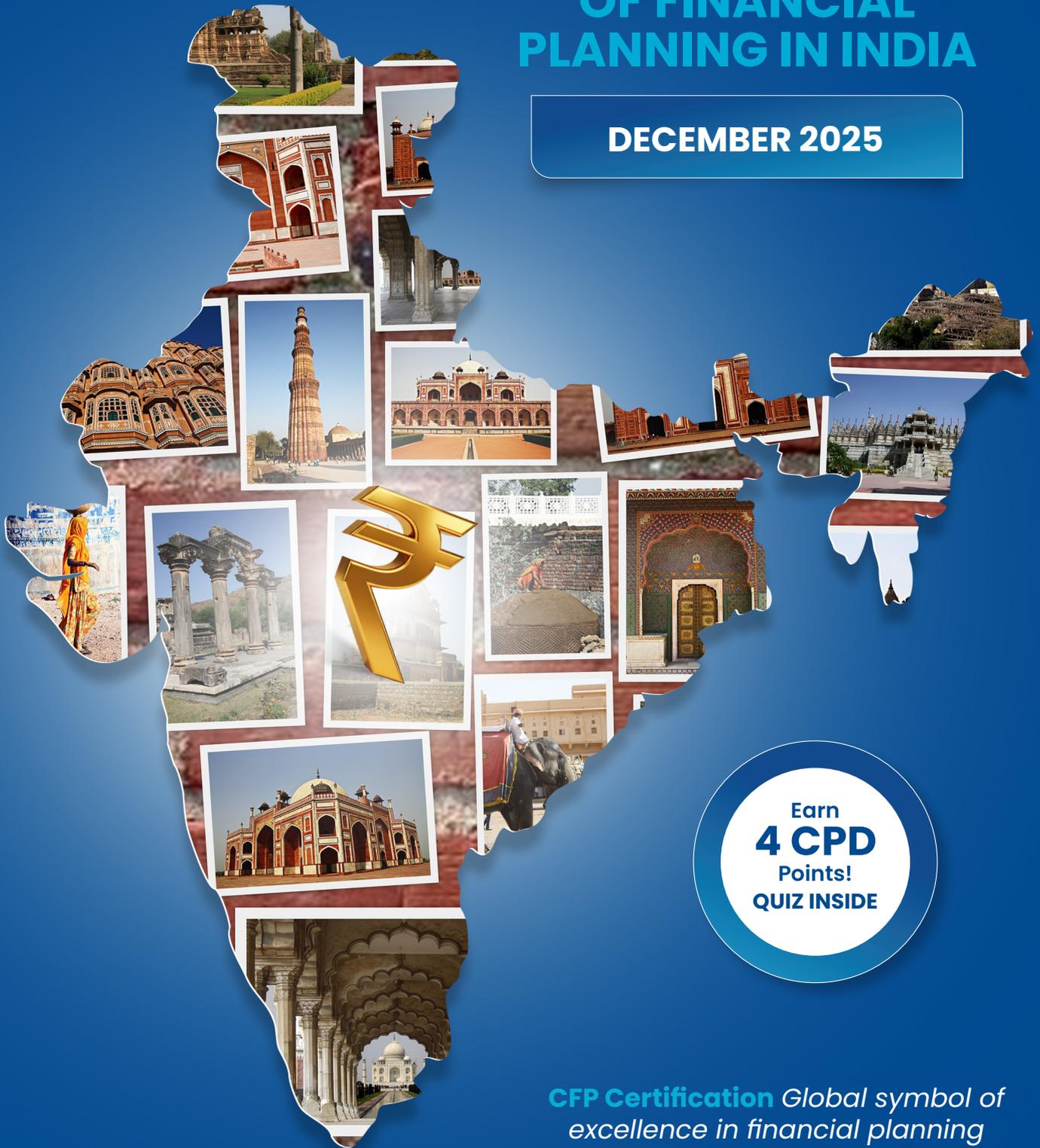


# JOURNAL

OF FINANCIAL  
PLANNING IN INDIA

DECEMBER 2025



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# EDITOR'S NOTE

## DEAR READERS!

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

As we drew the curtain on 2025, the profession of financial planning in India stands at a defining crossroads. Over the past decade, financial planners have moved steadily from being product facilitators to trusted partners in their clients' financial lives. Yet, as we look ahead to 2026, this transition is far from complete – and the challenges before us are as complex as they are consequential.

The Indian financial planner today operates in an environment shaped by regulatory evolution, rapid technological change, heightened client expectations, market uncertainty, and an ongoing trust deficit. Each of these forces is reshaping not only how advice is delivered, but also how value is perceived.

One of the most immediate challenges is the evolving regulatory landscape. As SEBI and other regulators refine frameworks for advisory, distribution, and investor protection, planners must adapt quickly. While these changes may feel burdensome in the short term, they also signal a maturing ecosystem where professionalism, transparency, and fiduciary responsibility are non-negotiable.

Equally significant is the impact of technology and artificial intelligence. Digital platforms, robo-advisors, and AI-driven tools are democratizing access to basic financial solutions. The answer lies not in competing on cost or speed, but in offering judgment, context, empathy, and holistic guidance – especially in moments of uncertainty that no algorithm can fully understand.

As we approach 2026, the planners who stay ahead will be those who place client-centricity at the core of every decision. This means shifting conversations from products to outcomes, from market timing to life planning, and from short-term performance to long-term resilience. It also means investing in continuous learning – whether in taxation, estate planning, behavioral finance, or communication – and building practices that are ethical, transparent, and sustainable.

As this edition explores the themes shaping our profession, we invite financial planners across India to reflect deeply on their role in the coming year. The challenges of 2026 are real – but so is the opportunity. By embracing change, upholding fiduciary values, and remaining relentlessly client-focused, financial planners can not only navigate the future, but help define it.

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.

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](mailto:akumar@fpsb.in)

Best Regards!

# CEO NOTE



## DEAR READERS!

It gives me great pleasure to share the latest edition of our Journal with you, an initiative that reflects FPSB India's continued commitment to strengthening the financial planning profession through meaningful knowledge dissemination and thought leadership. I am proud to share that the CFP® professional community in India has been growing steadily and reached 3,534 professionals as of 31st Dec 2025, a milestone that reflects the rising recognition, credibility, and impact of the profession. We also recognise that, given the potential there is a long way ahead and it is our endeavour to expand the professional community across India.

In the Oct–Dec 2025 quarter, India's financial planning landscape witnessed momentum on multiple fronts, reflecting both policy evolution and market dynamism. The National Pension System (NPS) underwent significant modernization, with regulators enhancing flexibility and subscriber benefits—most notably through revised withdrawal and exit rules that expanded lump-sum access and extended the investment age, making retirement planning more adaptable to evolving life cycles. Building on this, PFRDA's continued outreach and awareness initiatives underscored the importance of structured retirement savings across diverse demographics. In the insurance sector, Parliament passed the transformative Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025, ushering in a new era by raising the Foreign Direct Investment cap to 100% and strengthening regulatory frameworks aimed at deepening market participation and coverage. This legislative reform, now being operationalised in early 2026, is expected to attract global capital, advanced risk-management expertise and digital innovation into the Indian insurance ecosystem. On the investment front, robust primary market activity and renewed foreign investor interest—especially through IPO participation—reinforced confidence in India's equity markets, while household savings continued their gradual shift towards market-linked instruments and smart investment strategies. In another, significant development on the investment front, Specialized Investment Funds (SIFs) in India became effective on April 1, 2025, following SEBI's regulatory framework. The first, SIF was launched in September 2025, followed by other AMCs also

launching their respective MF schemes in this new category. These funds require a minimum investment of ₹10 Lacs and collectively highlight a broadening and deepening of India's financial planning environment, offering planners and clients alike greater flexibility, choice and avenues for securing long-term financial goals.

As the role of a CFP® professional continues to evolve beyond products and portfolios to encompass trust, behaviour, governance, and long-term outcomes, this Journal brings together perspectives that are both timely and highly relevant. The articles in this edition explore practical and real-world issues faced by Indian families and financial planners, from addressing deeply rooted traditions and behavioural biases to making informed decisions on mutual funds, government securities, and home loan strategies.

You will also find thought-provoking insights that go beyond numbers, highlighting the importance of transparency, ethical disclosure, and structured approaches such as family wealth constitutions. These discussions reinforce a fundamental belief that lies at the heart of professional financial planning: lasting client relationships are built not only on technical expertise, but also on clarity, integrity, and effective communication.

Together, these contributions reflect the growing responsibility of CFP® professionals as trusted advisors and custodians of their clients' financial well-being. Engaging with such knowledge helps strengthen individual practices while collectively raising the standards, credibility, and influence of the financial planning profession in India.

And with this, we continue to reaffirm our commitment to supporting your professional growth and to nurturing a stronger, more respected financial planning community in India. I extend my heartfelt gratitude to all the authors who have generously shared their insights, experience, and perspectives in this edition.

I encourage you to read these articles with reflection, and to share the learnings within your professional networks. When knowledge is applied with purpose, it becomes a powerful driver of progress. Enjoy the read!

Warm regards,  
**Chandrakant Sureka**  
*Chief Executive Officer*

Excerpts of the CEO's interview during Finsummit 2025 at IIM Raipur, published in Finspire, a finance magazine published through the collaborative efforts of IIM Mumbai, IIM Visakhapatnam, IIM Tiruchirappalli, IIM Ranchi, and IIM Raipur, with IIM Raipur leading the current issue.

Good evening, Sir. It is an honour to have you with us at IIM Raipur. To begin, multiple forces are converging to transform India's investment ecosystem. If you had to identify one game-changing development that will define the next decade, what would it be and why?

I would not point to one single event but rather to multiple developments that together are defining this change, because real change happens when long-standing trends begin to shift. One of the biggest game changers, in my view, is the changing savings pattern of Indian households. Savings are steadily moving away from traditional instruments like fixed deposits toward market-linked investments, and this transition has been enabled by the increasing institutionalisation of markets. Another significant force is the emergence of technologies such as AI and digital advisory platforms, which have made information far more accessible to investors. These parallel developments together will play a defining role in shaping how Indian markets evolve.

**Gen Z investors bring radically different expectations around wealth creation and financial independence. How should advisory models and platform experiences evolve to serve them effectively?**

I would approach this slightly differently by saying that expectations do not drive markets—markets behave in their own way. One may expect extraordinary returns, but markets will still function based on their underlying realities. What Gen Z investors must learn is what truly drives markets, because investment truths and investment wisdom are timeless. I often emphasise the risk–return equation, which many people

## Professional Advice in the Age of Noise: Guiding Investors the Right Way

With

**Mr. Chandrakant Surekha**

Chief Executive Officer,  
Financial Planning Standard Board  
(FPSB) India



“  
The only real solution in a complex  
market is the presence of  
dependable, professional advisors.  
”

tend to forget. Higher returns are always associated with higher risk, and if someone is offering unusually high returns, the risk is inevitably higher as well. Gen Z must therefore place their expectations within the correct framework, understanding that it is not possible to achieve high returns with little or no risk.

**Trust becomes fragile when market narratives change rapidly and information sources multiply. What tangible actions can the industry take to establish credibility in this environment?**

The only sustainable solution lies in the growth of dependable, professional advisors. As markets expand and become more complex, investors need someone who can act in their best interest. At FPSB, our core focus is on building the financial planning profession through CFP professionals who follow a client-centric approach, where advice is driven by what is right for the client rather than what benefits the product manufacturer. Products will continue to evolve, and information will continue to multiply, but there must be a qualified professional who can interpret this complexity and translate it into sound advice for retail investors, and that is precisely the role a CFP is meant to play.

**Systematic investing is growing, yet speculative behaviour persists. Is India genuinely building a culture of patient wealth creation, or does speculation still dominate?**

“

**Speculation may be exciting, but it does not create wealth in the long run.**

”

These two forces have always coexisted. Speculation is not a new phenomenon-it existed even in my grandfather's time and continues today. Its nature, virtues, and vices have remained largely unchanged. At the same time, the rise of systematic investing is a very welcome development because it allows even a small retail investor, someone

who may invest as little as a thousand rupees a month, to participate meaningfully in markets. Systematic investing acts as a balancing force. While speculation may appear exciting, history and the wisdom of investment legends-from Warren Buffett to Indian stalwarts-consistently show that speculation is more about excitement than sustainable wealth creation in the long run.

