Mutual Fund Handbook for IFAs

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Preface

Congratulations!!

If you are reading this book it means you are a recent entrant in the mutual fund distribution business or you intend to become one. It is surely a good decision you have made and you will reap good rewards in the years to come.

In the entire financial services universe, mutual funds occupy an elevated position in terms of growth potential and rewards to investors and distributors.

Let me also tell you that while the journey is going to be exciting and rewarding, it's not going to be smooth. Like any other business, there will be challenges and bumpy times. In the past decade or so, over a lakh IFAs have entered the mutual fund distribution space but only a few thousand could thrive. Rest are either just surviving or have exited this wonderful business. It made me think that why is it so that most IFAs who start mutual fund distribution loose the momentum.

For many years now, I have been travelling across the country for training IFAs. I met over 20,000 IFAs in over 100 cities. I met many successful IFAs doing well and happy with the growth. At the same time I met thousand's of IFAs who are struggling and having a negative notion about this business. I went deeper into their reasoning and found out their concerns, analysed their action, and understood their approach to this business. I got a good idea of why some IFAs make it big while others change their course from what would have been a fantastic career.

Lack of proper understanding of how to do this business is one of the main reasons of fall out of many IFAs after first few years. The action plan in the initial years and doing the right things are crucial which sets the momentum for future.

The purpose of writing this book is to make new IFAs aware about the true potential of this business so that they do not exit this business in a hurry and take full advantage of the benefit it offers. This book will serve as a guide and will help new IFAs do it the right way and get in the big league in the mutual fund distribution business. It will allow them to be in total control of their business by knowing the various nuances of this trade.

I am myself in the business of mutual fund distribution for over 15 years now. And I am happy. I built my business from scratch. It is rewarding and future potential seems to be promising.

Today a lot of my time goes in mentoring new IFAs across the country to grow their business. This book is a part of my effort to reach out to many more who have taken the plunge in a sea of opportunity and I hope this book will guide them swim across.

All the best.

Brijesh Dalmia

1. Opportunity in mutual funds

Beyond a doubt in my mind, the future belongs to mutual funds in India.

As I write, mutual fund assets have swelled to over 10 lac crores. It has taken almost 20 years to reach this figure but may take only a few years from now to double and quadruple this number. Imagine the huge potential that awaits you.

Over the last 2 decades, mutual funds have stood the test of strength. They have an impeccable record, performance and transparency. In every business there comes a tipping point which is followed by tremendous growth. I am almost certain we have reached that tipping point in mutual fund industry or are very close to it.

An industry can grow only if the end user of its product benefit. Investors who put their faith in mutual funds reaped good rewards. Therefore, it is only a matter of time that mutual funds will become a household name in India. The number of IFAs signing up for mutual fund distribution may not grow as fast as the growth of the industry itself. This will result in faster growth of IFAs since there will be few who will have to cater a large investors base in India.

Regulation is of utmost importance when it comes to growth. It is like the foundation of a high rise building. Thankfully, mutual funds are highly regulated in India which gives another reason to be bullish about this business. With regulation and compliance in place, trust is established. It's like wearing a seat belt which reduces the impact of any adversity and at the same time allows driving at speed on a highway.

Asset management companies are among the largest corporations in the world. They make their income from fees they charge to investors. For this they make millions of dollars of investment in infrastructure, setting up the business and wait for decades for profitability to come. On the other side IFAs can start mutual fund distribution with little or no capital investment and get 50-75% share of fees received by asset management companies as trail commissions from day 1. If anyone can bet on AMC's growth in future, he should definitely be positive about the growth of IFAs.

The awareness of financial planning is increasing every day giving rise to new age products. Equity markets are getting more matured and mutual funds further help even out the rough edges of investing in equities with their expertise and diversified portfolio of stocks. More and more investors are flocking to debt mutual funds because of convenience, higher liquidity, good returns and tax benefits. Product innovation by mutual fund houses is attracting more and more investors. With thousands of schemes under the mutual fund umbrella, each investor can be assured of finding one as per his need.

Thousands of IFA have already built a large Asset Under Management (AUM) over the years earning huge trail commissions. While they were early in the trade, you are definitely not late as the prospect of mutual fund business is expected to grow by leaps and bounds in the future. The reward structure of mutual funds to IFAs has also gone a sea change in the past and is moving towards a long term approach, benefitting serious players.

In USA, mutual funds' assets have overtaken bank fixed deposits. It may be a long journey before we achieve this in India but I am sure it will happen one day. I wonder how far those IFAs will go who remain in this business and witness this phenomenal growth.

In the last 10 years, hundreds of IFAs across the country have reached 100's of crores of aum. Some have reached 500 crores and few are even touching 1000 crores. Let me tell you if many have reached so far in the last 10 years, next 10 years look more promising and you should target to achieve these figures yourself.

All in all, the opportunity lies in front of you. It is now upon you how much to benefit from it.

2. Have conviction on the mutual fund industry

Conviction on mutual fund industry is the first thing that you will need to have to make this business successful. Mutual fund is a great industry to be in. It has dominated most of the world markets and making its roots strong in India. If you yourself are not 100% convinced about the industry and mutual fund products, it will nearly be impossible to make an impact in this business. Most business does not grow because the conviction level is low. It results in lack of focus which is the reason for low productivity and you can miss out on a great career ahead.

During the journey of selling mutual fund products to help clients realise their financial goals, you may find some challenges. It can be due to bad market conditions, tighter regulations, changing business dynamics, etc. It happens with every business. I have seen many IFAs exiting this business during challenging times and thereby missing out on a bright sunny day which came soon after. Don't let your conviction go down during bad times. Just go strong during these unfavourable circumstances and you will emerge a winner.

Whenever you have any doubt about the future of this business, I suggest you ask this question to yourself - :

- Will mutual fund industry be there after 20 years or not?

If your answer is 'yes', then you should gear up for the challenges and pass through them. Those who face the challenge become strong and achieve the pinnacle.

Begin with the conviction in mind. Confidence in the mutual fund industry will take you far.

3. Have a big vision.

Mutual fund distribution business offers tremendous scope. It's the product of today and tomorrow. You can make it as big as you can think of. By nature most people think small. Some think big. Those who think big can one day make it big but those who think small can never make it big. So, why not start with thinking big?

Many IFAs have the potential to become large but they become complacent after reaching an AUM of 10-20 crores because they started with a small vision. Don't do this. This business has much bigger possibilities.

I would suggest you to begin with a big vision. The first target should be to reach 100 crores of AUM. Not only this, but you should also have a timeline to achieve this target. If you are in 'A' tier city (say, population of 50 lacs & above), you should target 100 crores of AUM in 5 years. If you are in 'B' tier city (say, population of 20-50 Lacs), you should target it in around 7-8 years and if you are in 'C' tier city (say, population of less than 20 Lac), you should aim at reaching 100 crores of AUM in no more than 10 years.

Of course, if you work harder you can reach their faster too. Don't think that these figures are not achievable. Hundreds of IFAs have already done this in the last 5-10 years. If you believe in yourself and have a vision, even you can.

Don't play defensive by setting yourself a smaller target. You may achieve your target but will still miss the bigger thing which you could have achieved. Remember, even 100 crores AUM is just a number as the first target. You can go much beyond this.

4. The Four pillars

There are 4 pillars on which the potential of this business rests.

- Integrity
- Competency
- Service
- Relationship

Integrity

Everyone claims it. Few practice it.

It is the heart and soul of this profession. Without integrity one can survive but can never thrive. Clients will invest their hard earned money on your recommendation. So, it is of paramount importance that you demonstrate the highest level of integrity in your work.

Client's interest must be the top priority. Initially, it may be a little challenging to meet costs, make profits, etc., but the results of integrity compounds over time and brings much more rewards in future years. Many IFAs compromise on ethics and that is why they are unable to win client's trust. There are no shortcuts to success.

You may find some of your peer group IFAs who try to take the shortcut and still growing faster than you in the short term. Don't be disappointed. Have patience and faith in your working. It will take time but once you get the speed of trust behind you, it will give you the much needed momentum to move forward at double the speed.

You must keep doing the good work for months and years to get client's trust. Once you get the wings of trust, you will fly.

Competency

Competency comes from knowledge; confusion is a result of ignorance. In any profession ignorance kills and knowledge pays. It is true for this profession also. Clients are not only looking for ethical IFAs but also someone who is an expert. Expertise comes from knowing more about the industry and products that you deal in. It provides an edge. Clients feel secured with such IFAs.

The power of knowledge allows an IFA to sell more in less time. Make sure that you spend a couple of hours every day in reading and learning. Attend industry conferences, make a study group of IFAs in your city, and bookmark some websites which gives continuous source of quality information.

Don't go all out for sales from day one. Invest your time in getting knowledge. The power of knowledge will speed things up for you as you go alone.

Service

Great service is an expectation of all. Ethics and competency can lose its value if there is a deficiency in service. How you make your clients feel is probably more important for them than a little higher returns. Remember this.

This is one business where service takes priority over sales. Integrity and competency takes years to build whereas a bad service experience creates instant dis-satisfaction in the mind of clients. Define turnaround time for key services like; returning phone calls, processing portfolio statements requests, execution of transactions, etc.

It may be a good idea to hire someone to handle service issues and you get involved in sales and meeting clients. It takes a lot of effort to make a new client. The key is to retain them for long term. There is no point in making lot of customers and losing them due to poor service.

Relationship

The above three pillars help build a strong relationship with the client which acts as the fourth pillar of this business.

It is commonly said that people deal with people, not products. Essentially, it is the relationship which matters. Develop long lasting relationship with your clients. Get beyond sales and service. Work on relationships so much so that your clients treat you like an extended family member.

The pillar of solid relationship improves profitability, weakens the competition and helps you hold ground when it gets slippery.

5. *Invest in your business*

Many IFAs start this business as a one man army without any proper infrastructure and backend support. Because of this, the rewards are low since most of the time goes into non-productive activities. They do everything themselves – from meeting clients, doing KYC, filling application forms, depositing them, making portfolio statements, servicing, etc. Doing all this is possible but it kills a lot of time which an IFA can spend on meeting clients and making more sales.

Doing clerical works and running around for servicing issues is the biggest mistake an IFA can do. It reduces his productively and thereby income.

