher ratio reflects more efficient risk-taking.

Jensen's Alpha
It captures a fund's outperformance relative to its expected return based on market beta, adjusted for risk.

Beta
It reflects sensitivity to broader market movements; lower beta implies lower volatility.

Standard Deviation
It indicates return variability; a proxy for downside risk.

For instance, MoneyControl's risk assessment of the Invesco India Mid Cap Fund (as shown in the figure) reveals a higher Sharpe ratio than the category average, pointing to more favorable risk-adjusted performance, even in periods of drawdown[8]:



Source: MoneyControl

In this context, a fund offering moderate but stable returns with a high Sharpe ratio is often more desirable than one with high absolute returns but poor risk-adjusted performance. From a long-term wealth creation perspective, especially in volatile categories, smoothness and predictability of returns matter as much as magnitude. Thus, risk-adjusted metrics serve as a vital compass for investors seeking sustainability over spectacle.

MEAN REVERSION, VOLATILITY & BEHAVIOUR GAP

Mean Reversion & Valuation Risk

Strong past performance often leads to heightened inflows, inflating valuations beyond historical norms. Over the period, the assets trading at elevated multiples have a tendency of correction leading to underperformance due to mean reversion[9].

Volatility and Sequence Risk

High volatility increases the likelihood of unfavorable return sequences. Investors who enter at peak NAV, after strong performance may suffer a significant drawdown, prompting panicked withdrawals and crystallized losses and vice-versa[10].

Behaviour Gap and Investor Biases

Behavioural finance studies in India reveal a persistent "behaviour gap": realized investor returns trail fund returns by several percentage points annually due to poor timing, emotional decisions and overconfidence[11]. A SEBI study also highlights that 91% of individual derivatives traders incurred net losses in FY 2024 25, indicating widespread poor timing and risk mismanagement[12].

A ROBUST ALTERNATIVE: CONSTRUCTING GOAL ALIGNED PORTFOLIOS

Risk Adjusted Fund Selection

Investors may use appropriate metrics such as Sharpe ratio and Alpha to assess consistency and risk-adjusted surplus for fund selection. High CAGR with low Sharpe or high volatility may be more prone to drawdown.

Diversified Segment Allocation

A prudent portfolio could be a blend of large cap, mid cap, small cap, multi cap, hybrid and debt etc. For example, a diversified split across cap segments, or inclusion of quality-focused multi-cap schemes may reduce concentration risk.

Horizon Alignment and Liquidity Matching

The match of investment vehicles to time horizon could be like:

- **Short term (≤ 2 years):** liquid or debt funds
- **Medium term (3–5 years):** hybrid or balanced funds
- **Long term (≥10 years):** diversified equity with dominant large/multi cap exposure

This discourages misaligned exposure that can trigger reactive reallocations when performance reverses. However, it is always advisable to seek professional guidance while constructing portfolio.

SIP as a Behavioural Framework

Regular SIPs smooth entry and reduce sequence risk. Research indicates SIP returns are relatively insensitive to timing within a month (first trading day vs futures expiry day) suggesting consistent long-term performance is decision insensitive. AMFI data shows steady SIP inflows even during periods when trailing returns faltered, indicating growing adoption of disciplined habits[13] .

CONCLUSION

Chasing the high returns, especially in mid and small-cap schemes based on past performance may appear attractive but is often unwise. Data from AMFI and Value Research shows that while these funds perform well over longer periods, their recent six-month performance often shows decline or stagnation. Scheme-level NAV trends highlight that strong two-year returns can still include one-year losses, pointing to high volatility.

Investor behaviour adds to this problem. Recency bias, overconfidence, and herd mentality often lead to poor timing decisions and losses. Studies confirm that actual investor returns are usually lower than published fund returns[14] . SEBI and AMFI have introduced rules to discourage performance-chasing, but the long-term solution lies in better investor awareness and disciplined investing.

Building lasting wealth requires a goal-based approach. Investors should focus on risk-adjusted metrics, diversifying across market categories and asset classes, match investments to their time horizons, maintain consistent SIPs and seek professional advice while making their investment decisions.

In India, as in other markets, the principle holds true: staying invested over time works better than trying to time the market.

The authors can be reached at
contact@joydeepsen.com and reachkiranjit@gmail.com

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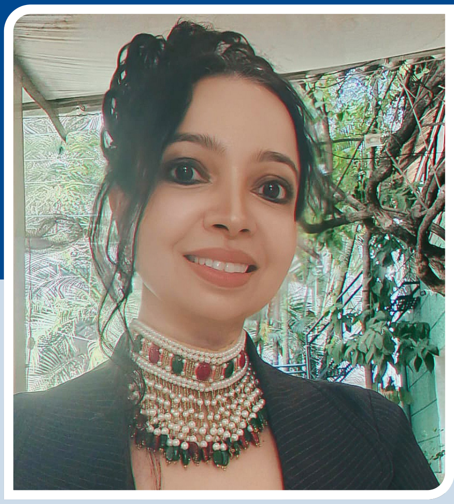
MONEY MINDFULNESS: 10 MANTRAS FOR THE YOUTH



Amisha Sethi
Senior Vice President – Policy and Communication, FPSB India

In a world driven by instant gratification and ever-evolving financial choices, money mindfulness is a superpower—especially for today's youth. Being mindful about money means being intentional, informed, and in control of your financial decisions. These ten simple yet powerful mantras can serve as a guide for young individuals to build a strong foundation for a financially secure future.