**Finally, viral content and unverified advice increasingly influence investment decisions. What kind of collective accountability framework is needed to protect investors in this influence-driven economy?**

This is a significant challenge even for regulators today, especially with the flood of influencer-driven and YouTube-based content. At present, the most practical solution is for investors to seek professional advice rather than relying solely on online content. While it does take time and effort, investors must evaluate who is backing the advice they consume and what motivates it. Among the vast amount of content available, there are credible voices as well, but identifying them requires due diligence. Ultimately, a trustworthy advisor or institution will always prioritise the investor's interest over personal gain. Insurance, for example, has often been mis-sold in India due to commission-driven incentives, yet there are also highly ethical advisors who assess client needs carefully before offering solutions. As in most markets, both sides exist-the responsibility lies in choosing professionalism over noise.

# 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.

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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.



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02

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

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### Logo on white Background



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## 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 noun with CFP and "CERTIFIED FINANCIAL PLANNER":
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- 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.
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- 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.

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**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.

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# THANK YOU

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# WHEN TRADITION BECOMES A BARRIER: HOW RIGID CULTURAL PRESERVATION CAN UNDERMINE EFFECTIVE FINANCIAL PLANNING IN INDIAN FAMILIES



*Tarun Gulabani, CFP*

## Executive Summary

Indian families operate within a rich tapestry of cultural, religious, and traditional values that have guided financial decision-making for generations. But there's a tipping point. When the preservation of these traditions shifts from advisory to prescriptive, when "this is how we've always done it" starts overriding financial logic, something breaks. Planning becomes ineffective. Opportunities get missed. Families fracture.

This article explores that tension through case studies of Indian families navigating these conflicts. I've looked at scenarios where tradition-based decisions lead to poor outcomes, and I've identified what CFP professionals can actually do to help without disrespecting the values families hold dear.

**The key insight:** Culture and financial effectiveness aren't naturally opposed. They're only in conflict when culture becomes dogma rather than principle.

## Introduction: The Silent Conflict in Indian Family Finances

Priya walked into her CFP's office with visible frustration. She'd just inherited ₹5 crore from her late father's estate in Jaipur, and her family had already made the decision about what to do with it. Most of it would go into purchasing additional agricultural land. Not because it made financial sense. Not because she wanted that. They were doing it because "land ownership has been the foundation of our family's wealth for 300 years."

Her older brother had insisted. The family patriarch (her uncle) was immovable on this: "We do not invest in equities. We do not believe in mutual funds. Land is tangible. Land is permanent."

Here's the problem though. The family's agricultural holdings were generating annual returns significantly below inflation. Meanwhile, Priya needed ₹2 lakh every single month for her three kids' education and her mother's medical care. She was locked into an asset that wasn't serving her actual needs, all in the name of preserving family tradition.

CFP professionals encounter this or similar scenario dozens of times. The question is always the same: how do you honour cultural values and family heritage while also managing wealth effectively in a modern economy?

It's not a simple question. That's what this article tries to untangle.

### Case Study 1: The Bangalore Tech Family's Gold Obsession

#### The Situation

Rohit Kumar is 38, works in IT sector in Bangalore, makes ₹45 lakh annually. His goal is straightforward: accumulate ₹3 crore over the next 15 years, so he can retire at 55 and send his kids to international universities.

But there's a family mandate he's been dealing with since childhood. His mother, his grandmother, his extended family, they all agree on one thing: "At least 30% of annual savings must go into gold." It's not negotiable. It's tradition.

The reasoning isn't irrational. Gold protected the family during Partition. It's been a hedge during economic crises. It represents security in uncertain times. To Rohit's mother, suggesting anything else felt like abandoning the family's survival instincts.

#### The Problem

Gold was yielding roughly below inflation. Over 15 years, forcing 30% of Rohit's savings into gold meant roughly ₹1 crore sitting in a low-return asset when those same funds could have been generating far more long term returns through more appropriate products as per his risk appetite.

The Projection: With the 30% gold mandate, he'd accumulate about ₹2.1 crore by age 55. Without it, he'd hit ₹2.8 crore. The difference? ₹70 lakh. That's his kids' international education. That's his retirement comfort. That's what tradition was costing him.



## The Resolution

For their financial planner, it took six months of conversations with his mother about diversification and inflation-adjusted returns. Eventually they compromised: reduce the gold to 10% and build out a proper diversified portfolio for the rest. That's when things shifted. By understanding the underlying value (security and protection against uncertainty) rather than the dogmatic practice (30% gold), the family found flexibility.

### Case Study 2: Gender-Based Financial Exclusion That Masquerades as Protection

## The Situation

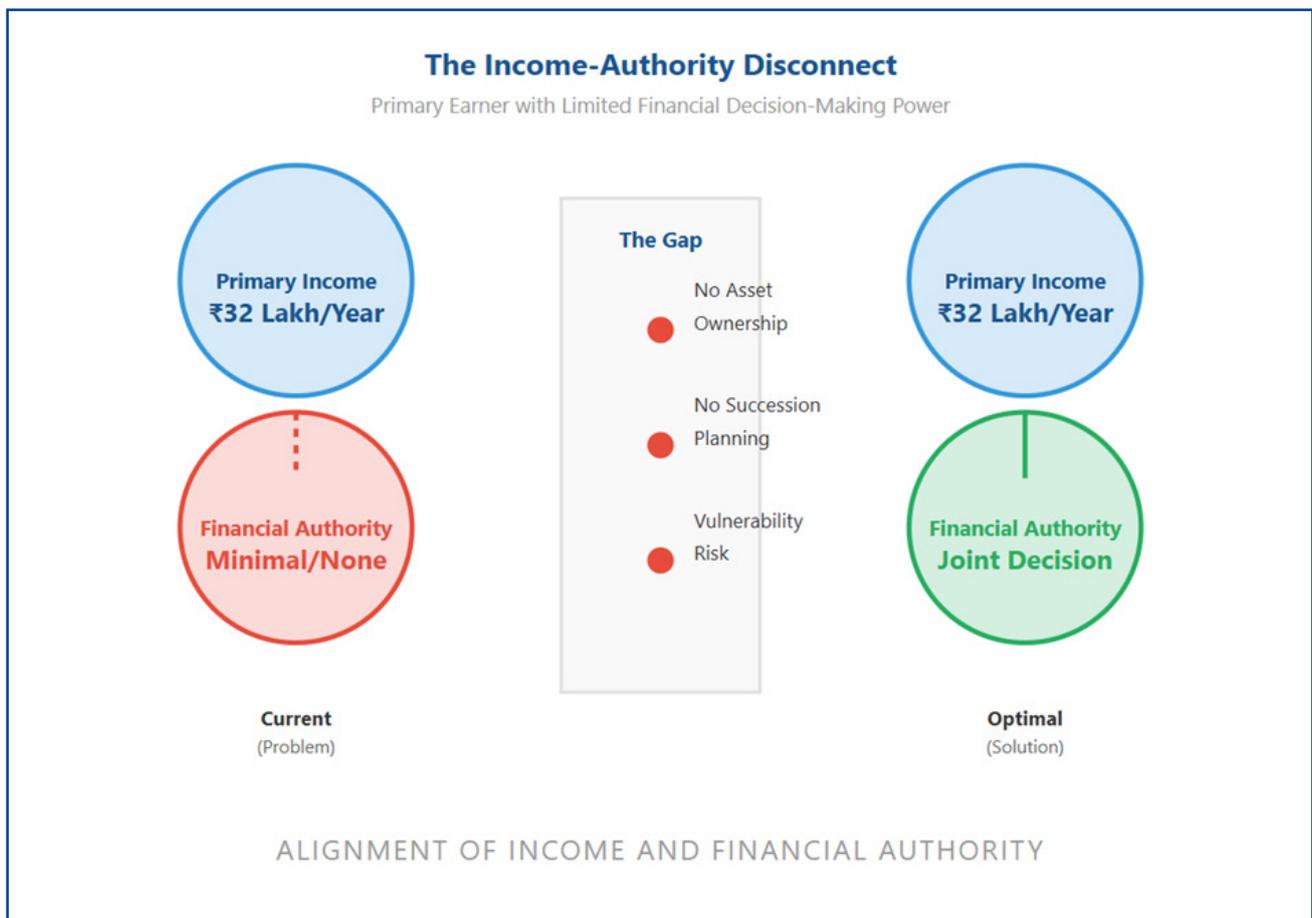
Meera is a dentist in Pune, earning ₹32 lakh annually. She's the primary earner in her household and savvy about financial markets. But when it comes to financial decisions, her voice doesn't count for much.

Her in-laws are traditional. Her father-in-law runs the finances. Or rather, he tries to. He's a retired employee with limited financial knowledge, and he has strong opinions about keeping things "safe."

## The Problem

What this looks like in practice: all of Meera's substantial income goes into a joint account controlled by her husband, who was asked to park most of it in low interest-bearing fixed deposits. When she suggested a systematic investment plan in options aligned with her goals, her father-in-law dismissed it as "too risky".

But here's what is really troubling about these situations. Meera has no documented asset ownership. There's no real succession planning. If something happened to her husband, she'd face serious financial vulnerability despite being the primary earner. That's not protection. That's exposure disguised as care.



## The Resolution

Meera spoke to a financial planner, and the shift happened when Meera reframed the conversation. She stopped arguing about rights and started talking about family security. She explained that her financial literacy wasn't a challenge to anyone's authority; it was actually essential for protecting her children's future. That landed differently. Her in-laws eventually agreed to joint decision-making. Things kept improving in her favour greatly after that.

### Case Study 3: Rigid Asset Inheritance Rules That Ignore Modern Reality

#### The Situation

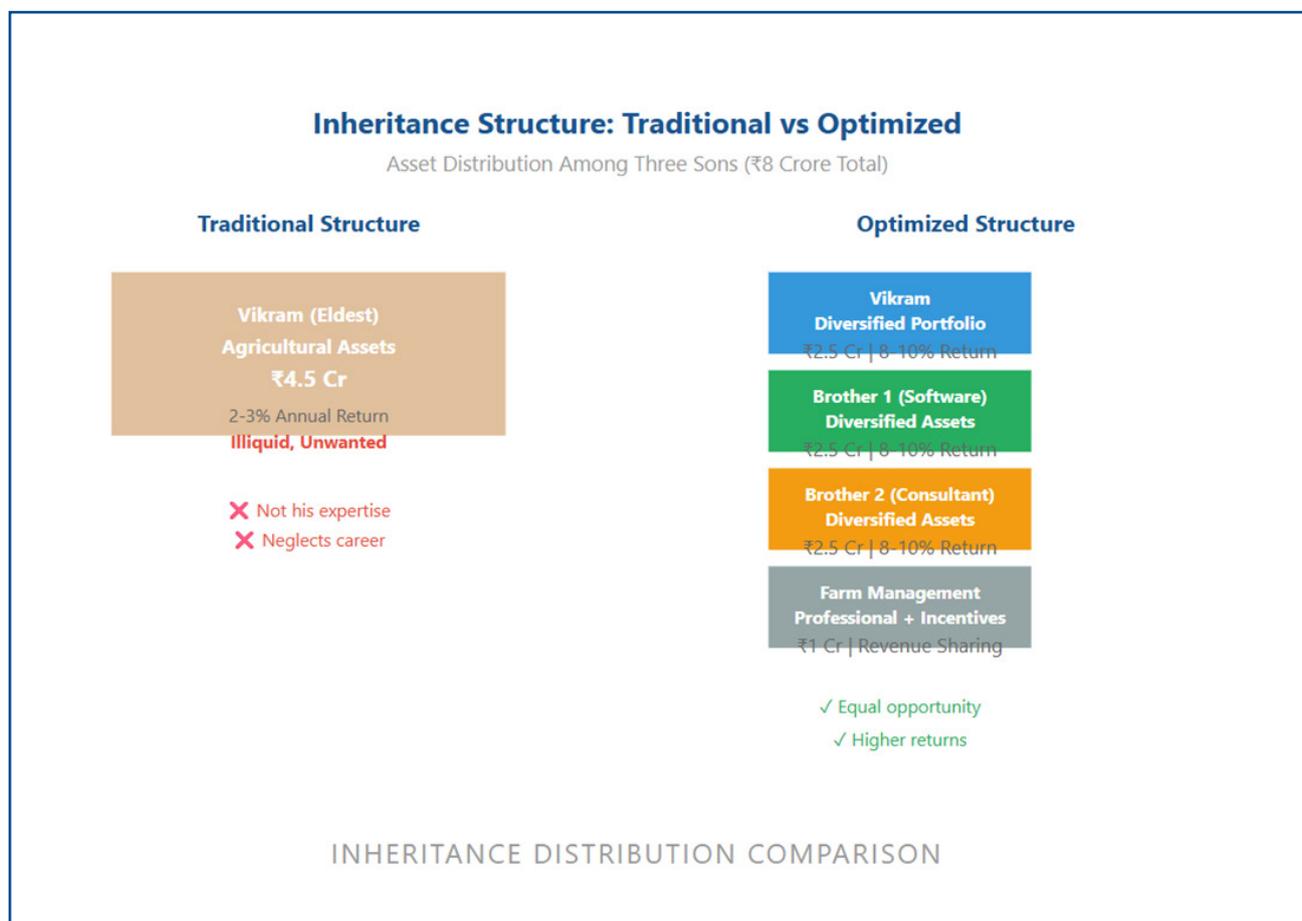
The Sharma family in Punjab has been in agriculture for four generations. ₹8 crore in wealth, distributed across land, equipment, and a small agro-business. They have a clear tradition: the eldest son inherits the agricultural business and land. Younger sons receive monetary compensation. That's how it's always worked.