Investment in business gives the maximum returns because it increases your efficiency. I would suggest that 15-20% of your net profits every year should be re-invested in your business. Having basic infrastructure in place can help an IFA to grow rapidly in this profession.

Areas in which you should invest in your business

- Laptop for self
- Office space (Buy or rent)
- Support staff
- Software
- Others

Don't consider this amount as an expense. Treat it as an investment. Initially, it may be challenging for you to do this since you may not be very certain about future growth to recover such investments. But let me assure you that this is the best advice you will find in this entire book. For eg., hiring a support staff can save 3-4 hours of your un-productive time each day which you can use to meet more clients and source more business.

Laptop for self

It will help you sell more. Giving presentations at client's place can be very effective. It also helps in keeping records.

Office space

Having an office serves many purposes. It gives seriousness to work. It allows some of your clients to come to meet you thereby saving your time to commute. It offers convenience to take a break, plan your day better and to top it all it gives a professional outlook to clients. It is not necessary that you need to buy an office space. You can take a place on rent.

Support staffs

Hire a couple of office assistants and a field person who can do the leg work for documents / applications collections and deposits. This will save you a lot of time in which you can meet 1 or 2 more clients every day.

How to go about it

If you are serious about this business and have the requisite cash flow to spend on office space and hiring assistants, do it right away. This will allow you to focus completely on client meetings and sales. You will also get a lot of time to read and learn. You will start seeing the results within months.

If you are tight on cash flows and cannot afford to start with fixed costs, you should have a plan in place to set things in order as soon as possible. Many IFAs who started 20 years ago still work alone without office and support staffs. Most of them have not grown and some who did grow could have done much better had they operated from a fixed work place with people assisting them. You should not stretch it so far. You should save a part of your income every month and within a timeline you should consider having a suitable work place with support staff.

This is one good advice you should follow at the earliest. Remember, your job should be limited to meeting clients, making sales, reviewing their portfolio and sharpening your knowledge. Service and other things should be handled by your office.

6. All about clients

Clients are the single most important thing for any business. The world's best company can have the most capable CEO, the best products, a strong sales force, reliable service mechanism but if they don't have clients, they are good for nothing.

Difference between customers and clients

For the purpose of this business, I will define them as follows:-

Customers – Gives one time business and/or irregular business.

Clients – Gives regular business every year.

The key is to have clients, not customers.

Clients are the lifeline of any business. The question is how do you make clients, how many do you need in this business and how do you keep them happy.

Understanding about the client profile

There are 3 main categories of clients.

- Retail clients
- High Net worth Individual (HNI) clients
- Corporate clients

There is no fixed rule to define retail or HNI clients. However, for simplicity, a retail client can be defined as someone having an investment portfolio of *less than 25 lacs* with you. A HNI client can be defined as someone having an investment portfolio of *more than 25 lacs* with you. Initially, a new client (who is otherwise a HNI client) may not have large investment portfolio with you. So, another way to define clients can be based on their annual investments. You can treat clients investing more than 5 lacs annually with you as HNI clients and the rest being retail clients. Some of the retail clients will become HNI over a period of time.

Although not compulsory but it makes sense to identify and focus on a particular segment of client in which you want to operate. This is because each business model will need different action plan, expertise, infrastructure, resource requirement, etc. You can also do it this way – try out different client profiles for six to twelve months and then identify the right segment where you feel comfortable.

How to choose the right client profile

There are several factors you should consider before you decide on your client profile.

Having a retail model is possible in every city. However, to target HNI's, you need to do some working. Analyse population of the city, growth and income potential of city and individuals. Does your city have high no. of investors who qualify as HNI?

Your age, family background, previous experience and social connect will also play a vital role in making your selection of the right model. If you already know a lot of wealthy people in your city, you may consider HNI model. However, proficiency in financial knowledge is a must if you want to deal with HNI's. If you have age on your side, you may start with retail model and over time your retail clients may become HNI's. If you fall somewhere in between, you may consider a mix of retail and HNI clients.

Corporate clients are not everyone's cup of tea. Firstly, most corporate houses have their in-house investment team. Many others already have an established team of outside advisors. The tenure of relationship in the corporate world can be very fragile. Inspite of all this, if you have good connect in the corporate world, you can definitely try out with this segment. Needless to say, a few corporates can give you crores of AUM which may not be easy in retail and HNI segment. Competition is equally intense.

How many clients you need

A few hundred retail clients, around 50-100 HNI clients and a handful of corporate clients is all you need to make big impact in this business.

Target No. of Clients	
Retail	Around 150-200
HNI	Around 50-100
Corporates	Around 10-20

Retail Clients – A few hundred retail clients are more than sufficient. I would suggest that if you can make around 200 retail clients over 2-3 years, you will do well. By law of average some of these clients will give you good business regularly, others will give occasional business and the rest may give you one time business. Even if you have 100 regular retail clients who give you some business every year, you can expect to do well. Some of your retail clients over time will become big and become HNI clients. This is very natural and the very basis of growth of business. Don't look at 500-1000 clients as you may not be able to meet them regularly and service them properly. Once you reach 200 clients, you can filter non-active clients and add few new clients regularly to fuel further growth in your business.

Remember: there is no point having 1,000 clients but getting mutual fund business from only 50 clients. It's better to have 200 clients and get mutual fund business from 150 clients regularly.

HNI Clients – HNI clients can give large volume of business. Therefore, even 50 HNI clients can serve well for your business. You cannot have large number of HNI clients since they will also take more time of yours than retail clients. However, to have 50 regular HNI clients, you need to target around 100 clients. There will always be some clients who may not continue or may not give you anticipated business.

Corporate Clients – Just a handful of corporate clients can put you in the radar of top performing IFAs in the whole country. Their volumes can be large. At the same time they will be very demanding of your time, expertise and service. You will always have to be on your toes to get business and maintain relationship with corporate clients.

If you are not sure at the moment which way you want to go, take your time. Try out different client segments. Give yourself 6 months to decide which model suits you best. There is no urgency. It is better to arrive at your decision with due consideration rather than taking a wrong decision in haste.

How to make clients

There are primarily two steps to make clients.

a. Having a list of prospects
b. Meeting the prospects

Having a list of prospects

Compile a list of prospects who can become your client. The following list can give you an idea how to identify prospects :-

- Natural market – friends & relatives
- Contacts from your previous work place
- Contacts from your social connects
- Doing investor conference in housing complexes in your area
- Doing presentations for corporate employees
- Members of a local club
- Marketing through website (mostly NRI's)
- Associating with chartered accountants for their client requirements
- Email marketing or cold calling to group of people of any organisation
- Reference from friends & relatives
- Reference from existing clients
- Others

Note: Experience says natural market may give you a start but it may not contribute big in your business since the expectation of these clients will be high. Also, business relationship may impact personal relationships negatively.

Meeting the prospects

You can make a client only if you meet them. In the life insurance industry (life insurance is considered to be the toughest product to sell) the ratio of sales to meeting is 1:5; which means if you meet 5 clients, you can make a client and sell a policy. Selling mutual fund is a lot easier. The ratio can be 1:2 or 1:3; which means if you meet 2-3 people, you can make a client. Initially, you should meet a lot of new prospects who you think can give you business.

Don't lose heart if your strike rate is not very high in the beginning. If you keep meeting prospects, it will eventually give you good results. Once you have made few clients, you should start asking for reference. The key to this business is to have sufficient names in the prospects list and meet them. You should target atleast 10 meetings a week. To do so, you will need to have a strong list of prospects and also keep doing group meetings and seminars.

Diversified clients

Your business should be diversified across your client base. It should not be highly skewed with a few clients giving maximum business. Ideally, your top 10 clients should account for less than 40% of your total business. This is possible only if you have a broad based client list and most of your clients are contributing to your business. If your client list is concentrated and few clients contribute most of the business, you will have a huge business risk if you lose a couple of top clients. As such, you should develop your clients in such a way that your business is diversified across your client base.

Quality of clients

Don't make a client for the sake of making a client. Clients will judge you before they deal with you. Similarly, you should judge a prospect whether he is the right client for you or not. If you have decided to operate in the HNI segment, you should resist making smaller clients as they will eat up a lot of your time and may not contribute big to your business. Yes, some small clients can become big over time but you have to apply your wisdom before accepting them as clients whether they can fit in your business model or not. You may not be able to deal with more than 75-100 HNI clients and if you make clients who are not HNI's or do not become HNI's overtime, your business model can fail.

Location of clients

One mistake IFAs often make is that they make clients in all parts of the city. It kills a lot of their time to meet clients who are far away. If you operate in a large city, you should have a geographical area in mind in which you want to operate. A few exceptions are allowed but if many of your clients are far away from you, it can have adverse effect on your efficiency and hurt the business.

Adding new clients

Making initial clients requires a lot of effort and may take a while. Once you have made 40-50 clients, things should become easy for you. After that, a large part of your focus should be on reference from existing clients. The conversion rate of reference is very high since the trust factor is already established in the eyes of referred client.

Make sure that you ask for reference from your clients in each client meeting. It works. Ideally, over time you should have 40-50% of your total clients through reference. If you are below this number, you can still do well but it will mean you are working harder than required. Go for reference instead.

Business target from clients

One key mistake IFAs do is that they focus and revolve around few clients for business. They ignore other clients. This way business growth will not happen. You should have the following targets in 3-5 years time:-

Retail

- Target 200 clients
- Make sure your 200th client has atleast Rs.2,000/- SIP and/or Rs.2 lac AUM with you.

- Make sure your 100th client has atleast Rs.5,000/- SIP and/or Rs.5 lac AUM with you.

Since your top clients will give you much more business, the law of average will ensure that you have around 600-800 SIPs with an average of over Rs.10,000/- per client resulting in around 20 lacs of monthly Sip book. The day you reach this figure, you will have strong roots in this business and you can look for good future growth.

HNI

- Target 50-100 clients
- Ensure your 50th client has atleast Rs.10,000/- SIP and/or Rs.10 lac AUM with you.
- Ensure your 25th client has atleast Rs.25,000/- SIP and/or Rs.25 lac AUM with you.