1 Practice Gratitude Towards Money

Cultivate a sense of respect and gratitude for the money you have. It's not just a medium of exchange; it reflects your efforts, your values, and your potential. Gratitude shifts your focus from scarcity to abundance and helps you make wiser financial choices.

2 Financial Awareness is Your Superpower

Understanding where your money comes from, where it goes, and how it grows is the first step to financial independence. Awareness leads to clarity, which leads to confidence. Start tracking your expenses, observing your spending habits, and identifying patterns that can be improved.

3 The Earlier You Start, the Better

Begin with basics—saving a portion of your pocket money, creating a small budget, and distinguishing between needs and wants. The earlier you understand these concepts, the stronger your money muscle becomes. Habits formed early can lead to lasting wealth.

4 From Pocket Money to Pay check: The Transition

Your first brush with money might be through allowance or pocket money. Use it as training ground. As you move into earning your first pay check, carry forward the principles of budgeting, saving, and conscious spending. It's the same game—just higher stakes.

5 Goal setting: Dream Big, Start Small

Start with manageable goals like saving for a trip, a gadget, or a course. Break down your aspirations into short-term, medium-term, and long-term goals. This structure provides direction, and regular check-ins help you stay on track and motivated.

6 Beat Peer Pressure with a Plan

It's easy to fall into the trap of impulse spending or trying to keep up with others. Stay focused on your journey. Set financial boundaries, be intentional with your spending, and keep reminding yourself of your larger financial aspirations.

7 Discipline and Living Within Your Means

Creating and maintaining a budget is not restrictive—it's liberating. Avoid spending on fleeting pleasures that don't align with your long-term happiness or growth. Save with purpose, whether it's for a trip, future education, or a passion project.

8 Build an Emergency Fund—Start Small

Even a small emergency fund can make a big difference in times of uncertainty. This safety net ensures that unexpected expenses don't derail your progress or force you into debt. It's a habit that pays off—always.

9 Don't Delay Retirement Planning

Retirement may seem light years away, but starting early gives your investments more time to grow through the magic of compounding. Even small, consistent contributions from your first pay check can make a significant difference in the long run.

10 Invest in Financial Knowledge

Read books, take online courses, and attend workshops. Understand key financial concepts like inflation, interest rates, taxes, and compounding. And if you're looking for expert guidance, consider connecting with a CFP® Professional. Better yet, become one! It's a life skill that not only secures your future but equips you to help others build theirs.

Money mindfulness is not about restriction—it's about empowerment. These mantras aren't just rules; they're reflections of a mindset. A mindset that can help you live freely, make informed choices, and build a future that aligns with your dreams. Start today—your future self will thank you.

Amisha Sethi is the Senior Vice President of Policy and Communication at FPSB India, and can be reached at **asethi@fpsb.in**

OLD VS. NEW REGIME: ROLE OF A CFP PROFESSIONAL

Jainesh Kothari, CFP

The concept of the Old vs. New regime was first introduced in the Assessment Year 2020-21. Whatever deductions a taxpayer had to claim he or she could simply enter the amount in the relevant column under deductions tab while filing the ITR. This was enough and not many details were required to show as evidence to claim the deduction/s.

However, the Income Tax Department has tightened rules from AY 2025–26 to curb fake deduction claims, especially under the old regime. Taxpayers must now submit detailed documentary proof for deductions like 80C, 80D, and HRA, replacing earlier self-declarations.

The assessee is also required to furnish document identification number, policy number, loan account number, loan outstanding as on 31st March, loan sanction date and various other things which are concerned with that deduction to claim it. Only after entering all the relevant details will the deduction amount be allowed and reflected in computation while filing the ITR.

This evolution from self-declaration to submission of minute details to claim deduction has empowered the Income Tax Department to honor honest taxpayers and to plug the loophole for claiming fake refunds. This move also addresses misuse by salaried individuals and helps plug refund-related revenue losses to the tax department.

Let us have a look at what is still allowed and what is not allowed as deduction/exemption under the New Regime.