Except now Vikram, the eldest son, is a trained financial analyst. He has zero interest in agriculture. His two younger brothers, a software engineer and a consultant, feel the same way. Neither of them want to farm.

#### The Problem

The family patriarch wasn't interested in exceptions though. "The land stays with the oldest son. That's how we've maintained our legacy."

So, Vikram ended up inheriting ₹4.5 crore in agricultural assets that were yielding 2-3% annually. Illiquid and requiring active management which he neither wanted nor had the expertise for. He'd have to neglect his career to oversee farming operations. Meanwhile, his brothers were getting cash payouts, but not the wealth-building opportunity of holding diversified assets.



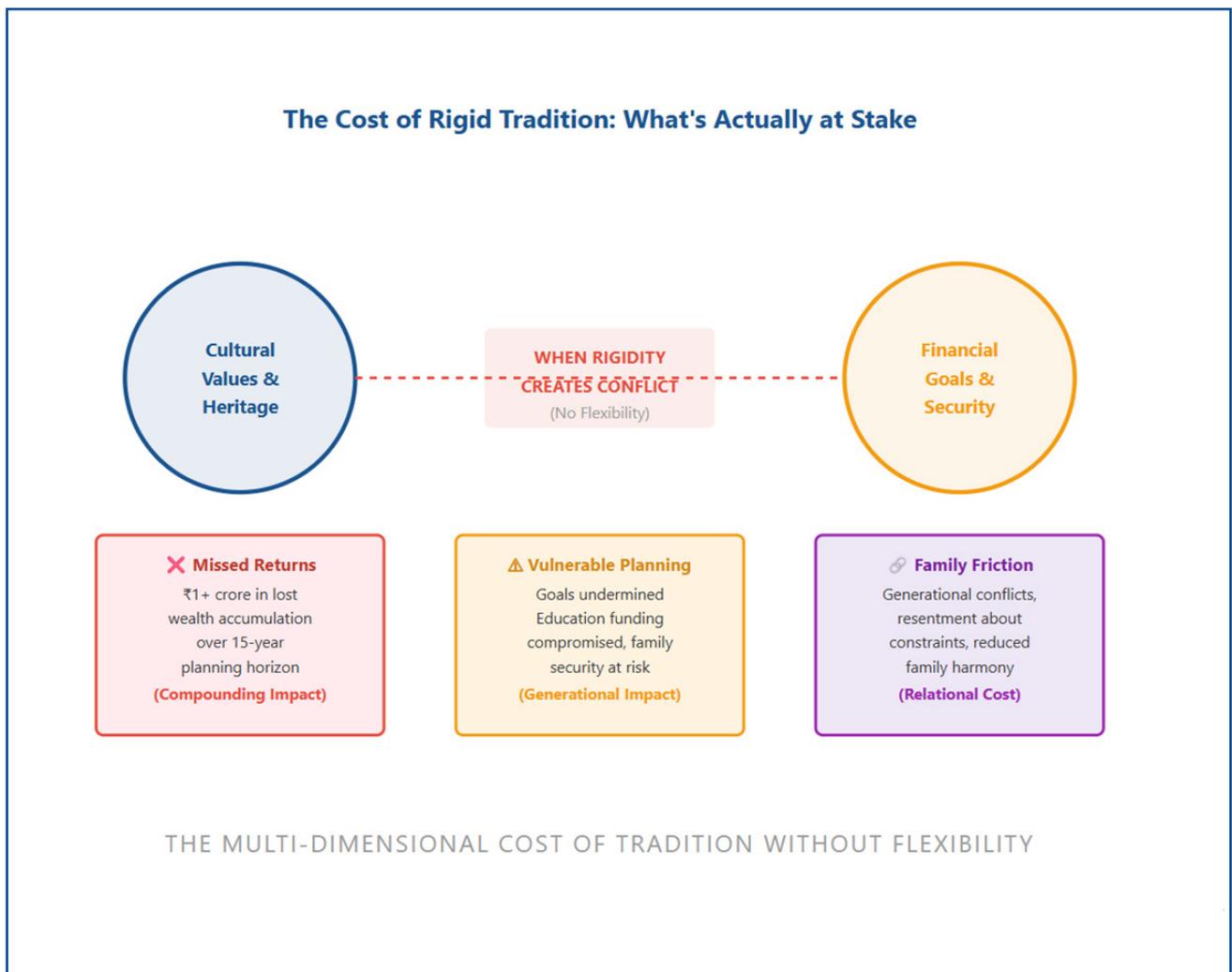
## The Resolution

The solution required breaking the inheritance dogma. Their financial planner re-structured it so the farm could be managed by professionals or one family member who was genuinely interested (incentivized with profit-sharing), while all three brothers received equal portions of a diversified portfolio. The family retained their agricultural legacy through a professional management structure, and all three sons could pursue their actual expertise. Everyone benefited more.

## Why This Matters: The Real Cost of Tradition Without Flexibility

As financial planners, CFP professionals encounter dozens of variations of these scenarios across India. The patterns repeat. The underlying tension remains consistent: families caught between honouring their heritage while maximizing their financial security.

The stakes are substantial. Across these three scenarios the cumulative opportunity cost of rigid traditions totalled roughly ₹1.5+ crore in lost wealth accumulation over the planning horizons. That's not theoretical. That's education funding that won't happen. That's retirement security that gets compromised. That's children who will inherit less than they could have.



**The deeper issue:** When tradition operates as dogma rather than principle, families optimize for the wrong metric. They prioritize the appearance of continuity over the substance of wellbeing. And they pay for it in, lost wealth, missed opportunities, and fractured relationships across generations.

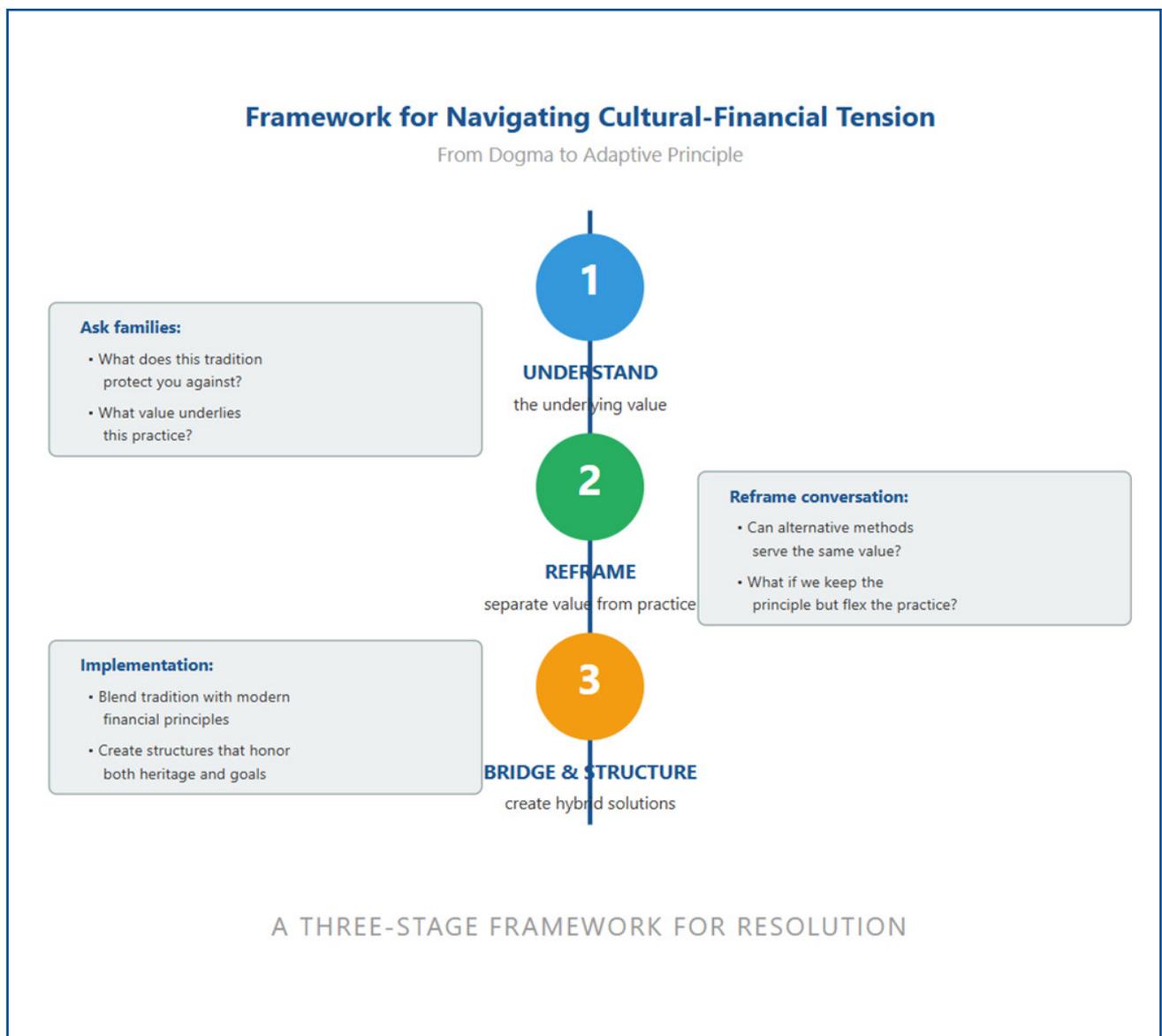
**Navigating the Tension:** A CFP Professional’s Approach

Here’s what I’ve learned works. We can’t dismiss cultural traditions as irrational. They reflect genuine wisdom, real risk management concerns, and values worth preserving. But we can help families distinguish between two things:

**CORE VALUES (preserve these):** Honesty, family loyalty, ethical practices, long-term thinking

**IMPLEMENTATION METHODS (these should flex):** Specific asset classes, decision-making roles, succession structures

The key is separating the principle from the practice.



## Five Practical Strategies for CFP Professionals

### Strategy 1: The Values Conversation

Ask families to articulate what does their tradition actually protect. What value underlies the practice? Then explore whether current methods genuinely serve that value or whether they've become habit.

With Rohit's family, their financial planner asked: "What does the 30% gold mandate protect you against?" They said: "Safety from economic uncertainty." Again he checked: "Can a diversified portfolio including high-quality equities, bonds, and some gold actually provide better security?" By separating the value from the implementation, we created space for adaptation.

### Strategy 2: Bridge the Generation Gap

Often the strongest cultural rigidity comes from older generations with different life experiences. Position yourself as a bridge, not a challenger. Honor the elder's authority while creating space for evolution.

With Meera's father-in-law, reframing the conversation helped demonstrate that the family becomes stronger when everyone understands the financial strategy. Her expertise, combined with financial education, makes her valuable to family decision-making.

### Strategy 3: The Hybrid Structure

Help families create financial arrangements that honour both traditional preferences and modern wealth-building principles. Keep some land (respects tradition, provides tangible security). Diversify the rest (achieves actual returns needed).

With the Sharma family, their financial planner structured it so one son could manage a portion of agricultural assets while the broader portfolio was diversified. This respected their values about land stewardship while enabling actual growth.

### Strategy 4: Education as Permission

Cultural restrictions often persist because of knowledge gaps. Older decision-makers don't understand modern financial instruments, so they stick with what they know. Solution - Organize family education sessions on equities, mutual funds, REITs, and bonds or whatever applicable product as per their financial requirement, in accessible language.

Once families understand the projections and mechanisms, they typically create permission for greater flexibility. Knowledge gaps aren't character flaws, they're just gaps.

### Strategy 5: Written Family Charter

Move families from implicit, unspoken rules to explicit documented principles. This creates clarity and allows deliberate decisions instead of inherited dogma.

**Example:** "We believe in long-term wealth building and risk management. We traditionally valued land ownership and will maintain roughly 25% in real estate. We also recognize that diversification into other asset classes strengthens our returns and security. Major financial decisions happen collaboratively, respecting both traditional wisdom and contemporary expertise."

This honours tradition while creating flexibility.