Like retail, if you achieve the above numbers (with top clients contributing much more business), law of average will ensure that you will have a strong AUM book with SIP numbers. Once you do this, you can fly.

It is observed that your top client contributes around 10% of your total business and top 10 clients may contribute around 40% of your total business. So, if you can manage well your other clients who may be relatively smaller, your overall business volumes will be very good. Moreover, it will act as a buffer and can replace some top clients if you lose them.

Meet 80% of your clients every year

There is no point making clients if you don't meet them. Make sure you are meeting 80% of your clients each year. Don't pre-judge that whether the effort of meeting them will bring rewards or not. Don't just revolve around your top clients and ignore other clients. You must keep the process running of making small clients big by meeting them regularly.

Existing pool of clients

If you already have a pool of clients to whom you were selling other financial products like life insurance, post office schemes, fixed deposits, etc., your job can be much easier in getting sales in mutual funds. You should do the following:-

- Make a list of all your current clients at one place.
- Meet them over next 3-6 months and let them know that you have started dealing in mutual funds.
- Propose them SIPs and other mutual fund schemes.

7. Multiple financial products, where to focus

There are so many financial instruments in the market place. Where you focus can make all the difference in your life 5-10 years hence.

The diversity of schemes in mutual funds, tax benefits, performance, convenience, etc., makes a strong case for most clients to allocate a large portion of their savings and investments in mutual funds. Not only this, the reward of selling mutual fund is also quite attractive in the long term as compared to other financial products. So, it will be a win win situation for you and your clients if you focus more on mutual funds.

Whether you are new to financial services industry or have been dealing in different products since long, in future you should consider mutual funds as the main product. I do not advocate selling only mutual funds but I strongly suggest that your key focus should be on mutual funds. Let me explain below.

No one product can satisfy and justify the need of a client. You can consider the following products which you can offer to your clients –

- Mutual Funds
- Life Insurance
- General Insurance
- Fixed Deposits
- Tax Free Bonds
- Post office products
- Gold & Silver
- Others

You should sell all products. However, I have no doubt that the maximum growth will come from mutual funds in the long term. Therefore, your maximum focus today should be on mutual funds so that you can reap maximum rewards in the future.

How to focus

Give 5-6 hours a day to mutual fund activities. Treat mutual fund as the main product in which you deal in. Let other products be subsidiary products which can be offered to clients on specific need basis. Which product you pitch first when you meet a client can make all the difference in your life after 5-10 years.

The place of Life Insurance

Life insurance offers high upfront commissions. As such many IFAs make life insurance as their focus and preference. Life insurance is an excellent product and must be offered to all clients. The need for life insurance cannot be substituted with any other product. However, mutual funds also cannot be substituted with life insurance. If you oversell life insurance and substitute mutual funds with them, it may not be a winning formula for you in the long run. My advice is, sell life insurance to all. Don't oversell it.

It takes a lot of effort to sell a life insurance policy. As such whenever clients agree to buy a policy, IFAs don't pitch mutual funds as they fear that clients may choose mutual funds and their sale of life insurance policy may not hap-pen. I don't think this is the right approach.

The fact of the matter is – if you make mutual fund as your primary focus, you can still sell life insurance as most clients do buy a couple of policies every year. But if you focus more on life insurance, you may not be able to build sizeable AUM in mutual funds. This is one of the major reasons I found because of which IFAs do not do good in mutual fund distribution business.

Focus on mutual funds

You should focus as high as 70-80% of your time and effort in promoting mutual funds. Let your branding be such that you are known as a mutual fund distributor who also deal in other products rather than a life insurance or fixed deposit agent who also deal in mutual funds.

I am in no way against life insurance or any other financial product. Infact, some of the agents have made it pretty big in life insurance business. Every product has its place in the client's portfolio and should be sold as per his need. All I am saying is that focussing on mutual funds can bring bigger rewards to you and your clients.

If you get this focus right, half your battle to make it big in financial services industry is won.

8. Revenue model

Nothing pays as much as mutual funds. Those who realised this long back are reaping rich dividends today. Those who didn't, missed out. So, don't get this aspect wrong. It is important to understand how commissions in mutual fund distribution beat other financial products.

All financial products have their own advantages and may be an important part of the client's need. In this section, I am simply looking at the power of mutual fund commissions. Any comparison with other product is only illustrative.

Present vs future

Most financial products commissions are designed to benefit you at the time of selling, ie. the present. Mutual fund commissions are designed to benefit you more in future years. While present is important, we must focus largely on sustained future earnings in order to grow.

Those IFAs who focus too much on the present revenue; miss out on the compounding future benefits which only mutual fund provides. One of the most important theories of growth is that we grow with our customers. It can't be more right when it comes to mutual fund distribution business. The commission structure of mutual fund allows an IFA to participate in the growth of client with the growth of his investments.

Power of compounding

We all understand the power of compounding. It works very well for investors who stick to their investments for long term. Similarly, mutual funds commissions are designed to give the power of compounding to IFAs.

In mutual funds, you get paid on the total business every year irrespective of how much you sold this year. There is possibly no business worldwide which offers this benefit. To add to this, you get paid on the growing value of the business and not only on the amount of business you had sourced. So, if you procured 5 lacs of business 10 years ago and it is valued at 15 lacs today, you get paid on 15 lacs and not only on 5 Lacs. This is crazy. Those who understood this power of growth have made it big in this business. This power is called the power of 'Trail'. This is unbeatable. Many IFAs underestimate this power and hence they do not take this business seriously. They lose out.

Chart showing growing trail commission

Initial Investment - Rs.5,00,000/-

Year	Value of investment at beginning of the year	Trail
Year 1	₹ 5,00,000	₹ 2,650
Year 2	₹ 5,60,000	₹ 2,968
Year 3	₹ 6,27,000	₹ 3,323
Year 4	₹ 7,02,000	₹ 3,720
Year 5	₹ 7,86,000	₹ 4,168
Year 6	₹ 8,81,000	₹ 4,668
Year 7	₹ 9,86,000	₹ 5,228
Year 8	₹ 11,05,000	₹ 5,855
Year 9	₹ 12,37,000	₹ 6,558
Year 10	₹ 13,86,000	₹ 7,345

Assumptions

- Growth of investment is taken @ 12% every year
- Trail is calculated @ 0.50% pa. on average AUM.
- Figures are approx. and for illustrative purpose only.

You can see from above chart that trail commission increases with the growth in client's investment value. All you have to do is convince the client to hold his investment for long term.

We suggest clients that they should invest for the long term but if we want all the commission upfront, this is not a win win situation. Our reward must be linked with the performance and growth of our client's investments in the long term. Mutual funds commission structure just aims at this.

Long term commission potential in mutual funds

Mutual fund is a long term business. The rewards tend to multiply with time. Every year when you sell, it adds to your total AUM. The key is to sell more than redemption every year.

Potential of Income in Mutual Funds if you do 2 crores of net sales per year.

Yrs	Year Opening Value	Net Sales	Year End Value	Comissions Earned		
				Upfront	Trail	Total
1	-	200,00,000	224,00,000	1,00,000	56,000	1,56,000
2	224,00,000	200,00,000	474,88,000	1,00,000	1,74,720	2,74,720
3	474,88,000	200,00,000	755,86,560	1,00,000	3,07,686	4,07,686
4	755,86,560	200,00,000	1070,56,947	1,00,000	4,56,609	5,56,609
5	1070,56,947	200,00,000	1423,03,781	1,00,000	6,23,402	7,23,402
6	1423,03,781	200,00,000	1817,80,235	1,00,000	8,10,210	9,10,210
7	1817,80,235	200,00,000	2259,93,863	1,00,000	10,19,435	11,19,435
8	2259,93,863	200,00,000	2755,13,126	1,00,000	12,53,767	13,53,767
9	2755,13,126	200,00,000	3309,74,701	1,00,000	15,16,220	16,16,220
10	3309,74,701	200,00,000	3930,91,666	1,00,000	18,10,166	19,10,166
11	3930,91,666	200,00,000	4626,62,665	1,00,000	21,39,386	22,39,386
12	4626,62,665	200,00,000	5405,82,185	1,00,000	25,08,112	26,08,112
13	5405,82,185	200,00,000	6278,52,048	1,00,000	29,21,086	30,21,086
14	6278,52,048	200,00,000	7255,94,293	1,00,000	33,83,616	34,83,616
15	7255,94,293	200,00,000	8350,65,608	1,00,000	39,01,650	40,01,650
16	8350,65,608	200,00,000	9576,73,481	1,00,000	44,81,848	45,81,848
17	9576,73,481	200,00,000	10949,94,299	1,00,000	51,31,669	52,31,669
18	10949,94,299	200,00,000	12487,93,615	1,00,000	58,59,470	59,59,470
19	12487,93,615	200,00,000	14210,48,849	1,00,000	66,74,606	67,74,606
20	14210,48,849	200,00,000	16139,74,711	1,00,000	75,87,559	76,87,559
Total				**20,00,000**	**526,17,216**	**546,17,216**

Potential of Income in Mutual Funds if you do 5 crores of net sales per year.

Yrs	Year Opening Value	Net Sales	Year End Value	Comissions Earned		
				Upfront	Trail	Total
1	-	500,00,000	560,00,000	2,50,000	1,40,000	3,90,000
2	560,00,000	500,00,000	1187,20,000	2,50,000	4,36,800	6,86,800
3	1187,20,000	500,00,000	1889,66,400	2,50,000	7,69,216	10,19,216
4	1889,66,400	500,00,000	2676,42,368	2,50,000	11,41,522	13,91,522
5	2676,42,368	500,00,000	3557,59,452	2,50,000	15,58,505	18,08,505
6	3557,59,452	500,00,000	4544,50,586	2,50,000	20,25,525	22,75,525
7	4544,50,586	500,00,000	5649,84,657	2,50,000	25,48,588	27,98,588
8	5649,84,657	500,00,000	6887,82,816	2,50,000	31,34,419	33,84,419
9	6887,82,816	500,00,000	8274,36,753	2,50,000	37,90,549	40,40,549
10	8274,36,753	500,00,000	9827,29,164	2,50,000	45,25,415	47,75,415
11	9827,29,164	500,00,000	11566,56,664	2,50,000	53,48,465	55,98,465
12	1566,56,664	500,00,000	13514,55,463	2,50,000	62,70,280	65,20,280
13	3514,55,463	500,00,000	15696,30,119	2,50,000	73,02,714	75,52,714
14	15696,30,119	500,00,000	18139,85,733	2,50,000	84,59,040	87,09,040
15	18139,85,733	500,00,000	20876,64,021	2,50,000	97,54,124	100,04,124
16	20876,64,021	500,00,000	23941,83,704	2,50,000	112,04,619	114,54,619
17	23941,83,704	500,00,000	27374,85,748	2,50,000	128,29,174	130,79,174
18	27374,85,748	500,00,000	31219,84,038	2,50,000	146,48,674	148,98,674
19	31219,84,038	500,00,000	35526,22,122	2,50,000	166,86,515	169,36,515
20	35526,22,122	500,00,000	40349,36,777	2,50,000	189,68,897	192,18,897
Total				**50,00,000**	**1315,43,041**	**1365,43,041**

Assumptions for above charts

- Growth taken @ 12% p.a
- Trail taken as 0.50% and calculated on average aum
- Upfront comission calculated @ 0.50%
- Figures are approx. and for illustrative purpose only.