✓ Payments Allowed in the New Regime (as of AY 2025–26)

Allowed	Details
Employer's contribution to NPS (80 CCD (2))	Up to 10% (14% for govt employees) – ✓ Allowed
EPF Employer Contribution	Up to statutory limits – ✓ Allowed
Gratuity / Leave Encashment	On retirement – ✓ Allowed
Standard Deduction (₹50,000)	✓ Allowed since AY 2024–25
Transport Allowance for Disabled	✓ Still allowed

X Exemptions Not Allowed in New Regime

Exemption Type	Description	Not Allowed in New Regime
HRA	House Rent Allowance	X Not allowed
LTA	Leave Travel Allowance	X Not allowed
Entertainment Allowance & Professional Tax	Salaried employees	X Not allowed
Children Education & Hostel Allowance	Fixed monthly allowances	X Not allowed
Perquisites Exempt u/s 10(14)	Conveyance, uniform allowance, etc.	X Mostly Not allowed
Interest on Housing Loan (Self-Occupied House)	U/S 24(b) - ₹2 lakh	X Not allowed

Role of a CFP® professional in compliance

The role of a CFP® professional in compliance related to ITR filing, particularly in helping clients claim rightful deductions and exemptions under the old regime (for AY 2025–26), is critical, ethical, and advisory in nature. Here's a structured explanation of the same:

1. **Advise only on genuine deductions and exemptions under Sections 80C to 80U.**

Assesses should be discouraged from raising fake claims such as inflated HRA, false donations, or fictitious insurance premiums. They must uphold the highest level of ethical standards – acting in the client's best interest while complying with the law.

2. **Detailed Review of Client's Financial Profile**

Planners must evaluate income sources from salary, business, capital gains, rental, interest etc. and then match relevant deductions:

For salaried individuals: HRA, standard deduction, 80C (LIC, EPF, ELSS), 80D (Health Insurance), etc.

For business owners: business expenses, depreciation, and other deductions (if applicable).

3. **Documentation and Evidence-Based Advisory**

Planners must ensure that clients maintain valid proof of necessary documents such as investment receipts, loan statements, rent agreements, insurance premium receipts, etc. and thereafter guide them on how to structure expenses and investments during the year to qualify for deductions. Planners must also educate clients on what is claimable vs. what may invite a notice from the Income Tax Department.

4. **Help Clients Choose Between Old vs. New Regime**

This is a crucial aspect as the right regime could lead to tax savings for the assessee. Planners must analyze and compare both regimes for each client based on their unique income and deduction profile. If a client is eligible for large deductions (like 80C, 80D, HRA, and home loan interest under 24(b)), they may benefit by opting to file returns under the old regime. Additionally, planners should engage with clients and sit with them well in advance during the financial year to guide them which tax regime (old/new) will give a higher tax saving. Advance tax liability of client must also be ascertained, and clients should be advised to pay their advance tax timely.

5. **Keeping Updated with the changes in the Tax Laws**

Like every other field, income tax rules and bylaws are also updated every year, and it is in the best interest of the planners to stay informed about any amendments in the deduction limits or rule changes under the Finance Act. Planners must proactively communicate all relevant changes to their clients during the financial year.

6. **Collaboration with other Professionals and Consultants**

CFP professionals may not file the tax returns themselves but can work closely with other professionals in the field to:

- Cross-verify the deductions claimed,
- Ensure full compliance with the latest Income Tax Return forms and formats,
- Explain the financial rationale of certain claims made.
- Educate and empower clients on the importance of genuine documentation, pitfalls of claiming fake deductions, and role of long-term tax planning vs. last-minute manipulation.

Summary

CFP® professionals play a significant role by guiding clients on what documentary evidence to keep for claiming applicable deductions and exemptions, which tax regime (old vs. new) will help to save maximum tax etc. This shift promotes ethical tax practices and empowers honest taxpayers while ensuring better compliance and collaboration with fellow professionals during ITR filing.

Jainesh Kothari, CFP ®, is a practicing Tax Consultant and can be reached at kotharijainesh424@gmail.com.

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  The articles should be of about 1200-1500 words in length, including all photos and graphics. Articles must be written in English and be relevant to Indian CFP professionals and/or the global CFP community.

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- **Style:** The Journal of Financial Planning in India is focused on providing and promoting easy-to comprehend, professional written work. A contributor's thoughts, comments, ideas, and graphics should be easy to understand and structured for flow.

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FOR JOURNAL OF FINANCIAL PLANNING IN INDIA

(JUNE 2025 EDITION)

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GOOD LUCK!

Chasing Returns Is a Fallacy: An Indian Perspective on Wealth Creation

1. In the view of the author, investors must focus more on __________ rather than CAGR while evaluating investment options in mid- and small-cap funds.

    a. capital gains

    b. period of investment

    c. risk-adjusted returns

    d. fund management charges

Enhancing Financial Planning with Generative AI: Insights for Indian CFP Professionals

2. The author brings forth that GenAI presents a remarkable opportunity for Indian CFP professionals. Accordingly, the Business Model Canvas (BMC) can ________

a. align GenAI use with client outcomes and operational goals

b. offer practical guidance for managing complexity and ensuring responsible adoption

c. help in skill shortages in AI literacy and model governance

d. accommodate clients with limited formal financial literacy and awareness

Old vs. New Regime: Role of a CFP Professional

3. While the taxpayers are now mandated to submit detailed documentary proof for claiming deductions, which amongst the following is not allowed as a deduction/ exemption under the New Regime?

a. EPF – Employer contribution

b. Gratuity

c. House Rent Allowance

d. Standard Deduction

Money Mindfulness: 10 Mantras for the Youth

4. In the view of the author, 'being mindful about money' requires individuals to be:

a. informed of their financial situations

b. in control of their financial decisions

c. intentional of their financial choices

d. all of the above

END OF THE QUIZ

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