### Summary

The most effective financial planning with Indian families doesn't require abandoning cultural values. It requires recognizing that culture and financial effectiveness aren't inherently opposed. They're only in conflict when culture becomes dogma rather than principle.

Cultural traditions often embody real wisdom: the value of tangible assets, the importance of family cohesion, the long-term perspective, emphasis on security. These principles remain valid. But the specific implementations often reflect historical circumstances that no longer apply.

Our role as CFP professionals is to help families evolve their implementation while preserving their values. That requires cultural sensitivity, patient education, and creative structuring. When we get it right, something powerful happens. Families build greater wealth. They reduce intergenerational conflict. They strengthen their cultural continuity because members feel respected rather than constrained by tradition.

The goal is not to make families choose between heritage and financial future. It's to help them design a financial future that honours their past, serves their present, and builds a legacy for generations to come.

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# SELECTING THE RIGHT MUTUAL FUNDS FOR MY CLIENTS: A CFP PROFESSIONAL'S PERSPECTIVE



*Taresh Bhatia, CFP*

When I sit with a client, whether it's a young couple in Gurugram planning their first home, or a senior professional in Bengaluru preparing for retirement, one question always comes up: **"How do you actually choose which mutual fund is right for me?"**

The truth is, I don't rely on market noise, random recommendations, or flashy advertisements. My process is structured, data-backed, and deeply personal to each client's goals.

And to explain this to my fellow professionals, I would like to use a simple analogy: booking the perfect airline journey.

Just like choosing a flight involves comparing routes, ticket prices, baggage rules, and even how smooth the flight will be, selecting a mutual fund involves looking at several ratios and performance indicators. Let me elaborate.

## **1. Expense Ratio: The Ticket Price of Your Journey**

When you book a flight, the ticket isn't just for the seat—it includes airport taxes, fuel surcharges, and sometimes even hidden fees. Similarly, mutual funds charge an Expense Ratio—a small percentage of your money that goes towards managing the fund.

- A lower ticket price doesn't always mean a better journey, but it leaves you with more money in your pocket.
- For long-term investing, even a 1% difference in expense ratio can save lakhs of rupees over the years.

As a CFP professional, I always balance cost vs. value. If a fund charges more but consistently delivers strong, risk-adjusted returns, I may still recommend it.

## **2. Sharpe Ratio: The Efficiency of the Flight**

Imagine two airlines flying the same Delhi–Mumbai route. One uses fuel efficiently, giving you a smooth ride, while the other burns excess fuel and rattles through turbulence. Which would you prefer?

That's exactly what the Sharpe Ratio tells us—it measures how efficiently a fund delivers returns compared to the risk it takes. A higher Sharpe Ratio = better returns for each unit of risk.

I always prefer funds where the "fuel efficiency" is superior, because my clients deserve a smoother ride for their hard-earned money.

### 3. Alpha: The Pilot's Skill

Every flight has a flight path. Some pilots stick to the minimum route, while others navigate smartly, avoiding turbulence and landing ahead of time.

This is what Alpha measures—how well the fund manager performs compared to the benchmark.

- A positive Alpha means the “pilot” (fund manager) has navigated smartly.
- A negative Alpha means the journey underperformed, despite having the same route as others.

When I see a consistent positive Alpha, I know the pilot knows what he's doing—and I trust that for my clients.

### 4. Beta: Handling the Turbulence

On any flight, turbulence is inevitable. The difference lies in how the aircraft handles it.

Beta tells us how much a fund shakes compared to the market (the sky).

- Beta = 1: The fund moves exactly like the market.
- Beta > 1: It's more turbulent—sharper ups and downs.
- Beta < 1: A smoother flight with fewer bumps.

For conservative clients, I look for a lower Beta (smoother ride). For aggressive investors, a higher Beta fund might work, as long as they're comfortable with a bumpy journey.

### 5. Standard Deviation: The Range of Flight Delays

When booking a flight, you don't just check the departure time—you check the airline's record. Do they usually land on time or are they notorious for delays?

Similarly, Standard Deviation shows how much a fund's returns deviate from the average.

- Low Standard Deviation = predictable landings (stable returns).
- High Standard Deviation = flights often delayed or early (volatile returns).

I match this to the client's temperament. If someone panics with volatility, I avoid funds with a “delayed flight history.”

### 6. R-Squared: The Copycat Airline

Some airlines operate almost identical schedules, codesharing flights with bigger carriers. They're essentially copycats.

That's what R-Squared indicates—how closely a fund follows its benchmark.

- High R<sup>2</sup> (close to 100%) = The fund is basically an index fund.
- Lower R<sup>2</sup> = The fund is charting its own path.

I decide based on client goals: if they want low-cost and predictable, a high R<sup>2</sup> fund is fine. If they want a differentiated journey, I look for funds with a bit more independence.

### Bringing This All Together for the Clients

Selecting a fund isn't about looking at one ratio in isolation. Just like choosing a flight, you don't decide only based on ticket price or aircraft type—you look at the whole experience.

For my clients, I balance:

- Expense Ratio (ticket price) with Sharpe Ratio (efficiency)
- Alpha (pilot's skill) with Beta & SD (handling turbulence)
- R<sup>2</sup> (copycat score) with the client's goals and risk profile

Every investor is different. A young professional just starting their SIP can afford a bumpier ride (higher risk, higher return potential). A retiree depending on monthly withdrawals needs the smoothest flight possible.

That's where my role as a CFP professional becomes critical—I'm not just booking any flight. I'm booking the right flight for my client's destination, his comfort, and his long-term safety.

### Why You Shouldn't Fly Without a CFP professional

If you're planning a once-in-a-lifetime international trip, would you just pick the cheapest flight on an app without checking the stops, airline reputation, or timings? Probably not.

So why do that with your financial journey?

Mutual funds are powerful wealth-building tools, but the wrong choice can delay or even derail your goals. As a CERTIFIED FINANCIAL PLANNER, my job is to act like my client's personal travel advisor for money—making sure his journey is efficient, safe, and aligned with where he would like to land in life.

Let me share three real-life situations I've observed. These aren't about specific fund names but about investor behaviour. They show why choosing funds without a structured approach can sometimes feel like booking the wrong flight, missing the connection, or paying more for no extra benefit.

#### Situation A: The "Past Performance Passenger"

Imagine a traveller who books a flight only because it was on time last month. They don't check whether the airline has a history of strikes, whether the aircraft is old, or whether the route is prone to weather delays.

That's how many investors choose mutual funds—they open the fact sheet, see Fund A delivered 20% last year, and immediately jump in.

But here's the problem:

- Past performance is just history. It doesn't guarantee the same experience in the future.
- The pilot (fund manager) may have changed.

- The route (investment style) may now face turbulence.
- The airline (fund house) may have shifted its priorities.

For such investors, the "flight" often ends in disappointment. After chasing the highest returns, they are left with a bumpy ride when markets correct.

#### Situation B: The "Cheapest Ticket Hunter"

Another category is the investor who looks only at the lowest ticket price. In mutual funds, this means obsessing over the lowest expense ratio.

Yes, cost matters. But would you book the cheapest airline if it had the worst safety record or an inexperienced pilot? Probably not.

Take **Fund B**, for example:

- Its expense ratio is just 0.5% compared to another fund's 1%.
- But its Alpha is consistently negative—it fails to beat its benchmark.
- Its Sharpe Ratio is weaker, meaning returns are not efficient for the risk taken.

By focusing only on cost, these investors miss the bigger picture: value creation. A fund with a slightly higher expense ratio but a skilled pilot (positive Alpha, good Sharpe Ratio) may take you much further in your financial journey.

#### Situation C: The "Guided Traveller" Who Trusts a CFP

Finally, let me share the experience of my clients who allow me to guide them—like a trusted travel planner.

When a client comes to me, I don't look at just one shiny number. I begin with their destination:

- Is it a short trip (3–5 years) like buying a car?
- A medium trip (7–10 years) like children's education?

- Or a long-haul international journey (15–25 years) like retirement?

Then I match the aircraft type (fund category) to the journey:

- Large Cap Funds > big, stable airlines (slower but reliable).
- Flexi Cap Funds > versatile aircraft that can adjust mid-flight.
- Balanced Advantage Funds > hybrid carriers that mix safety with speed.

From there, I compare 40 funds in that category and shortlist maybe 4 based on:

- Consistent Alpha (pilot's skill).
- Sharpe Ratio (fuel efficiency).
- Beta and Standard Deviation (handling turbulence).
- R<sup>2</sup> (how closely they follow the benchmark).

Only after these checks, if the shortlisted funds are nearly identical, do I look at expense ratio to fine-tune the choice.

This is like choosing between four top airlines for a long journey: if they all have great safety, reliable pilots, and on-time records, only then I check which one offers the best ticket price.

For my clients, this structured approach means:

- No chasing the wrong flights (funds) based on flashy past performance.
- No compromising on safety just to save ₹200 on the ticket (expense ratio).
- Always being booked on the right aircraft, with the right pilot, for the right route, aligned with their financial goals.

## The 9 Rules I Follow to Select the Right Mutual Fund

As a CERTIFIED FINANCIAL PLANNER™ professional, I've summarized the above analogies with the subject knowledge and my experience to develop 9 guiding rules that I follow every time I select a fund for my client.

Here is a description of these rules based on my judgment and maybe you can try and follow them in your own practice as well:

### Rule 1: Start with the Destination, Not the Vehicle

Before picking any fund, first define where the client wants to go. Is it retirement, child's education, wealth creation, or financial independence? Just like no pilot takes off without a destination, don't recommend a fund until you know the exact financial goal.

### Rule 2: Match the Category to the Journey

Each category of mutual fund serves a different purpose:

- Large Cap = stability and long-term reliability.
- Flexi Cap = adaptability.
- Balanced Advantage = safety with growth.

Always try to match the fund category to the journey length and turbulence tolerance of your client.

### Rule 3: Look Beyond Past Performance

Past returns are like yesterday's flight timings. They show history but not the future. Do not select funds just because they were "top performers" last year. Instead, look for consistency—has the fund delivered across market cycles?

#### Rule 4: Expense Ratio Comes Last, Not First

Many investors make the mistake of chasing the lowest-cost fund. But from experience we know that value beats price. If a fund manager adds alpha and delivers efficient risk-adjusted returns, a slightly higher expense ratio is worth it.

#### Rule 5: Alpha - the Secret Filter

Pay close attention to Alpha—the fund manager’s ability to beat the benchmark. A skilled pilot matters more than a flashy airline ad. A consistently positive Alpha shows expertise, discipline, and decision-making ability, which is what we endeavour for the clients.

#### Rule 6: Risk-Adjusted Returns Over Raw Numbers

A 14% return with wild swings isn’t always better than a 12% return with stability. Use measures like the Sharpe Ratio, Beta, and Standard Deviation to ensure the clients aren’t exposed to unnecessary turbulence.

#### Rule 7: Diversification is Non-Negotiable

No pilot flies with only one fuel tank. Similarly, never recommend a single fund. Spread investments across categories—large cap, mid cap, hybrid—depending on the client’s overall plan. This will ensure that one bad patch doesn’t derail the journey.

#### Rule 8: Benchmark Awareness Matters

Always compare funds to their benchmarks. If a fund is just copying the index (high  $R^2$ ), I’d rather suggest a low-cost index fund. If it has room to add value (moderate  $R^2$  with positive alpha), it earns my attention.

#### Rule 9: Personalisation Above All

The most important rule being: every client is unique.

- Two investors with the same salary may have different risk appetites.
- A newly married couple and a retired professional cannot be in the same “flight.”

That’s why the recommendations can never be generic. They need to be tailored, structured, and aligned with personal goals, time horizon, and comfort with risk.

#### Closing Thoughts

Every investor has a choice. You can either:

- Jump on the first flight that looks good on paper (past performance).
- Hunt for the cheapest deal and hope it works out (lowest expense ratio).
- Or, you can let a professional travel planner—a CFP professional—design the journey with the right airline, pilot, and route for your unique goals.

As I tell my clients: “It’s not about the cheapest ticket or the flashiest airline. It’s about reaching your destination safely, comfortably, and on time.”