The above chart suggests that if you do 2 crores of net sales in mutual funds for 10 years, your AUM after 10 years can touch around 40 crores and trail in 10th year can be over 18 lacs. Similarly, if you do 5 crores of net sales each year, your aum can touch around 100 crores in 10 years and trail in 10th year can be around 45 Lacs.

Revenue by selling SIPs

There is a lot of potential in SIPs. The following charts show you how much you can earn by selling one sip and also if you sell regularly.

Chart showing potential of Income by selling Rs.10,000/- SIP every month

Year	Opening Balance	Additions by SIP	Appreciation 12.00%	Closing Balance	Trail Comm.	SIP Book
1	0	7,80,000	36,400	8,16,400	2,041	1,20,000
2	8,16,400	22,20,000	1,75,548	32,11,948	14,019	2,40,000
3	32,11,948	36,60,000	5,40,593	74,12,541	35,022	3,60,000
4	74,12,541	51,00,000	11,22,244	1,36,34,785	66,133	4,80,000
5	1,36,34,785	65,40,000	19,46,493	2,21,21,278	1,08,565	6,00,000
6	2,21,21,278	79,80,000	30,42,452	3,31,43,731	1,63,678	7,20,000
7	3,31,43,731	94,20,000	44,42,726	4,70,06,457	2,32,991	8,40,000
8	4,70,06,457	108,60,000	61,83,833	6,40,50,290	3,18,210	9,60,000
9	6,40,50,290	123,00,000	83,06,673	8,46,56,962	4,21,244	10,80,000
10	8,46,56,962	137,40,000	1,08,57,053	10,92,54,016	5,44,229	12,00,000
				Total	**19,06,132**	

Chart showing potential of Income by selling Rs.25,000/- SIP every month

Year	Opening Balance	Additions by SIP	Appreciation 12.00%	Closing Balance	Trail Comm.	SIP Book
1	0	19,50,000	91,000	20,41,000	5,103	3,00,000
2	20,41,000	55,50,000	4,38,869	80,29,869	35,047	6,00,000
3	80,29,869	91,50,000	13,51,483	1,85,31,352	87,554	9,00,000
4	1,85,31,352	127,50,000	28,05,610	3,40,86,963	1,65,332	12,00,000
5	3,40,86,963	163,50,000	48,66,233	5,53,03,196	2,71,413	15,00,000
6	5,53,03,196	199,50,000	76,06,130	8,28,59,326	4,09,194	18,00,000
7	8,28,59,326	235,50,000	1,11,06,815	11,75,16,142	5,82,478	21,00,000
8	11,75,16,14	271,50,000	1,54,59,583	16,01,25,724	7,95,526	24,00,000
9	16,01,25,74	307,50,000	2,07,66,682	21,16,42,406	10,53,110	27,00,000
10	21,16,42,46	343,50,000	2,71,42,633	27,31,35,039	13,60,573	30,00,000
				Total	**47,65,330**	

Chart showing potential of Income by selling one SIP of Rs.2,000/-

Single SIP Amount Rs.2,000/- for 10 Years				Trail -	0.50%
Year	Opening	Additions	Appreciation	Closing	Trail
	Balance	by SIP	12.00%	Balance	Comm.
1		24,000	1,560	25,560	64
2	25,560	24,000	4,627	54,187	207
3	54,187	24,000	8,062	86,250	367
4	86,250	24,000	11,910	1,22,160	547
5	1,22,160	24,000	16,219	1,62,379	748
6	1,62,379	24,000	21,045	2,07,424	973
7	2,07,424	24,000	26,451	2,57,875	1,225
8	2,57,875	24,000	32,505	3,14,380	1,508
9	3,14,380	24,000	39,286	3,77,666	1,824
10	3,77,666	24,000	46,880	4,48,546	2,179
				Total	**9,643**

Chart showing potential of Income by selling one SIP of Rs.5,000/-

Single SIP Amount Rs.5,000/- for 10 Years				Trail -	0.50%
Year	Opening	Additions	Appreciation	Closing	Trail
	Balance	by SIP	12.00%	Balance	Comm.
1		60,000	3,900	63,900	160
2	63,900	60,000	11,568	1,35,468	518
3	1,35,468	60,000	20,156	2,15,624	918
4	2,15,624	60,000	29,775	3,05,399	1,367
5	3,05,399	60,000	40,548	4,05,947	1,870
6	4,05,947	60,000	52,614	5,18,561	2,433
7	5,18,561	60,000	66,127	6,44,688	3,064
8	6,44,688	60,000	81,263	7,85,950	3,770
9	7,85,950	60,000	98,214	9,44,164	4,561
10	9,44,164	60,000	1,17,200	11,21,364	5,447
				Total	**24,108**

Assumptions

- Upfront commissions not calculated above. It will increase the rewards.
- Growth taken @12%pa. Trail taken @ 0.50%. Calculations are approx.

So, don't look at how much you earn in the first month or first year by selling SIPs. Think about 5-10 years.

How much can you earn in first few years

Chart showing potential of Income by selling mutual funds in first 5 years.

Scenario -1
Monthly Sales

New SIPs	10,000/-
Fresh sales in equity funds	3,00,000/-
Fresh sales in debt funds	3,00,000/-

	Income in B15 Cities		Income in T15 Cities	
	Yearly	Monthly	Yearly	Monthly
Year 1	65800	5483	22000	1833
Year 2	134200	11183	76000	6333
Year 3	216600	18050	144000	12000
Year 4	315000	26250	228000	19000
Year 5	430400	35867	329000	27417

Note: Figures are approx. and for illustrative purpose only.

Scenario -2
Monthly Sales

New SIPs	25,000/-
Fresh sales in equity funds	10,00,000/-
Fresh sales in debt funds	10,00,000/-

	Income in B15 Cities		Income in T15 Cities	
	Yearly	Monthly	Yearly	Monthly
Year 1	206500	17208	67000	5583
Year 2	416500	34708	241000	20083
Year 3	663500	55292	452000	37667
Year 4	953500	79458	706000	58833
Year 5	1291500	107625	1008000	84000

Note: Figures are approx. and for illustrative purpose only.

Assumptions for above two charts

- Upfront commission in equity schemes taken @ 1.00% in B15 cities. SIP assumed to be in equity schemes.
- No upfront commission taken for debt funds.
- Growth taken @12% pa.

In the first chart, you may find revenues less attractive in T15 cities but you can definitely sell much more than B15 cities. Keep this in mind. Further, the sales number shown overall in both scenarios is taken as very basic. The potential is much more and you should aim higher business volumes.

Comparison of revenue in life insurance and mutual fund.

Life insurance and mutual funds products are different in nature and serves difference purpose. The following comparison of revenue is only for illustrative purpose.

Chart where investment amount is same over the period.

Yrs	Investment		Yr End Value		Income for distributor		
	Insurance	MF	MF		Insurance	MF Trail @0.50%	Diff.with insurance
1	20000	20000	22400		7000	112	-6888
2	20000	20000	47488		1500	237	-1263
3	20000	20000	75587		1500	378	-1122
4	20000	20000	107057		1000	535	-465
5	20000	20000	142304		1000	712	-288
6	20000	20000	181780		1000	909	-91
7	20000	20000	225994		1000	1130	130
8	20000	20000	275513		1000	1378	378
9	20000	20000	330975		1000	1655	655
10	20000	20000	393092		1000	1965	965
11	20000	20000	462663		1000	2313	1313
12	20000	20000	540582		1000	2703	1703
13	20000	20000	627852		1000	3139	2139
14	20000	20000	725594		1000	3628	2628
15	20000	20000	835066		1000	4175	3175
16	20000	20000	957673		1000	4788	3788
17	20000	20000	1094994		1000	5475	4475
18	20000	20000	1248794		1000	6244	5244
19	20000	20000	1421049		1000	7105	6105
20	20000	20000	1613975		1000	8070	7070
Total	400000	400000			**27000**	**58652**	**29652**

Note: Growth in mutual fund taken @ 12% pa. Calculations are approx. Trail @ 0.50%

Investments in mutual funds may not come every year and also may not continue for 20 years. But for the sake of calculation, if it does, then over 20 years, revenue from mutual fund are higher by around Rs.29,000/-.

In the following chart it is considered that investors may not invest in mutual fund every year. Also investment in mutual fund can initially be more than life insurance but redemptions will also happen.

Yrs	Investment		Yr End Value		Income for distributor		
	Insurance	**MF**	**MF**		**Insurance**	**MF Trail**	**Diff.with insurance**
1	20000	100000	112000		7000	560	-6440
2	20000	100000	237440		1500	1187	-313
3	20000	100000	377933		1500	1890	390
4	20000		423285		1000	2116	1116
5	20000		474079		1000	2370	1370
6	20000		530968		1000	2655	1655
7	20000		594685		1000	2973	1973
8	20000		666047		1000	3330	2330
9	20000		745972		1000	3730	2730
10	20000	-300000	499489		1000	2497	1497
11	20000		559428		1000	2797	1797
12	20000		626559		1000	3133	2133
13	20000		701746		1000	3509	2509
14	20000		785956		1000	3930	2930
15	20000		880270		1000	4401	3401
16	20000		985903		1000	4930	3930
17	20000		1104211		1000	5521	4521
18	20000		1236716		1000	6184	5184
19	20000		1385122		1000	6926	5926
20	20000		1551337		1000	7757	6757
Total	400000	0			**27000**	**72396**	**45396**

Note: Growth in mutual fund taken @ 12% pa. Calculations are approx. Trail @ 0.50%

It is easy to sell more amounts in mutual fund than life insurance. Also, regular investment may not happen in mutual funds. Clients also tend to withdraw in between. The above chart tries to captures these points. The difference in commission is over Rs.45,000/- over 20 years in this case.

Chart where it is considered that investors may not invest in mutual fund every year. Only one time investment is shown in mutual fund.

Yrs	Investment		Yr End Value		Income for distributor		
	Insurance	MF	MF		Insurance	MF Trail	Diff.with insurance
1	20000	200000	224000		7000	1120	-5880
2	20000		250880		1500	1254	-246
3	20000		280986		1500	1405	-95
4	20000		314704		1000	1574	574
5	20000		352468		1000	1762	762
6	20000		394765		1000	1974	974
7	20000		442136		1000	2211	1211
8	20000		495193		1000	2476	1476
9	20000		554616		1000	2773	1773
10	20000		621170		1000	3106	2106
11	20000		695710		1000	3479	2479
12	20000		779195		1000	3896	2896
13	20000		872699		1000	4363	3363
14	20000		977422		1000	4887	3887
15	20000		1094713		1000	5474	4474
16	20000		1226079		1000	6130	5130
17	20000		1373208		1000	6866	5866
18	20000		1537993		1000	7690	6690
19	20000		1722552		1000	8613	7613
20	20000		1929259		1000	9646	8646
Total	400000	200000			**27000**	**80699**	**53699**

Note: Growth in mutual fund taken @ 12% pa. Calculations are approx. Trail @ 0.50%

In the above chart, given the ease of selling, the amount of investment in mutual fund can be more. But since redemptions are not taken into account and for ease of understanding and simplicity, one time investment is taken only at Rs.2 Lac.

Life insurance pays higher in initial years but mutual funds outscore in later years. The idea is not to suggest you to stop selling life insurance but to give you an indication that mutual funds commissions are very attractive in long term. If you can plan your business in life insurance and mutual funds on the basis of proper understanding of initial revenue requirement vs future potential, you can do very well.

The concern of redemption

Mutual funds offer high liquidity. In most schemes clients can invest anytime and can redeem anytime. This puts a concern in the mind of some IFA that how they will get long term trail if clients redeem funds. Due to this their confidence comes down.

This is not to be worried. Trail is paid on your total assets under management. Investments and redemptions will be an ongoing process. Client X will redeem, client Y will invest and vice versa. This will happen regularly in this business. You have to focus on net sales (investments minus redemptions). SIPs help in big way in offsetting part of redemptions that happen. As far as your net sales are positive, you will do well. With time, clients grow and their investments grow. It is observed that in reality most IFAs AUM keeps on increasing over time. This is also reflected in the total assets managed by the mutual fund industry.

The power of 100 clients

Even in retail, 100 clients can give you the following amount of business in mutual funds.

No. of SIPs – 100 x 3 = 300 SIPs (each client can give average of 3 SIPs)

Lumpsum – 2-3 Crores of net sales every year.

We have seen above the potential of revenue by selling SIPs and onetime.

Once you have 100 clients in retail, some of them will become HNI and you will also get a lot of reference from these clients to expand your base further.

Challenging in initial years

In the initial years, it can be a bit challenging to sustain on low upfront commissions in mutual fund products. But this is the case with all businesses. You must give few years for any business to make its roots strong and start giving profits. Moreover, it is not being suggested that you don't sell other financial products which might provide higher upfront commissions. The idea is to get this understanding right that mutual funds offers better future benefits than most other products. The idea is not to suggest that you should sell only mutual funds but to make sure you know where to focus more.

You earn trail commissions 24 hours a day, 7 days week, 365 days a year. Even during your holidays, you get mutual fund commissions credited in your bank. You get commissions on SIPs which keep getting debited from client's account month after month. To top it all, you get trail on the current value of client's investments which on an average keeps going up. As an IFA, you can't expect more.

The reason many IFAs do not make it big in mutual fund business is that they focus too much on the present and don't work to build their future. ***As a beginner, you must not make the same mistake.***

Remember, you are going to spend less time in the present and much more time in the future. So it is only prudent that you care for your future too as much as you care for the present.

Finding a balance between present and the future

If your cash flows allow you to take care of your costs and family expenses for first few years, you should have a lot of focus on mutual funds. If you initially have income and expense challenges, find a mid-way by selling a combination of various financial products to meet your minimum income needs but never let the big picture fade away that mutual funds can build a good future income stream for you.

Note : The calculations of trail show here in above are @ 0.50% pa. As with any other industry, as your volumes go up, your trail will also increase. In a few years, it is most likely that you can reach trail payout of 0.75% which is 50% more than 0.50%.

9. The mantra for success – The 10/10 Rule

Most of the things in life are quite simple but we make them look complicated. Similarly, achieving growth in mutual fund business is quite simple if you follow a simple rule which I call the 10/10 rule.

The 10/10 rule is this:-

- Do 10 meetings a week
- Do 10 hours of reading / learning a week

Everyone has limited time to work. So, what matters is where you spend your time on. The two most important things in this business are to meet clients and become more competent by learning's. If you can practice this rule, especially in the initial years, you will achieve good success in the mutual fund business.

Meeting clients

You should target meeting 10 clients every week. It will amount to 40 meetings a month and 500 in a year. If you are able to do this, you will find many clients investing in mutual funds with you. Meeting clients should be your priority over all other things. Unless you meet clients, business won't happen. So, don't let service issues, transaction issues and other commitments kill your meeting time with clients. Adjust rest of the things but give client meetings a preference.

There is no condition of meeting only existing or only new prospects. You can meet anyone. Even multiple meetings with the same client / prospect is allowed and counted. A meeting is counted when you sit infront of a client and either pitch a product sale or review his portfolio. Casual meetings for paper works, document collection, etc cannot be counted as meetings. Keep a record that you achieve the target of meeting 10 clients every week. Week after week.

By meeting 10 clients a week, you can expect to make 2-3 new clients and/or make 2-3 sales. Initially, this average may be less but with time it will work for you.

Learning's

Spend atleast 10 hours a week into reading, training or any other activity which can increase your knowledge. Competency empowers you to sell more. You can read fund fact sheets, fund manager commentary and industry news.

You can also get a lot of useful information on several prominent websites like:-

- www.valueresearchonline.com
- www.wealthforumezine.net
- www.moneycontrol.com
- www.cafemutual.com
- www.networkfp.com
- www.morningstar.in

Most of the companies also organise periodical industry conferences which are attended by 100's of participants from all over the country. At these conferences you can connect with several prominent speakers, top IFAs and industry people. Some of these conferences are paid ones and some are by invitation. You can also request some AMC's to nominate you to attend them. It is recommended that you should attend some of these seminars. You can get forthcoming seminars on their respective websites.

There are so many things which you can do and I can suggest for growing business. But simplicity and effectiveness is the key and if you can master the 10/10 rule, everything will fall in place and you will master this business.

10. Selection of AMC's & Schemes

There are over 40 AMC's in India and over 4000 mutual fund schemes. Naturally, one cannot sell all AMC's and all funds. You should consider the following parameters to select AMC's and schemes which you wish to sell:-

Brand of the AMC – Look for an established brand which has become a household name. It takes years and decades to build a good brand and it definitely deserves a high weightage in the selection criteria.

Size of the AMC – Look for the size of assets managed by the AMC. The larger the size the better. While larger size doesn't guarantee better returns and safety but often it is a result of vintage, stability, performance, compliance and many other things.

Performance of schemes – Next is performance. Look at the consistency of returns of the schemes. Don't just look at last 3 months or 12 months of returns. You must consider longer duration performance such as 3 years, 5 years, 10 years and above. Shorter term performance can be misleading. Also, you must compare a scheme with its peer group and benchmark. This will give you a better idea to select a scheme. If a scheme has given 18% CAGR return in last three year but its benchmark has delivered 20% CAGR, it may not be worthy of selection. See example below:-

Performance data of 3 similar funds				
Scheme	**1 Year**	**3 Year**	**5 Year**	**10 Year**
A	30%	12%	18%	14%
B	20%	16%	17%	15%
C	35%	12%	13%	11%
Benchmark	15%	12%	13%	12%

In this example, Scheme B stands out. The reason is that it is more consistent than others and it also beats the benchmark on all occasions. Scheme A is close but more volatile.

There may be AMC's who do not fit well in the first two criteria of brand and size but some of their schemes may be delivering outstanding risk adjusted performance on a consistent basis. In such cases, you may consider such schemes even though their brand and size is not big.

Service – Once you are able to filter AMC's and schemes on the above criteria, other things are of less significance. The overall standard of service by AMC's is anyways very high and some lapses should not warrant eliminating such AMC's and schemes which are high on brand, size and performance.

Relationship – Human relationship plays a vital role in any business. There will be times you will have to sell some funds due to personal relationships. The only thing to keep in mind is that the client trusts you to invest his hard earned money on your judgement. Don't let personal relationship impair your judgement of selecting the right AMC and schemes. Learn to say 'no' when you need to. A small allocation of 5-10% may be acceptable due to personal relationships but not more. Remember, you must show the highest degree of professionalism and your primary loyalty should be towards your client.

How many funds to sell

You should focus only on 4-5 fund houses at any point of time. Performance & other dynamics will change from time to time and it may require you to consider dropping some AMC's and adding others. As such, you should always keep 1-2 AMC's on the watch list.

How many schemes to sell

You should shortlist 2-3 schemes in various categories like large cap funds, diversified funds, mid cap funds, thematic funds, balanced funds, liquid funds, MIP's and other debt funds. In all, 15-20 schemes should be sufficient for you to focus on.

You don't need to oblige all the AMC's and have hundreds of schemes under preferred list. The more AMC's and schemes you will work with, the more time consuming and complicated it will become.