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# DECODING INDIA'S G-SEC INCLUSION IN GLOBAL BOND INDICES: A FINANCIAL PLANNER'S GUIDE



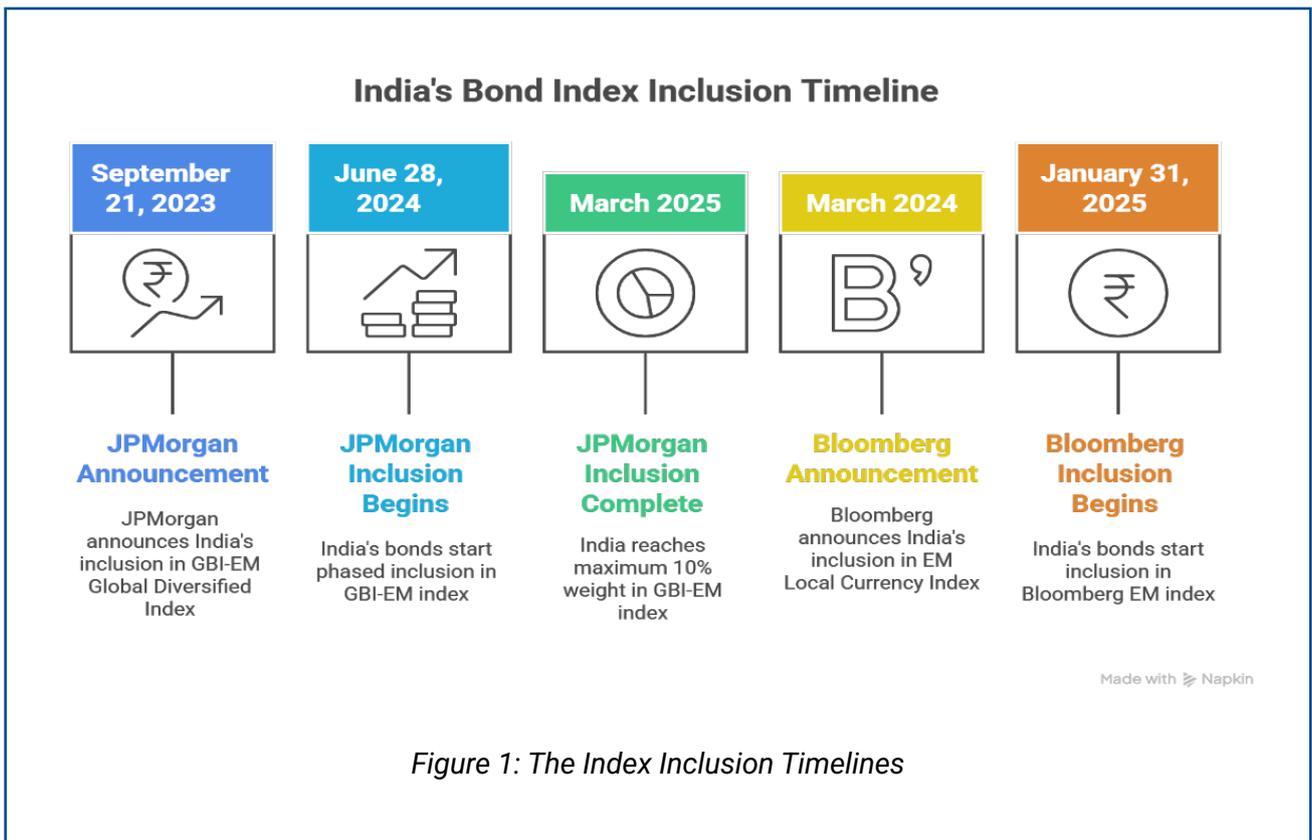
*Joydeep Sen, CFP & Dr. Vaishali Ojha*

## Abstract

India's inclusion in major global bond indices namely JP Morgan's Government Bond Index–Emerging Markets (GBI-EM) from June 2024 and Bloomberg's Emerging Market Local Currency Index from January 2025 represents an important development for Indian debt markets. This inclusion is expected to facilitate incremental foreign portfolio inflows into eligible Indian Government Securities (G-Secs) over time, contributing to market depth and liquidity rather than triggering a sharp rally in bond prices. For CFP professionals, this development is not merely a macroeconomic milestone but one that carries practical implications for fixed-income portfolio construction, risk assessment, and client communication. This article explains the mechanics of global bond index inclusion, examines its impact on debt market dynamics, yields, and currency considerations, and discusses the associated implications for financial planning.

## Introduction: A transformational Milestone

On June 28, 2024, India formally joined the JPMorgan Government Bond Index-Emerging Markets (GBI-EM), with Bloomberg set to follow in January 2025. During this period, Indian Government Securities witnessed meaningful foreign portfolio inflows alongside a moderation in benchmark yields. However, the decline in the 10-year G-Sec yield, from around 7.1% to 6.7%, reflects a combination of factors, including domestic monetary easing by the Reserve Bank of India, evolving liquidity conditions, and incremental index-related flows, rather than index inclusion alone. This is not merely a technical reclassification; it is a profound vote of confidence in India's macroeconomic stability and a recalibration of its place in global finance. For financial planners, accustomed to navigating market volatility and regulatory changes, this presents a gradual structural change in the investor composition and liquidity profile of the Indian government bond market, a core component of most client portfolios.



The immediate question for every CFP is: What does this mean for the safety, returns, and role of the debt allocation in my clients' plans?

This article moves beyond the headlines to answer that question. It first demystifies the scale and mechanism of the incoming capital, then analyses its direct and indirect impacts, and finally outlines a practical framework to help CFP professionals interpret these developments and safeguard client interests.

### THE MECHANISM & SCALE: Understanding the \$30 Billion Wave

To grasp the implications, one must understand the mechanism. Global passive funds, ETFs and index funds tracking the JPMorgan and Bloomberg indices, are mandated to replicate their benchmark's composition. India's inclusion, with a significant weight (10% in JPMorgan's index and an estimated ~7.5% in Bloomberg's), requires these funds to allocate a portion of their vast assets under management (AUM) to Indian G-Secs, specifically those under the Fully Accessible Route (FAR).

#### The Numbers That Matter:

- **Expected Inflows:** Market estimates suggest cumulative incremental inflows of approximately USD 25–35 billion over the medium term, primarily linked to India's phased inclusion in global bond indices, including the Bloomberg Global Aggregate Bond Index.
- **The Ownership Shift:** This influx will gradually alter the investor base. Foreign ownership of Indian G-Secs has historically remained low at around 1.7% and is expected to increase gradually as index inclusion progresses.

Actual FPI data for the first year of inclusion tells a compelling story. As the table below shows, FAR-designated bonds attracted \$6.5 billion in 2025 alone, validating the index inclusion mechanism while revealing important nuances about flow volatility and investor behaviour. It was even higher in 2024.

While projections provide the destination, real-time data reveals the actual journey. The table below presents monthly FPI flows for the calendar year 2025, the first full year following India's inclusion in the JPMorgan index, offering useful insights for financial planners monitoring this structural shift.

Monthly FPI Net Investments (Calendar Year - 2025)												Currency: USD
Calendar Year	USD Million											
	Equity	Debt			Hybrid	Mutual Funds					Alternative Investment Funds(AIFs)	Total
	Equity	Debt-General Limit	Debt-VRR	Debt-FAR	Hybrid	Equity	Debt	Hybrid	Solution Oriented	Other	AIF	
January	-9043	-399	-496	947	24	12	-14	-1	0	7	0	-8963
February	-3977	-634	176	1666	-37	-9	42	1	0	-25	0	-2797
March	-401	1113	-111	3340	-1	-8	-101	-7	0	21	0	3845
April	510	-1553	-661	-627	-45	12	37	-10	0	4	0	-2335
May	2344	2289	222	-1092	-81	-51	-6	8	0	5	0	3636
June	1690	-717	-743	-1178	18	50	-27	0	0	3	0	-904
July	-2052	-25	495	904	-54	67	33	-9	0	8	0	-634
August	-3994	773	-99	773	17	206	-4	3	0	-13	0	-2338
September	-2702	124	139	1130	25	-124	-27	9	0	14	0	-1412
October	1656	397	-49	1713	325	27	-29	5	0	-16	0	4031
November	-425	-447	505	469	12	61	27	0	0	117	0	320
December	-2515	79	-251	-1538	-59	14	-39	22	0	0	0	-4287
<b>Total - 2025</b>	<b>-18909</b>	<b>1000</b>	<b>-873</b>	<b>6507</b>	<b>144</b>	<b>257</b>	<b>-108</b>	<b>21</b>	<b>0</b>	<b>125</b>	<b>0</b>	<b>-11838</b>

\* The data presented above is compiled on the basis of reports submitted to SEBI/Depositories by Custodians and constitutes trades conducted by FPIs on and up to the previous trading day(s).

**Source:** <https://www.fpi.nsdl.co.in/Reports/Yearwise.aspx?RptType=6>

**Figure 2:** FPI Net Investment for the Year 2025 (Jan-Dec)

**Note:** The FAR (Fully Accessible Route) column represents bonds eligible for index inclusion

**Key insights from the above table:**

1. Index inclusion itself is determined and confirmed by index providers such as JPMorgan and Bloomberg. The observed flow patterns into FAR-designated bonds are broadly consistent with expectations arising from this inclusion. FAR-designated bonds attracted \$6.5 billion in net inflows for 2025, while other debt routes (General and VRR) showed minimal net changes (\$1.0 billion and -\$0.87 billion, respectively). It is expected that G-Secs, particularly FAR securities, would be included in Bloomberg Global Aggregate Bond Index, which has a bigger passive fund following than the indices we are currently part of.

2. Contrary to expectations of steady inflows, the monthly data reveals significant volatility:

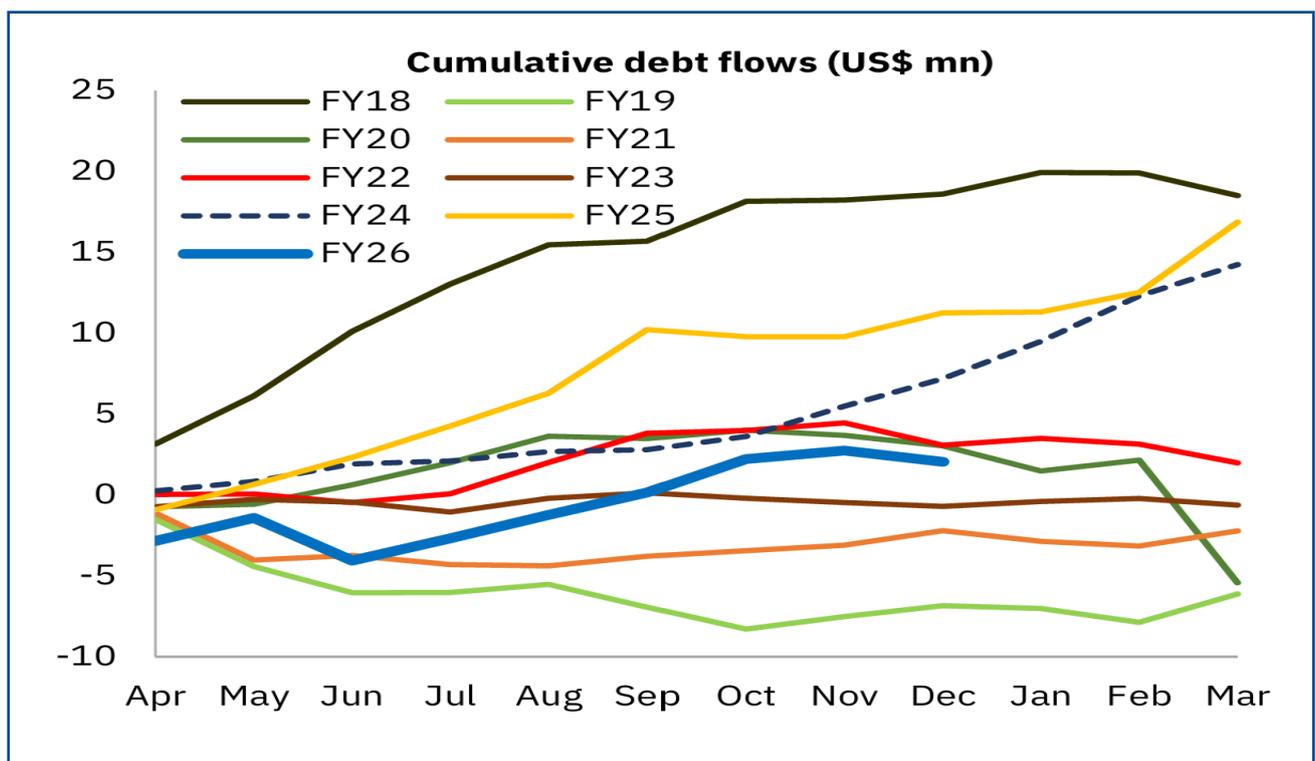
- March 2025 saw the largest single-month FAR inflow (\$3.34 billion), which may reflect periodic index reweighting activity and broader portfolio adjustments by foreign investors.
- However, FAR experienced outflows in 5 out of 12 months, with December showing a substantial \$1.54 billion outflow.