New fund offers / Close ended funds

The opinion is mixed in the market place as to whether you should sell new fund offers and close ended funds. Some suggest that existing funds should be preferred over new funds. Others feel there is always scope for new schemes which can have new ideas and capture new opportunities. I give below a short synopsis of arguments in favour and against.

Arguments in favour of NFO's and close ended funds

- All good existing schemes were once a new fund offer.
- New opportunities can be better tapped by new schemes.
- Close ended funds offer greater flexibility to fund managers since redemptions are controlled.

Arguments against NFO's and close ended funds

- There is no track record of such schemes.
- Generally, the cost structure is higher for such schemes.
- In close ended funds, investors may lose out opportunity to book profits since exit is not be allowed.

What you should do

You should analyse each scheme with an open mind. Don't accept or reject any fund simply on pre-conceived notions. Existing schemes with good track record should always be preferred over any new fund having the same investment objective. Given a doubt, ignore new funds. If you find a strong case for any new fund you can promote the same. However, you should restrict allocation to such fund to upto 10-15% of client's total investments.

Dividend or growth option

Under dividend option, schemes may announce periodical dividends which can either be paid to the client or re-investment back in the scheme at the current NAV. Remember, after declaration of dividends the NAV falls equivalent to the dividend declared. There is no additional cash benefit on declaration of dividends between dividend and growth options. Under growth option, there are no dividends declared and the NAV keeps on moving as per performance.

Advantage of dividend option

- Dividend payout option can result in periodical profit booking.
- There may be certain tax benefits associated with dividend schemes.
- Certain section of clients feels comfortable when some part of their investments keep coming back. It's a psychological thing.

Advantage of growth option

- It allows compounding of returns since gains are automatically re-invested in the scheme.
- Since there is no payout to client, their savings grow over time.
- For IFAs, there is no loss of AUM

Depending on the client's need and comfort, you can select either dividend or growth option.

Scheme ratings

Various outside agencies rate mutual fund schemes to help investors and distributors identify the right schemes for them. Value research and money control are two major players in this.

Advantages of ratings

- Ratings give you a bird's eye view of how a scheme has fared historically.
- It can help you shortlist schemes under a particular category for further analysis.
- A continuous higher rating can indicate consistent performance and soundness of the scheme.
-

Restrictions of ratings

- Ratings are generally based on historical performance whereas you need to suggest schemes on futuristic basis.

- Ratings keep on changing which can put your previous decisions based on ratings questionable in front of clients.
- Generally, recent high performance may result in high ratings but the same performance may not be repeated in the future.
- In long term debt funds which are highly sensitive to interest rates, past ratings do not work if you wish to take a tactical call for short to medium term basis.
- Ratings are for indicative purpose. There is no guarantee of performance based on ratings.

What you should do

Apply your own wisdom in selection of schemes. You can take ratings as a reference point but not as a selling tool. Remember, you suggest on futuristic basis whereas most ratings are given on the basis of past performance.

11. Control Risk. Follow asset allocation

If you want higher returns, you must take higher risk.

If you take higher risk, you may not get higher returns.

This is one of the foremost principals of the investment world. If you understand this and take actions accordingly, you will do well.

While you should try to give good returns to your clients, you should not take un-necessary high risks. Clients are generally averse to risks. While they are neutral when they get good returns, they hate it when they get negative returns.

Some IFAs go overboard in selling only equity oriented funds. They think by doing so they can deliver higher returns to clients and their own AUM will also grow faster. This works when things are good but backfires during a market downturn. They lose client relationships, AUM goes down due to mark to market valuations, trail commissions go down and business goes in bad shape.

You should have a good mix of debt and equity in your AUM. While providing higher degree of safety to clients, it will also protect your business in bad time.

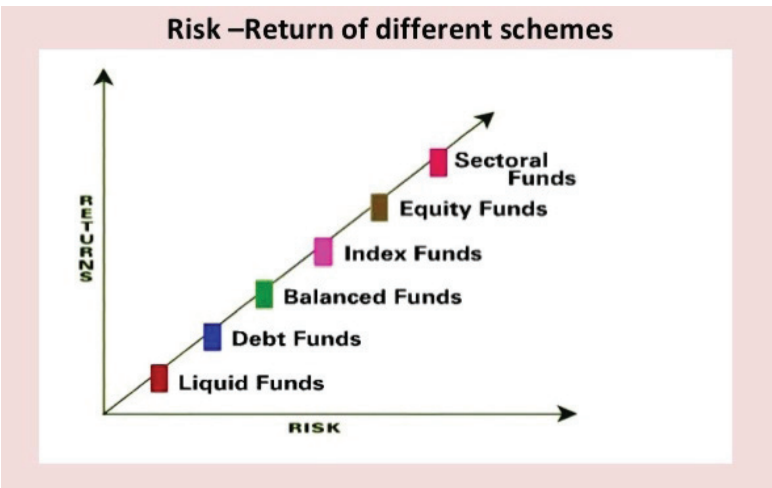
The selection of scheme will largely depend on specific client requirements, time horizon and risk appetite. However, on a broader basis in the initial years you can consider this;

Under equity oriented funds, a large part of your portfolio should be allocated to diversified equity funds (large cap or multicap). Some part can be in mid caps and a small percentage can be allocated to small caps or thematic funds. Once you become a seasoned player with a lot of experience under you, you may manage asset allocation a bit more dynamically.

Similarly, under debt oriented funds, most of the portfolio should be allocated to lower duration debt funds like liquid funds, short term funds and accrual funds. You can then consider dynamic bond funds (which allow the fund manager to change the duration of the fund at their discretion). Some part can be in long term debt funds which are quite sensitive to interest rate movements like income and gilt funds and a small percentage can be allocated on tactical basis.

Note : Accrual funds are schemes which aim at providing consistent and regular returns to clients with low volatility as compared to income funds.

Risk Return of different categories of mutual fund schemes



Scheme	Time Horizon	Risk	Liquidity	Return Possibility
Liquid Funds	> 1 day to 12 months	Low	High	Low
Fixed Maturity Plans	3 months and longer	Low	Low - listed at the exchange	Low to Medium
Short Term Funds	12 to 24 months	Low to Medium	Medium to High	Low to Medium
Income Funds	> 3 Years	Medium	Medium to High	Medium
Balanced (Debt Oriented)	> 3 Years	Medium to High	Medium to High	Medium
Equity Oriented Funds	> 3 years	High	Medium to High	High

Except close ended funds and FMP's, most schemes in mutual fund provide liquidity in 1 – 3 working days. However, exit loads may apply.

Mutual Fund Colour Coding

All mutual fund schemes now carry a colour mark, so that an investor can immediately know the risk involved in any particular mutual fund scheme. The various risk defining colour as carried by MF schemes are:-

Colour	Risk to Principal amount	Suggestive Scheme
Blue	Principal at low risk	Govt. Securities, Money Market Funds
Yellow	Principal at medium risk	Income Funds, Monthly Income Scheme, Balanced Funds
Brown	Principal at high risk	Equity Funds

Asset Allocation

In year 2000-01, the equity markets crashed by over 60%. Again, in year 2008-09 markets crashed by over 60%. From a high of over 20000 sensex saw the bottom of around 8000. In year 2013, many long term debt funds nav went down by 5-10% of market value due to sudden rise in interest rates. Markets were and markets will be volatile. The only solution is to adhere to asset allocation and not go overboard on any asset class.

Each client situation will be different from other. So, individual prudence needs to be applied before suggesting any particular scheme. However, you can use the following table as a general rule.

Client's Age	90 - Age	% of Assets in Equity Schemes	% of Assets in Debt Schemes
25	65	65%	35%
30	60	60%	40%
35	55	55%	45%
40	50	50%	50%
45	45	45%	55%
50	40	40%	60%
55	35	35%	65%
60	30	30%	60%

The right way is to understand client's requirement and offer them products which suit their risk-return expectation. With time you will have the prudence and wisdom to take better investment decisions and suggest more appropriate products to the client. Till that time, you should focus on taking lower risk.

Clients generally demand higher returns but they are more concerned about safety of their capital. If clients get decent to moderate returns, they don't mind and generally continue their investments but if they get negative returns, they tend to exit the investment and break the relationship.

The golden rule is

- Never sale a product on your gut feeling.
- If doubtful, suggest a lower risk product to the client.

12. Mapping mutual fund schemes with client needs

Different schemes serve different purpose and needs of clients. It is important to map the right product to the client which can serve his purpose. The following scenarios will give you an understanding about the scheme which can be offered to clients for their specific needs.

Note: In the real world, each client will be different and their situation may be different. The following examples are only for illustrative purpose. You should adhere to the regulations from time to time before your sell / advice any product to the client.

Scenario - Mr. Sharma retired last month and got 50 lacs as retirement benefit. Out of this, he invested 30 lacs in immediate pension plan and 10 lacs in tax free bonds. He wishes to invest the balance 10 lacs in low to medium risk product for 5 to 10 years which can also provide liquidity.

Solution – You can offer him monthly income plans (MIP'S). These plans have 15-25% equity component which provides opportunity for capital appreciation. Since Mr. Sharma is retired, high risk products should be avoided.

Scenario - Mr. Sinha earns 1 lac a month and is considering investment in mutual fund schemes for the first time. He wishes to invest 3 lacs for 3-5 years.

Solution – You may offer him balanced funds. Since his time horizon is above 3 years, he may be fit for equity funds but since he is a first time investor, he may be uncomfortable with high volatility. As he gains some experience in mutual fund investments, you can propose equity funds to him.

Scenario - Ms. Thakur, 50 is a widow. She wishes to park 40 lacs of investments which she got from her husband's insurance policy. She also gets a pension which is sufficient to take care of current expenses. She is averse to risk and do not have much idea about investments.

Solution – You can consider MIP's, income funds and short term funds for her. Although she may have time horizon but she is averse to risk and her knowledge is limited. As such, equity schemes should be avoided.

Scenario - Abhijeet, 24 works for an IT company. He draws 65,000/- monthly salary. Most of his salary goes towards expenses and EMI of car. He approached you to invest Rs.5,000/-every month for his long term savings.