This pattern demonstrates that even structural, index-driven flows are subject to global risk sentiment, currency hedging costs, and relative yield attractiveness.

This monthly volatility in FAR flows interacts with broader market factors - such as domestic liquidity conditions and monetary policy dynamics - to influence yield movements and bond price behaviour, which we examine next.. Understanding this flow data, alongside domestic liquidity conditions, helps explain why yield compression is neither linear nor guaranteed, but rather the net result of these competing capital movements over time.

**DIRECT IMPACT: Debt Market Dynamics and Client Portfolio Valuation**

The influx of billions in dedicated buyer demand has immediate, quantifiable consequences for the market and your clients' holdings. The structural nature of this shift becomes vividly clear when viewed through a historical lens.



Source: NSE Market Pulse Dec 2025

Figure 3: Cumulative Foreign Portfolio Investment (FPI) Debt Flows (US\$ million), FY18-FY26.

If the FY25–FY26 trajectory broadly persists, it would be consistent with a gradual increase in foreign ownership of Indian government securities over time, rather than indicating a specific ownership level within a fixed horizon. The graph illustrates the gradual evolution of foreign participation in the government bond market over recent years.



### a) Yield Compression and Capital Gains:

The fundamental law of demand and supply applies. In principle, sustained buying interest can exert upward pressure on bond prices and contribute to yield compression. However, to the extent that expectations around index inclusion and associated flows have already been priced in by the market, the scope for further price appreciation may be limited. Subsequent bond price movements are therefore likely to be influenced by a combination of realised flows, domestic liquidity conditions, monetary policy actions, and broader macroeconomic factors.

For Client Portfolios: This is critical. A bond's price moves inversely to its yield. The potential capital gain can be approximated using modified duration.

**Example:** A bond's price moves inversely to its yield, and the sensitivity of that price movement depends on its modified duration. While duration provides a useful framework for understanding how bond prices may respond to changes in yields, actual outcomes depend on a range of factors, including whether anticipated flows are

already priced in, prevailing liquidity conditions, and monetary policy actions. As such, duration analysis should be used as a risk-sensitivity tool rather than as a basis for projecting capital gains.

For client portfolios, this underscores the importance of aligning duration exposure with investment horizon and risk tolerance, rather than relying on expectations of yield movements.

### b) Liquidity and Market Depth:

Increased foreign participation has led to a deeper, more efficient market.

- Trading activity in FAR-designated government securities has increased following index inclusion, reflecting higher participation by foreign investors.
- Market liquidity conditions in several FAR securities have improved, including relatively tighter bid-ask spreads, which can support more efficient execution for mutual funds and, in turn, benefit end-investors.

### c) Implications for Specific Client Holdings:

**Table 1:** Impact on Common Fixed-Income Instruments in Client Portfolios

Instrument	Primary Impact	Planner's Consideration
Gilt & Dynamic Bond Funds	Direct Beneficiary. Likely to see capital gains from yield compression and benefit from higher liquidity.	Review fund duration strategy. Actively managed funds may tactically navigate the changing yield curve.
Target Maturity Funds/ETFs	High liquidity ensures smooth operations and accurate tracking. Potential for steady accrual as yields stabilize.	Excellent for laddering strategies and goal-based planning with defined time horizons.
Bank Fixed Deposits (FDs)	Indirect Competitive Pressure. While bank deposit pricing is influenced by broader interest rate conditions, the transmission from sovereign yields is moderated by administered Small Savings interest rates, which often act as a competitive floor for bank deposits.	Planners may monitor relative post-tax outcomes and liquidity features across bank deposits and high-quality debt funds, particularly as changes in sovereign yields and banking system liquidity influence deposit pricing over time.
Conservative Retirement Buckets	High credit quality remains inherent to sovereign securities, while sustained participation by long-term investors may support market liquidity and reduce volatility in pricing over time.	Reinforces the role of sovereign debt as a stabilizing component in retirement portfolios, independent of foreign participation cycles.

#### THE RIPPLE EFFECTS: Macroeconomic Implications for Holistic Planning

The 2025 data points to a gradual change in the composition of government bond investors, with implications that extend modestly beyond the bond market. While index inclusion does not directly determine macroeconomic outcomes, it alters participation patterns, liquidity conditions, and volatility characteristics in sovereign debt markets, factors that can influence financial planning assumptions at the margin. Incorporating these second-order effects requires careful interpretation and clear client communication, rather than broad macroeconomic extrapolation. For the CFP's Toolbox:

1. Debt Allocation Framing: Index inclusion supports a more diverse and persistent investor base in government securities. For planners, this reinforces the role of sovereign bonds as portfolio stabilizers, while recognizing that yield outcomes continue to be shaped by broader monetary and fiscal conditions.
2. Currency Risk Communication: While index-driven inflows may influence external balances at the margin, currency movements remain largely driven by global risk sentiment. For clients with foreign currency obligations, planners may emphasize phased acquisition and appropriate hedging aligned with cash-flow timelines.

3. Interest Rate Sensitivity Awareness: Index inclusion primarily affects sovereign bond liquidity rather than direct credit availability. However, changes in government bond yields can influence broader interest rate benchmarks. Planners may incorporate this context when discussing refinancing or rate sensitivity with business clients, without attributing credit conditions directly to index flows.

**Conclusion:** India's inclusion in global bond indices represents a gradual shift in investor participation rather than a fundamental change in sovereign credit quality or macroeconomic outcomes. Its primary impact lies in its effect on market structure, which affects liquidity, investor mix, and trading dynamics, while traditional drivers such as fiscal discipline and monetary policy continue to anchor yields and credit perceptions. For financial planners, the relevance of index inclusion is best understood as a contextual factor that informs portfolio construction and client communication, rather than as a trigger for directional market or allocation calls.

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## THE RUSH TO PREPAY A HOME LOAN



### *Manmeet Singh Khurana, CFP*

As they say, 'Even Hurry takes time.' And in Hurry are most of us who've ever taken a Home Loan. Hurry to repay and become debt free. Sounds rationale, feels natural. The overwhelming interest component especially in the first few years of the loan contract keeps playing on our minds coupled with the feeling of reeling under debt.

Unless we look at those handful of borrowers who stick to the loan schedule thereby increasing their chances to gain more...let's explore!

The moment you start earning is when you start yearning. And rightfully so! The feeling of being financially independent is fulfilling to say the least. A ready-made list in your mind is waiting to be tick marked, item by item. A few moons into the earning phase and you are done with gadgets, first vehicle, a few vacations and even marriage in some cases. By now you are well settled with an income certainty and steering your priorities towards bigger financial goals like owning a Hard asset...The Real Estate (RE).

For most of us, it's the ultimate weapon of success in our arsenal. Tangible and so real to feel, ushering a sense of OWNING an asset that shall only appreciate with time. Sure, it

does appreciate thereby boosting your social standing and net worth and making you Asset Rich...till some of us realize a few years down the line that being Asset Rich might have come at a cost...that of making you Wealth Poor! Whether it is rushing with your bonus to repay part of your existing loan or making down payment for a property beyond the one you live in.

For this discussion we shall limit ourselves to prepaying part of the loan.

What often drives this behavior is the belief that prepaying a lumpy amount in the initial years significantly brings down the cost of acquisition due to savings on account of interest. This belief while factually accurate is just one side of story. Incomplete to conclude the least!

Whether practicing or otherwise, as CFP professionals it is imperative to understand and appreciate the tradeoff between paying upfront to save on costs (interest) versus investing the same amount for creating wealth. The latter is preferable as it not only makes up for more than the savings but also provides a liquidity cushion. Wealth as we all know gets created by compounding and overtime.

Hence, one of the essential variables that enhances the power of compounding is the ability to prioritize investments over repayments. The other way round seldom works. It only makes you relatively poorer even after you getting debt free sooner than someone who's chosen to stick to the loan schedule.

### Moving on, let us now understand why does this happen?

For doing so we have broken down the loan schedule into granular numbers for easy understanding. Hence to keep it simple, we have assumed 100% disbursement of a home loan worth Rs. 45 lacs at 8.5% interest rate for a tenure of 240 months (20 years).

Loan Details	Amount (Rs.)	ROI (%)	Type	Tenure (months)
Disbursal Month : June 2025	45,00,000	8.50%	Floating Rate	240
First EMI : July 2025	EMI date	1st of every month		
Repayment	Principal	Interest	Total	
	45,00,000	48,72,491	93,72,491	

### What does the snapshot reveal?

At first glance what gathers our attention is the fact that as per the loan schedule, you would end up paying Rs. 48.72 lacs on a loan of Rs. 45 lacs. That's 108% of the loan amount! Voila! That's the moment you realize that owning a home not only tests your patience but also financially drains given the 'interest' that you end up paying.

Patience (Loan Tenure) and interest amount are two factors that leave you thinking or should I say over thinking. In a way these suck the joy of owning your dream house to some extent despite knowing well that without availing a loan you couldn't have translated your aspiration into reality.

That said, the urge to have the coveted 'Ownership' drives you to sign on the dotted line as you hold the keys to your new abode (assuming a ready to move in unit). Once

settled in your own house, the urge to fully own it by not owing money to the bank seeps in faster than the rainwater through one of the walls (pun intended). Frequent glances at the loan schedule somewhere dilute the essence of ownership. This time it's not the total interest but the interest that you pay with each EMI. You start to wonder what a villain this 8.5% rate of interest is!

Even in the social circles you get to commonly hear about this one friend who prepaid a part of loan using annual bonus, thereby saving a bounty of interest and in turn reducing the loan tenure by as much as 40% that could be anywhere between 4-8 years on a 20 year loan tenure depending upon the stage at which the part payment was made! You then start staring at the calendar waiting for the day the bonus gets credited in your account and almost in the same breadth feeling responsible and thoughtful to see it getting debited by the bank towards your loan account.

Swoosh! Appears your revised loan schedule in the mailbox and mobile app with reduced outstanding and loan tenure drawing you a step closer towards 100% debt free ownership.

So, how endearing does the revised schedule look like? We shall just see that in a moment. But before we do that, lets get to understand the nuances of repayment using Interest to Principal (I/P) ratio across the loan tenure segregated in time blocks. These are tranches used to study each block of a few years in order to understand the changes that happen over time.

Taking the above loan schedule, the entire loan period is broken up in 4 blocks of 5 years each. The last column refers to the ratio of Interest to Principal (outstanding).

Block	Period	EMI	Interest	Principal	Interest / Principal (IP)
1	1st 5 years	23,43,120	18,08,846	5,34,277	3.4
2	2nd 5 years	23,43,120	15,27,122	8,16,001	1.9
3	3rd 5 years	23,43,120	10,96,844	12,46,279	0.9
4	Last 5 years	23,43,120	4,39,680	19,03,443	0.2
In Rs.	Total	93,72,480	48,72,491	45,00,000	1.08

Borrower friendly, blocks 3 and 4 : As can be seen the IP ratio significantly tilts in favour of the borrower beyond the halfway point (i.e. after the 10th year). But does this translate into an advantage for the borrower? Not really! Simply because a good number of foreclosures (complete closure of a loan) happen in Blocks 3 and 4 as well thereby losing on the opportunity to make your hard earned tax paid money grow beyond the savings on interest cost.

#### Key inferences :

While blocks 3 and 4 are spread over 50% of the loan tenure the interest outflow during this period is around 31% of the total interest due. Which in turn means lesser interest / day of borrowing as compared to the first 2 blocks.

On a total outstanding of Rs 46.86 lacs during this period the proportionate interest works out to just Rs 15.37 lacs which translates to an IP ratio of just 0.33 or 10% of off the ratio in block 1(3.4).

Most home loan borrowers do not see a merit in sticking to the loan schedule beyond a point. It's like those marathon runners who face a wall at 35 kms with only 7 more to go for the finish line. Yet they give up! Only to attempt the next time.

Unfortunately, in case of home loans the probability of trying again is close to nil. Hence, any sort of prepayment is self-defeating to say the least. Apart from the fatigue factor that calls for enduring the entire loan tenure, another reason that sounds rational is that with

the passage of time, disposable income rises. However, the EMI remains where it was back then and as a result excess inflows are directed towards becoming debt free. Only if it were invested in compounding machines instead, we wouldn't have felt the need to read this.

Loans as we all know are structured in a manner allowing the lender to recover a large chunk of the interest payment upfront as doing that positively impacts their Net Interest earnings, a quintessential factor on which banks / other lenders survive. The interest is charged on reducing outstanding balance that tapers with each EMI that you pay.

Further, the practical way to look at the cost of acquisition of an asset is Principal (Own contribution + (loan+ Interest)) = Landed Cost. Period.

Hence the concept of Time Value of Money becomes extremely relevant out here given the opportunity lost in a quest to save interest by prepaying or foreclosing a loan. We shall come to that in a bit. But before we do, let us address the elephant in the room i.e. prepaying a chunk of loan across the four blocks.

For sake of simplicity considering the same schedule, we have assumed a single pre-payment of Rs. 10 lacs across different blocks to gauge the impact on interest savings and tenure reduction. A quick recap...original COA as per the loan amortization chart totals up to Rs. 93,27,491(principal + interest) and since down payment is a constant whether you prepay or stick to the loan schedule it is excluded from the equation since it has no bearing. So, for all practical purposes COA = Principal + Interest.

EMI constant, tenure reduction							
Pre-payment after (EMIs)	Principal Outstanding	Amount prepaid	Interest saved	As a %'age of total interest	Cost of Acquisition (COA)*	Tenure Reduction (months/ years)	
12	44,02,628	10,00,000	24,62,415	51	69,10,076	87	7.3
48	40,81,329	10,00,000	18,70,069	38	75,02,422	72	6.0
96	35,03,893	10,00,000	12,19,674	25	81,52,817	56	4.7
144	26,93,599	10,00,000	6,79,384	14	86,93,107	44	3.7
192	15,56,541	10,00,000	2,65,822	5	91,06,669	35	2.9
<p>*COA herein refers to Loan amount plus interest paid. Excluding, initial downpayment and all other costs related to registration, stamp duty, brokerage etc   Tenure reduction is rounded off. Amt. in Rs.</p>							

As per the chart a bullet payment of Rs. 10 lacs would reduce the interest burden and tenure of the loan substantially, especially during blocks 1 and 2. The interest savings could be as high as 51% of the total interest while the reduction of tenure could be as much as 37% (7.3 / 20 yrs)

of the original tenure. Such humongous saving not only after the first year of paying EMIs but even after you were to prepay after paying EMIs for eight long years is too good to be ignored.

No wonder than a lot of experts around profess prepaying part of the loan at fixed intervals or as and when lumpsum funds are available. Some even suggest paying one extra EMI after every twelve. Borrowers who feel stressed under the burden of a loan rush to pay up. Oblivious of the fact the rushing seldom helps. Be it repayment or investments. More often than not, staying the course matters more than changing the course midway.

Let us now delve into the final and most awaited part of this story...which is pre-paying a part of the loan amount and its impact across different blocks. How do interest savings fare against the opportunity lost?

What if instead of part payment the amount was deployed in a set of diversified equity MFs							
Part pay- ment after (EMIs)	Tenure Reduction (months / years)		Balance Tenure (months/ years)		Investment	Future value if held till reduced loan tenure	Investment surplus over interest saved
12	87	7.3	141	11.8	10,00,000	46,62,641	22,00,226
48	72	6.0	120	10	10,00,000	37,07,221	18,37,152
96	56	4.7	88	7.3	10,00,000	26,13,980	13,94,306
144	44	3.7	52	4.3	10,00,000	17,64,362	10,65,758
192	36	3.0	12	1.0	10,00,000	11,40,000	8,70,754

\*MF returns @14% pre-tax. Amt in Rs.

Yeah, You read it right. That's what it is. Earlier you prepay, higher is the opportunity loss! Simply because the rate at which your investments compound far outpaces the savings that accrue due to prepayments. And longer the loan tenure higher the difference between Compounding and Savings.

Additionally, investing also provides 24 x 7 liquidity that has a certain premium to it though not quantifiable. Further, it might also sound naive to say or assume that those who borrow do not invest in equities. Rather, I am yet to meet one individual who aspires to own his/her first or even second home and hasn't experienced equity investing, whether directly or through managed investments like MFs or even alternates.

Not that we do not know that to let money compound at say 14% is a far rational choice than repaying what we have borrowed at 8.5%. Despite all the potential savings that could accrue from interest and tenure reduction, numbers speak otherwise. And for those of us who feel 14% return assumption is steep, well at even 12% the outcome or conclusion is directionally the same though of course the gap between interest saved and investment value is relatively less.

Factually, equity Mutual Funds have over a period returned moderate to high teen returns. Even if one were to discount historical returns by 5-10%(of returns and not in absolute terms), yet the end corpus created would be higher than what is assumed in this case. However, like in most other things in life perception plays a much stronger role than it should. A simple fact check like the above reflects the difference between perception and reality.

Lat but not the least this part of the story is an experiential narration that might resonate with you as well. Thoughts around real estate and loans that I get to hear during my social or official interactions and also on social media.

<p>Repaying part of the outstanding will make me debt free sooner than later</p>	<p>Well, not exactly. A Liability or Debt is never viewed in isolation. This is netted off against assets that you have. That's how you arrive at your Networth.</p> <p>For instance, an outstanding of Rs 15 lacs is similar to Rs 25 lacs if there are investments worth Rs 10 lacs on the assets (investments) side, irrespective of the purpose for which the investments are made. Further in case of the latter net outstanding (outstanding – investments) would shrink faster than the reduction in absolute outstanding in case of the former. This happens due to the surplus (invested value over interest saved) that gets created over time. We've just seen that across all the four blocks in the table above.</p>
<p>Life is increasingly becoming uncertain and hence I feel the need to close the loan during my prime years.</p>	<p>While the thought is relevant, the resolution might need a rethink. Most home loans come with an insurance cover with the sole objective of covering the loan liability. Paid to the lender by the insurer in the unfortunate event of...</p> <p>So, where is this worry stemming from? Rather with your loan covered by insurance, you should in all fairness work towards creating a parallel corpus by investing heavily during your prime years. That's how you would end up owning more than one asset (physical and financial) of sizeable value that address both your living and liquidity needs.</p>
<p>The interest at 8.5% is too high for comfort.</p>	<p>This is a typical case of fact vs fiction, perception vs reality. How many of our customers understand what 8.5% means? Hence it is imperative to have a practical understanding of interest rates and how these pan out over longer terms. Interest ultimately is a cost that needs to be viewed in relation to the value of the asset or the loan.</p> <p>While most around know that the interest rate is levied on reducing balance and not flatly on the total amount borrowed, there is still this feeling of paying excess interest, just because in the initial years the interest component in the EMIs is far higher than the principal.</p> <p>Well, as mentioned above, the interest to principal mix would never change given it works on reducing balance and is in the benefit of the client. Only if one was to understand that effectively an 8.5% interest over a long period of 20 years merely translates to 108% ( a little over double) of the loan amount. Something that doubles over 20 years is hardly worth thinking or investing. Isn't it? Is there a cheaper option to borrow money? And repay it over 20 years!</p>

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# THE FAMILY WEALTH CONSTITUTION: WHY EVERY MIDDLE INCOME FAMILY NEEDS ONE



*Viresh Patel, CFP, SEBI Registered RIA*

## The Constitution thought background

When we bought new Television or mobile handset, we also got a 1 pager manual on how to start, operate, manage and even how to discard the device. It serves as a guiding booklet always.

On a larger context, we all are aware that India is governed by it's own constitution. (In fact every country).

Majorly every Ultra High Net Worth Investor-UHNI / Family is governed by a wealth constitution, but is largely focused on wealth transfer or estate planning and conflict resolution, as it is bound by core values of the family.

In Similar lines, if 1% of world i.e. UHNI follows and is governed by such constitution, what governs small nuclear middleclass family's – the 99% world population?



## The Financial Constitution background

Most families, especially middleclass, don't lose wealth because they lack intelligence, income, or opportunity. They lose it because decisions are made in isolation—across time, across emotions, and across generations, under varied situations.

I have personally – even before I came into personal finance field – had always found a need for something that becomes guiding force for not only me, but for family. Not that we had big fights or conflicts, but as an instance we were sort of 3 generations- my father 68, my brother 45 and myself 32, and we had very diverse needs and thoughts and the decisions were very random.

Now with 20+ years in personal finance domain, managing over period, not only my money, but also other family / client's money, I found that the guiding force is need for every family, and "The Family Wealth Constitution" format for UNHIs would not be applicable for most middleclass family's, that there is a separate and unique need for nuclear/middleclass family, and hence I conceptualised Family Wealth Constitution, specifically for middleclass family's

A Family Wealth Constitution is not about control or rigidity. It is about clarity.

It is a simple, written agreement on how a family thinks about money—especially when life, markets, relationships or emotions test that thinking.

In a world of constant financial noise, a constitution becomes the family's quiet compass.

## Why a Family Wealth Constitution Is Needed ?

We all would have read and/or even experienced about emotional decision making or behaviour biases.

### **Wealth is built on behaviour, not brilliance**

Real financial success comes from consistency, emotional control, and discipline – not market timing or high intellect.

<https://www.moneyweb.co.za/financial-advisor-views/wealth-is-built-on-behaviour-not-brilliance/>

**Today's families—especially young professionals, global Indians, and first-generation wealth creators- more so here middle income range—face a unique challenge:**

- Income may be high, but time is limited
- Decisions are frequent, but thinking time is scarce in busy life and routine
- Advice is abundant, but alignment is rare

**Without a shared framework:**

- One decision contradicts another
- Market cycles drive behaviour instead of goals
- Advisors unintentionally lead, instead of support
- Family members avoid money conversations altogether, in busy professional and engaged world

**A Family Wealth Constitution solves this by answering a few fundamental questions before decisions arise in fact start by asking following questions:**

- Why do we want wealth?
- How much risk are we truly comfortable with?
- What matters more—growth, stability, or flexibility? (it even could be mix of all, but need to be well-defined)
- Who decides, and who executes?
- Do we need Income from Investments or growth?
- What is more important, network growth or investment growth?
- It replaces reactive decisions with intentional continuity.
- 

### **With vs Without a Wealth Constitution: A Simple Comparison**

#### Without a Constitution

- Financial decisions react to news, fear, or peer pressure
- Risk appetite changes with market mood
- Investments become product-driven
- Family members remain disengaged or confused
- Wealth feels stressful despite success

#### With a Constitution

- Decisions follow agreed principles
- Risk is taken consciously and consistently and managed well
- Advisors work within a defined philosophy
- Money conversations become open and calm
- Wealth feels supportive, not overwhelming

The difference is not money. The difference is direction.

## **The Story, The ‘Why’, Behind “The Family Wealth Constitution”**

### Family 1: “We Had Money, But No Rules”

Mehta family were doing well—both professionals, good incomes, smart investors. Over the years, assets accumulated across mutual funds, ETFs, properties, deposits, NPS, EPF, PPF, international investments, and insurance policies.

On paper, everything looked fine.

But when any major decisions situations arrived—relocation, a business opportunity, a market correction—confusion surfaced.

Questions piled up:

- Should we sell now or hold?
- Who decides what?
- Are we taking too much risk—or too little?
- Why do we keep undoing past decisions?
- How much importance to be given to tax applicability?

The realisation was quiet but powerful:

“We had money, but we had no pre-defined rules.”

Every decision required fresh debate. Every decision reversal put self doubt. Every market event felt personal. Advisors changed, portfolios kept changing, but uncertainty didn’t.

The issue was never returns.

It was the absence of a shared framework.

### Family 2: “We Lost 20 Years to Emotional Decisions”

Kulkarni family looked back with honesty.

Some years they were aggressive. Other years, completely risk-averse. Big decisions were made during emotional highs or lows—buying at peaks, exiting during fear, delaying action during uncertainty and lately they realised that they are short for their retirement and other children’s needs?

Individually, each decision felt justified at the time.

Collectively, the outcome was sobering.

“Had we simply stayed consistent, we would be 20 years ahead.”

No single mistake caused the delay.

What caused it was emotional inconsistency.

## The Hero Introduction

The need was felt and as a financial planner for the family's, sensed that the need is profound and I started thinking and conceptualising a framework, a manual which is crisp, short, but covers most, as a guide.

The Family Wealth Constitution emerged not as a regret—but as a reset now - said many family's were I started as sample implementation. A promise that future decisions would be guided by principles, not panic.

Every action will have a reason backed by a internally defined family rule book of decision making, or money movements, leading to a meaningful life.

## What Is a Family Wealth Constitution?

A Family Wealth Constitution is ideally a simple to understand and use for reference, customised one-page written individual family charter that defines:

- The purpose of wealth in the family
- How money should be looked at, should grow and be used and what is important
- What risks are acceptable—and what are not
- How decisions are made across time & when to pause

It is:

- Not legal
- Not technical
- Not product-driven

It is philosophical, practical, and deeply personal.

Think of it as the operating system for family wealth, driven by family values and needs.



A Family Wealth Constitution is a dynamic, comprehensive document that codifies a family's shared principles, mission, vision, and operational guidelines for managing its collective wealth. It serves as a cornerstone for preserving not just assets, but also the family's values, culture, and intent.