Solution – SIP in a diversified equity fund can be suggested to him. His investment portfolio can be diversified in other schemes once his savings increase in future months.

Scenario - Piyush is a budding artist. His income is volatile. He wishes to save for making down payment for his home after 4-5 years. He plan to invest as and when he generates surplus.

Solution – Short term debt funds, Income funds or MIP's can be proposed to him. No equity oriented schemes should be offered.

Scenario - Mr. Pawan Hansmukhi is 57 years old. His retirement is 3 years hence. He will get pension for life but he assumes that will not be sufficient to manage his expenses. He wish to invest 10 lacs today in such a way that he can start withdrawing income/appreciation on this fund every month after 3 years.

Solution – Systematic withdrawal plan (SWP) can be best suited to him. Initial investment can be made in short term fund, Income fund or MIP. From here, a SWP request can be given for a fixed amount or capital appreciation every month after 3 years.

Scenario - Mr. Pandey has a surplus of Rs.3 Lacs which he wants to invest for 6 months. He is looking for safe investment and anytime liquidity

Solution – Only liquid funds should be suggested. They give instant liquidity; do not have exit loads and offer high degree of capital preservation.

Scenario - Mr.Deorah is a high networth investor. He pays 5 lacs as taxes every year. He is also a conservative investor and prefers fixed deposits. He is planning to invest further Rs.10 Lacs in fixed deposit. You approach him and he asks you for alternatives.

Solution – Short term funds, dynamic debt funds or Income plans can be offered. The returns are likely to be in the range of bank fixed deposits with an added advantage of long term capital gains tax benefit which can lower his tax liability. No equity should be proposed since he is a conservative investor and looking only for alternative of bank fixed deposits.

Scenario - Mr. Talukdar keeps 5 lacs in savings bank account for safety and meeting emergency requirements. Which product can be offered to him.

Solution – Liquid funds can be offered as they provide reasonable safety and returns which are higher than savings bank account.

Scenario - Mrs. Dey's fixed deposit of Rs.8 Lacs will mature next week. She is planning to renew it but not happy with current interest rates. She does not need these funds for 5 years. Which is a suitable product for her.

Solution – Monthly Income plan can suit her. Over 5 year, it can outperform bank fixed deposits, give long term capital gains benefit and there is also a possibility of some additional capital appreciation due to a portion of equity allocation in MIP's.

***Scenario* - Mr. Murti is 33 years old. He wish to invest Rs.10,000/- every month for his daughter's higher education which will be after 14 years. He also has a surplus of 5 lacs which he wishes to invest for the same purpose.**

Solution - SIP in equity scheme can be suggested. For onetime investment of Rs.5 Lacs, balanced funds or asset allocation funds can be offered to reduce his overall risk.

13. SIP is a winning strategy

SIP (systematic investment plan) is a powerful process by which you can build large AUM and your clients can make decent savings and returns in mutual fund schemes. While you can do SIP in debt funds also, it works best in equity oriented schemes.

Through SIP, clients can invest on a particular date every month in a mutual fund scheme by giving post-dated cheques or standing instructions to debit their bank accounts. By investing every month, clients buy units regularly which help them average their costs in volatile market conditions. It also creates a habit of savings since a fixed amount in invested every month over time.

SIP works wonders over long periods since it works on the principal of 'rupee cost averaging' which means the average cost of units bought is always lower than the average market price.

There is a difference between averaging and rupee cost averaging.

What is average

Suppose you buy 10 kg of apples every month.

Price of apple in January – Rs.20/- per kg. Your cost – Rs.200/-

Price of apple in February – Rs. 40/- per kg. Your cost – Rs.400/-

No. of kg boughts – 20

Total Cost – Rs.600/-

Your average cost = 30/-

What is rupee cost average

Suppose you budget is to spend Rs.200/- per month on apples no matter what is the price.

Price of apple in January – Rs.20/- per kg. You buy – Rs.10 kg.

Price of apple in February – Rs. 40/- per kg. You buy – Rs.5 kg.

No. of kg boughts – 15

Total Cost – Rs.400/-

Your average cost = 26.66

So, you see the difference. Without doing much, just by following the approach of rupee cost averaging, you can bring down your average cost from Rs.30/- to Rs.26.66 in the above example. The same thing happens when you buy mutual fund units. Since you investment amount is fixed, you automatically buy more units when prices are low and buy fewer units when prices are high. This automatically brings down your average cost than the average market price during the period. When investors do this for months and years together, it can reduce the average cost substantially. When unit prices soar, investors get dual benefit of higher unit prices and lower average cost.

Chart showing reduction in cost by Rupee Cost Averaging

Month	Amount of SIP	Price	Units Bought	Total Units	Total cost of units	Average price	Avg. cost of units	Diff. In cost by SIP
Jan	5000	10	500.00	500.00	5000	10.00	10.00	0
Feb	5000	12	416.67	916.67	10000	11.00	10.91	-0.09
Mar	5000	13	384.62	1301.28	15000	11.67	11.53	-0.14
Apr	5000	11	454.55	1755.83	20000	11.50	11.39	-0.11
May	5000	10	500.00	2255.83	25000	11.20	11.08	-0.12
Jun	5000	12	416.67	2672.49	30000	11.33	11.23	-0.11
Jul	5000	14	357.14	3029.64	35000	11.71	11.55	-0.16
Aug	5000	15	333.33	3362.97	40000	12.13	11.89	-0.23
Sep	5000	13	384.62	3747.59	45000	12.22	12.01	-0.21
Oct	5000	14	357.14	4104.73	50000	12.40	12.18	-0.22
Nov	5000	12	416.67	4521.40	55000	12.36	12.16	-0.20
Dec	5000	13	384.62	4906.01	60000	12.42	12.23	-0.19

Performance of SIP

SIPs have delivered very good returns in the past. The following chart gives you actual performance of select schemes through SIP.

Mutual Fund Scheme Performance (SIP)			
Scheme Name	Type	Return as on 30th Nov-2014 (Annualized Retun)	
		5 Years	10 Years
Scheme A	Equity	14.85%	15.51%
Scheme B	Equity	18.68%	16.88%
Scheme C	Equity	19.80%	19.32%
Scheme D	Equity	17.60%	18.21%

Note: Name of scheme not given to remove biasness. Past performance may or may not be achieved in future.

Savings and compounding

SIP helps in saving regularly. It also grows with compounding effect if no withdrawals are made.

SIP – The power of compounding chart (@ 12% pa.)

Monthly SIP Amount (Rs.)	Tenure (Years)	Total investment (Rs. Lacs)	Expected return pa.	Expected future Value (Rs. Lacs)	No. of times of investment
5000	**5**	3.00	12%	4.12	**1.37**
5000	**10**	6.00	12%	11.62	**1.94**
5000	**15**	9.00	12%	25.23	**2.80**
5000	**20**	12.00	12%	49.96	**4.16**
5000	**25**	15.00	12%	94.88	**6.33**
5000	**30**	18.00	12%	176.50	**9.81**
5000	**35**	21.00	12%	324.76	**15.46**

SIP – The power of compounding chart (@ 15% pa.)

Monthly SIP Amount (Rs.)	Tenure (Years)	Total investment (Rs. Lacs)	Expected return pa.	Expected future Value (Rs. Lacs)	No. of times of investment
5000	**5**	3.00	15%	4.48	**1.49**
5000	**10**	6.00	15%	13.93	**2.32**
5000	**15**	9.00	15%	33.84	**3.76**
5000	**20**	12.00	15%	75.80	**6.32**
5000	**25**	15.00	15%	164.20	**10.95**
5000	**30**	18.00	15%	350.49	**19.47**
5000	**35**	21.00	15%	743.03	**35.38**

Note: Investment in mutual funds are subject to market risks. Returns are not guaranteed. The above charts are only for illustrative purpose.

Selling SIPs

It is easy to sell SIPs as clients do not mind small amounts being debited from their bank on a monthly basis.

Revenue in SIP

Not only is SIP beneficial for clients, it has tremendous potential to earn large revenue for distributors. Look at the charts below :-

Chart showing potential of Income by selling one SIP of Rs.2,000/-

Single SIP Amount Rs.2,000/- for 10 Years				Trail -	0.50%
Year	Opening	Additions	Appreciation	Closing	Trail
	Balance	by SIP	12.00%	Balance	Comm.
1		24,000	1,560	25,560	64
2	25,560	24,000	4,627	54,187	207
3	54,187	24,000	8,062	86,250	367
4	86,250	24,000	11,910	1,22,160	547
5	1,22,160	24,000	16,219	1,62,379	748
6	1,62,379	24,000	21,045	2,07,424	973
7	2,07,424	24,000	26,451	2,57,875	1,225
8	2,57,875	24,000	32,505	3,14,380	1,508
9	3,14,380	24,000	39,286	3,77,666	1,824
10	3,77,666	24,000	46,880	4,48,546	2,179
				Total	**9,643**

Chart showing potential of Income by selling one SIP of Rs.5,000/-

Single SIP Amount Rs.5,000/- for 10 Years				Trail -	0.50%
Year	Opening	Additions	Appreciation	Closing	Trail
	Balance	by SIP	12.00%	Balance	Comm.
1		60,000	3,900	63,900	160
2	63,900	60,000	11,568	1,35,468	518
3	1,35,468	60,000	20,156	2,15,624	918
4	2,15,624	60,000	29,775	3,05,399	1,367
5	3,05,399	60,000	40,548	4,05,947	1,870
6	4,05,947	60,000	52,614	5,18,561	2,433
7	5,18,561	60,000	66,127	6,44,688	3,064
8	6,44,688	60,000	81,263	7,85,950	3,770
9	7,85,950	60,000	98,214	9,44,164	4,561
10	9,44,164	60,000	1,17,200	11,21,364	5,447
				Total	**24,108**

Assumptions
-Upfront commissions not calculated above. It will increase the rewards.
-Growth taken @12%pa. Trail taken @ 0.50%. Calculations are approx.

A Rs.5,000/- sip has the potential to yield over Rs.24,000/- over 10 year period. So, don't look at how much you earn in the first month or first year by selling SIPs. Think about 5-10 years.

Selling SIPs every month

The above illustration was based on single SIP over 10 years. Naturally, you will sell more. The following charts gives you an idea how much revenue you can get if you sell Rs.10,000/- or Rs.25,000/- worth of SIPs every month.