Unlike High Networth family constitution, this is not only focused on WILL or TRUST, or conflict management, rather serves as a statement of purpose & principles.

It serves "beyond emotions" and instead addresses psychology of looking at and managing wealth, that too becomes a customized document- to each her/his family's own. It helps establish clear protocols to mitigate conflict and biases. It helps promote fairness and transparency in decision making and managing money. It also provides for amendments and adaptability along with continuous review process. More importantly it also serves as a guiding principle of the family, for the advisor/s to follow and deliver accordingly.

## Core Sections of a One-Page Wealth Constitution

### 1. Purpose of Wealth

Why does money exist in our lives?

- Freedom, not pressure or stress
- Security, not status
- Choice, not comparison

This section anchors every decision back to values.

### 2. Income & Growth Philosophy

- Commitment to long-term compounding
- Preference for reinvestment over consumption
- Continuous upgrading of skills and earning ability

For young professionals and NRIs, this reinforces that income growth and investment growth must work together.

### 3. Asset Allocation & Discipline

- Clear diversification across asset classes with base or core portfolio first approach
- Allocation based on risk tolerance and life stage
- Discipline over prediction

This removes market noise from everyday decisions.

### 4. Risk Framework

- Acceptance that risk is necessary
- Rejection of risks that threaten core security
- Regular review and protection where needed, including suitable insurances in place

Risk becomes managed—not avoided, not chased.

### 5. Role of Advisors

- Advisors execute and advise, preferably proactively – not only response
- Family retains vision and control
- Alignment is reviewed periodically

This ensures expertise without dependence. In my personal view, this is very important, remaining independent, while working with one or multiple advisors.

### 6. Family Governance

- Regular money conversations
- Inclusion of next generation
- Shared responsibility and transparency

Money becomes a connector—not a divider.

## How and When to Use the Constitution?

A Wealth Constitution is not meant to be read daily.

It is meant to be referred to at moments that matter, a light in the dark, a compass when feel lost, a rope when falling down the hill, a starter when discussions take argumentative status.

Use it when:

- Markets are volatile
- Large investments or exits are considered and/or asset class or product or advisor switches considered
- Relocation, job switches, career large changes, inheritance, or liquidity events occur
- Family opinions differ, family and relation changes
- Annual or quarterly reviews are conducted

Before asking “What should we do?”, ask:

“What does our constitution guide us to do?”

## Where to Keep It?

Visibility matters.

- Printed and framed at home or in a study or pinned at work desk (one of my client family has it as screen saver on mobile handset)
- First page of the family’s financial folder
- Shared digitally with family members
- Referenced during advisor meetings
- If it’s hidden away, it won’t influence behaviour.

## How long should it be?

One page:

Forces clarity

Encourages participation

Is easy to revisit under stress

Avoids complexity and jargon

In moments of emotion, simplicity is strength.

## A Final Thought

A Family Wealth Constitution is not about predicting markets or maximising returns.

It is about protecting alignment, peace of mind, and family unity—long after numbers change and circumstances evolve.

Money will always fluctuate. Principles, once written and shared, endure. And sometimes, that makes all the difference.

## BONUS

THE SAMPLE ONE PAGER FAMILY WEALTH CONSTITUTION – Every Middle Income Family must have one of their own

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# DISCLOSURE OF COMMISSION: A BEHAVIOURAL FOUNDATION FOR TRUST



*Rakesh Pramodchand Singhvi, CFP*

## Introduction: A Simple Truth About Money and Trust

Money is never just math. It's hope. It's fear. It's the future packaged into numbers. And in a field where people hand over their savings, sometimes accumulated over decades, the one thing they expect more than returns is clarity. Not perfection. Just clarity.

This is why commission disclosure stands at the centre of professional ethics in India's financial ecosystem. The rule sounds technical that is "disclose all commissions, including trail commissions or any other mode." But the effect it has in practice is deeply human.

Behaviour and communication explain far more in financial outcomes than spreadsheets do. Commission disclosure belongs in that category. It isn't merely a regulatory requirement, it's the foundation of trust between a financial professional and the investor.

## Why Commission Disclosure Builds Trust

Money is emotional. Not because of numbers, charts or product names but because behind every rupee lies someone's hope. A parent saving for a child. A family planning for stability. A retiree looking for peace of mind. In such a setting, even a small misunderstanding can feel big. That's why one of the most powerful ideas in the Mutual Fund Distributor ecosystem is also one of the simplest:

Disclose every commission. Openly. Clearly. Every time. It may look like a rule. But in practice, it works like a relationship-building tool.

## The Power of Knowing "What's in it for you"

People are not uncomfortable with the idea that distributors earn income. They are uncomfortable when they don't know how that income is earned.

There's a big difference. We tip waiters. We pay doctors. We pay taxi drivers without asking for a breakdown of their petrol expenses. These interactions feel normal because the rules of engagement are understood. Everyone knows who earns what and why.

But the moment money becomes opaque, the human mind becomes restless. Silence creates space and the brain fills that space with doubts and often with the worst-case version.

In the world of investing, that imagination can be more dangerous than the product itself.

This is where commission disclosure plays a quiet but powerful role. It removes the mystery. It removes the guesswork.

It tells the investor: "Your decisions deserve full information. This is what I earn on my side."

## Transparency Isn't a Compliance Form – It's a Signal

When a distributor discloses commissions i.e. trail, upfront (where applicable) or any other form then something subtle but powerful happens:

The conversation shifts from "Why are you suggesting this?" to "Thank you for being honest with me."

The Code of Conduct isn't just guarding against misconduct, it is creating a culture where trust becomes the asset that compounds.

Financial relationships run on trust and behaviour more than mathematics. Transparency, especially around how one earns, is behaviour in its purest form.



## What Exactly Should Be Disclosed?

In finance, ambiguity is rarely accidental. When something is left unsaid, the investor's mind fills the silence with assumptions. And assumptions are the enemy of trust. That is why the Code of Conduct is unusually clear about one thing: every rupee of earning must be visible to the investor.

But what does that mean in practice?

At its core, "commission disclosure" is not about percentages or payout grids. It is about creating a full map of the economic relationship between the intermediary and the product manufacturer.

This map includes:

- Trail commissions earned year after year for ongoing servicing
- Upfront commissions, where applicable under current rules
- Any other remuneration, monetary or non-monetary, that may influence product selection
- Commissions for every competing scheme, not just the one presented
- Affiliations with any AMC, group or associate that may create perceived or actual conflicts
- Clear platform-level disclosure, especially in digital transactions where investors often assume "Direct Plan-like" behaviour
- Providing SAI, SID, KIM, fact sheets, expense ratios and scheme comparison details exactly as AMCs publish them

In plain terms: If it affects the distributor's earnings or the investor's decision-making, it should be disclosed.

This level of clarity does something subtle: It removes the shadow that falls between recommendation and intention. When everything is visible, nothing feels hidden. And when nothing feels hidden, conversations

become easier, choices feel unbiased and the relationship becomes sturdier.

Disclosure is not a document. It is visibility. And visibility is the foundation of trust.

## Why This Matters More Than Ever

There was a time when financial services worked like a closed room. Information stayed with the distributor. Investors relied purely on trust. But that world has vanished, quietly and permanently.

Today's investor is not uninformed. They are not passive. They are not shy about asking questions. The average Indian investor today compares returns online, checks expense ratios, scans reviews, listens to podcasts and learns from YouTube or peer networks. This shift has created a new reality: transparency is no longer optional, it is expected.

Commission disclosure matters more today because mistrust spreads faster than facts. A single doubt can overshadow years of good performance. A small misunderstanding can feel like a breach. And once trust is questioned, it rarely returns in full.

Regulators globally are also pushing toward higher transparency, fee clarity, conflict disclosures, fiduciary expectations and investor rights. India is no exception. SEBI and AMFI are shaping a future where the investor knows exactly who earns what and why. This is not compliance pressure, it is an industry evolution.

For MFDs and CFP professionals, this is an opportunity, not a burden.

Because the moment you disclose commissions openly, you differentiate yourself from a marketplace that still relies on ambiguity. You signal confidence. You signal alignment. You signal that your value does not lie in what you hide, but in what you reveal.

In a noisy world, trust becomes the competitive advantage. And trust begins with transparency.



## A Simple Idea with Compounding Returns

Trust compounds the same way money does.

The first disclosure may feel procedural. By the tenth, it becomes habit. By the hundredth, it becomes part of your identity.

At that point, investors don't stay with you because of a product or a return number. They stay because interacting with you feels easy. It feels safe. It feels predictable.

And in long-term financial relationships, comfort is often the most valuable currency of all.

## Summary

The most important part of finance is not the spreadsheets, but the behaviour behind them. Disclosure of commissions is exactly that — a behavioural choice. A choice that says:

- I am not hiding anything.
- Your interest comes first.
- My earnings are transparent.
- We are on the same side of the table.

In a world full of fine print, that kind of clarity is rare. And because it is rare, it becomes valuable.

For CFP professionals, the implication is straightforward yet profound: commission disclosure strengthens the professional-client relationship, reduces perceived conflicts, supports ethical decision-making and aligns regulatory obligations with deeper behavioural insights about trust.

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## CALL FOR ARTICLES

### Writing Guidelines for Contributions

- **Articles:** We welcome previously written work and ideas that pertain to one of the areas of financial planning: tax planning, debt management, cash flow management, ethics and legal and regulatory environment, education planning, retirement planning, investment planning, insurance planning, and estate planning.

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.

- **Audience:** You are writing for people like you – other CFP professionals! Please provide timely and accurate information that has practical implications.
- **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.

## ELEMENTS TO BE INCLUDED FOR SUBMISSION:

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- Send to: akumar@fpsb.in
- Format: When submitting an article, please include author name(s), email address, phone number, author(s) picture, and a brief profile of the author(s).
- Executive Summary: The executive summary is not a sales pitch for the article, but instead, a summary telling the reader what to expect, the purpose, the topic, the why, and the important practitioner implications. Executive summaries should be no more than 250 words.
- Graphics: No more than 5 photos and graphics per article.
- Endnotes/References: Please be sure to use APA formatting for references and endnotes.

## \*AUTHORS OF PUBLISHED ARTICLES WILL GET 4 CPD POINTS\*

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## CPD QUIZ

FOR JOURNAL OF FINANCIAL PLANNING IN INDIA

(DECEMBER 2025 EDITION)

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**To improve your score in this Quiz, you will be able to take the CPD Quiz up to two times.**



# GOOD LUCK!

### Decoding India's G-Sec Inclusion in Global Bond Indices: A Financial Planner's Guide

1. Trading activity in FAR-designated government securities has increased following index inclusion, reflecting higher participation by foreign investors. As per the author, the primary impact of this on Gilt & Dynamic Bond funds in client portfolios could be \_\_\_\_

- a. capital gains from yield compression
- b. indirect competitive pressure on interest rates
- c. support in market liquidity and reduced volatility in pricing over time
- d. Both (a) and (b)

### **The Rush to Prepay a Home Loan**

2. In the view of the author, prepayment of Home Loan does not make financial sense because\_\_\_\_\_
- Interest rates might fall in due course of time, reducing the EMI
  - Tax benefits on accrued prepayments are negated by interest rates
  - Compounding of the invested amount over the years could be substantially higher than the net savings by way of interest
  - All of the above

### **Selecting the Right Mutual Funds for My Clients: A CFP professional's Perspective**

3. The author believes that selecting a fund for a client isn't about looking at one ratio in isolation; rather it is a combination of ratios and factors simply because\_\_\_\_\_
- Every client is unique
  - Markets are dynamic and globally interconnected
  - Risk is inherent part of investment cycle and product
  - Too many funds with too many schemes are available for investment

### **When Tradition Becomes a Barrier: How Rigid Cultural Preservation Can Undermine Effective Financial Planning in Indian Families**

4. The author's 3-stage framework of resolution for the families between culture and financial future does not include \_\_\_\_\_
- Understand – ask families
  - Vulnerable planning
  - Reframe conversations
  - Implementation

### **The Family Wealth Constitution: Why Every Middle-Income Family Needs One**

5. The author stresses that every family must have a Family Wealth Constitution as it can help \_\_\_\_\_
- manage conflict within the family
  - promote fairness and transparency in decision making and managing money
  - transfer of Estate to family members
  - increase family corpus

### **Disclosure of Commission: A Behavioral Foundation for Trust**

6. The author urges that commission and fee disclosure strengthens the professional-client relationship and is more required in today's world due to \_\_\_\_\_
- Regulatory requirements
  - Fiduciary expectations
  - Conflict disclosures
  - Investor's access to information and knowledge

**END OF THE QUIZ**

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