Chart showing potential of Income by selling Rs.10,000/- SIP every month

Year	Opening	Additions	Appreciation	Closing	Trail	SIP
	Balance	by SIP	12.00%	Balance	Comm.	Book
1	0	7,80,000	36,400	8,16,400	2,041	1,20,000
2	8,16,400	22,20,000	1,75,548	32,11,948	14,019	2,40,000
3	32,11,948	36,60,000	5,40,593	74,12,541	35,022	3,60,000
4	74,12,541	51,00,000	11,22,244	1,36,34,785	66,133	4,80,000
5	1,36,34,785	65,40,000	19,46,493	2,21,21,278	1,08,565	6,00,000
6	2,21,21,278	79,80,000	30,42,452	3,31,43,731	1,63,678	7,20,000
7	3,31,43,731	94,20,000	44,42,726	4,70,06,457	2,32,991	8,40,000
8	4,70,06,457	108,60,000	61,83,833	6,40,50,290	3,18,210	9,60,000
9	6,40,50,290	123,00,000	83,06,673	8,46,56,962	4,21,244	10,80,000
10	8,46,56,962	137,40,000	1,08,57,053	10,92,54,016	5,44,229	12,00,000
				Total	**19,06,132**	

Note : Trail taken @ 0.50%

The power of discipline benefits not only the clients but you too. A simple target of selling Rs.10,000/- worth of SIP every month can build an AUM of over 10 crores in 10 years and you can earn around Rs.45,000/- per month from the 10th Year. Also, during the 10 year period, total income can be in excess of Rs.19 lacs. If you add upfront commissions, it can grow further.

Chart showing potential of Income by selling Rs.25,000/- SIP every month

Year	Opening	Additions	Appreciation	Closing	Trail	SIP
	Balance	by SIP	12.00%	Balance	Comm.	Book
1	0	19,50,000	91,000	20,41,000	5,103	3,00,000
2	20,41,000	55,50,000	4,38,869	80,29,869	35,047	6,00,000
3	80,29,869	91,50,000	13,51,483	1,85,31,352	87,554	9,00,000
4	1,85,31,352	127,50,000	28,05,610	3,40,86,963	1,65,332	12,00,000
5	3,40,86,963	163,50,000	48,66,233	5,53,03,196	2,71,413	15,00,000
6	5,53,03,196	199,50,000	76,06,130	8,28,59,326	4,09,194	18,00,000
7	8,28,59,326	235,50,000	1,11,06,815	11,75,16,142	5,82,478	21,00,000
8	11,75,16,14	271,50,000	1,54,59,583	16,01,25,724	7,95,526	24,00,000
9	16,01,25,74	307,50,000	2,07,66,682	21,16,42,406	10,53,110	27,00,000
10	21,16,42,46	343,50,000	2,71,42,633	27,31,35,039	13,60,573	30,00,000
				Total	**47,65,330**	

Note : Trail taken @ 0.50%

A little extra effort can yield a lot better result. If you sell Rs.25,000/- worth of SIP every month can build an AUM of over 25 crores in 10 years and you can earn over Rs.13 Lacs yearly from the 10th Year. Also, during the 10 year period, total income can be in excess of Rs.47 lacs. If you add upfront commissions, it can grow further.

Some SIPs will close early. You just have to replace them with additional new SIPs.

Building AUM through SIPs

Small drops of water can one day create an ocean. Same is true when it comes to SIPs and AUM.

AUM power of a single SIP

Even a single SIP of Rs.2,000/- or Rs.5,000/- SIP can build sizeable AUM over long term.

Power of SIP in AUM Growth		
Year	**Aum Growth from**	**Aum Growth from**
	Single SIP of Rs.2,000/- pm	**Single SIP of Rs.5,000/- pm**
1	25,560	63,900
2	54,187	1,35,468
3	86,250	2,15,624
4	1,22,160	3,05,399
5	1,62,379	4,05,947
6	2,07,424	5,18,561
7	2,57,875	6,44,688
8	3,14,380	7,85,950
9	3,77,666	9,44,164
10	4,48,546	11,21,364

Note: Returns assumed @ 12% pa.

A Rs.2,000/- SIP for 10 years can build an AUM of Rs.4.48 lacs whereas, Rs.5,000/- can grow to Rs.11.21 lacs

AUM power when you sell SIPs regularly

When you sell SIPs every month, it doesn't just add. It compounds. It grows faster than you can think. See the following chart.

Power of SIP in AUM Growth (If you sell Rs.25,000/- SIP every month)			
Year	Yearly Addition By SIP	Year End AUM	Year End SIP Book
1	19,50,000	20,41,000	3,00,000
2	55,50,000	80,29,869	6,00,000
3	91,50,000	1,85,31,352	9,00,000
4	127,50,000	3,40,86,963	12,00,000
5	163,50,000	5,53,03,196	15,00,000
6	199,50,000	8,28,59,326	18,00,000
7	235,50,000	11,75,16,142	21,00,000
8	271,50,000	16,01,25,724	24,00,000
9	307,50,000	21,16,42,406	27,00,000
10	343,50,000	27,31,35,039	30,00,000

Note: Returns assumed @ 12% pa.

Aum can grow to over Rs.25 crores in 10 years by selling SIPs of Rs.25,000/- per month. If you sell SIPs of Rs.10,000/- every month, your AUM can grow to over 10 crores in 10 years.

How many SIPs' to sell

There is no end to number of SIPs that you can sell. There are many IFAs in the country who already have a SIP book of 2,000 and 3,000. Some even have over 5,000 running SIPs.

You should target an average of 3-4 SIPs per client you have. So, if you have 200 clients, you should target a book of around 700-800 SIPs. If you have 500 clients, you should target to have 1500-2000 SIP book. With average industry SIP amount of around Rs.2, 500/- you can look at having a per month SIP book of Rs.20 Lacs with 200 clients to even 50 Lacs with 500 clients. If you have HNI clients, the SIP book per month can be bigger.

Expand your SIP client base

The issue with many IFAs is that they don't sell SIP to all their clients since it takes a lot of time and effort to sell SIPs client by client. Many IFAs are short sighted and consider revenues from SIP only for 1 or 2 years which may not be much. However, it is the compounding effect of SIP that is powerful. Bit by bit it all adds up. You should aim to have SIP from all your client, no matter how much they invest every month.

SIP is a trump card for IFAs. If you use it well, you can win the game.

14. The fear of 'Direct'

Client can invest directly in mutual funds and/or through distributors. The cost comes down for investors if they go direct since there are no commissions paid on direct applications. Some IFAs fear that if clients go direct, their hard work of bringing a client to mutual fund will be wasted.

Happening in other industries also

In life insurance a lot of clients are now buying term plans online. Naturally, it affects the business of insurance agents. They have to work a little harder to meet their sales target. Also, the overall size of insurance market is growing which is in their favour.

In the travel industry, people now have the choice to book tickets directly with the airlines company or through their travel agent. Some travel agent lost out but those who provide value to their clients are still doing good business.

The point is, businesses are dynamic in nature and you must evolve with times. If your clients are happy with you and you are making effort to give them value, they will stick with you. No job and no business come with guarantee. You have to work hard, change with times and perform.

The real picture

Mostly, it is institutions and high networth investors who tend to invest directly in mutual funds. The percentage of retail clients is very less. Moreover, except liquid, the overall percentage of direct business is very small in the total mutual fund assets under management.

Remember, you cannot expect to grow with a safety net around you. The world is dynamic and customer is the king in today's world. Some of your clients may go direct over a period of time. You have to live with it. Most will not. If you choose to live in fear always, you can never grow.

When I talk to IFAs across the country, they tell me that 'direct' is not a business threat to them. There experience says that if you provide good service to clients, they stick with you. Lastly, you must add new clients regularly to strengthen your business and mitigate such risks.

15. Time value of money

Many clients will come to you and ask for calculations on the basis of which they will take financial decisions. You need to have a fair idea of how to make such calculations. You can make time value of money calculations in the following way:-

- Using Excel
- Using financial calculator
- Using TVM tables

Ignorance won't help you here. Knowing such calculations is an important part of this business. This will help you sell more. For basic understanding, calculations using TVM table is given below.

With the table on the following page, you can find the amount required at any future date for investing a particular amount every year. How to use this table?
If you invest Rs.10, 000/- every year in a bank recurring deposit, which pays you 8% pa interest, then what would be the maturity amount at the end of 10 years?

a. Match the cell which meets under column 8% with row "10" Doing this, you get 15.65.
b. Now multiply Rs.10,000 with 15.65 and you get Rs.1,56,500/-. This would be your maturity value after 10 years.
c.

Do it yourself

1. If you invest Rs.10,000/- every year in a bank recurring deposit @ 10% pa for 6 yea rs, the maturity amount would be Rs. _______________.

Future Value of Re. 1 investment every year at different interest rate and n number of Years							
Years	**6%**	**7%**	**8%**	**9%**	**10%**	**11%**	**12%**
1	1.06	1.07	1.08	1.09	1.10	1.11	1.12
2	2.18	2.21	2.25	2.28	2.31	2.34	2.37
3	3.37	3.44	3.51	3.57	3.64	3.71	3.78
4	4.64	4.75	4.87	4.98	5.11	5.23	5.35
5	5.98	6.15	6.34	6.52	6.72	6.91	7.12
6	7.39	7.65	7.92	8.20	8.49	8.78	9.09
7	8.90	9.26	9.64	10.03	10.44	10.86	11.30
8	10.49	10.98	11.49	12.02	12.58	13.16	13.78
9	12.18	12.82	13.49	14.19	14.94	15.72	16.55
10	13.97	14.78	15.65	16.56	17.53	18.56	19.65
11	15.87	16.89	17.98	19.14	20.38	21.71	23.13
12	17.88	19.14	20.50	21.95	23.52	25.21	27.03
13	20.02	21.55	23.21	25.02	26.97	29.09	31.39
14	22.28	24.13	26.15	28.36	30.77	33.41	36.28
15	24.67	26.89	29.32	32.00	34.95	38.19	41.75
16	27.21	29.84	32.75	35.97	39.54	43.50	47.88
17	29.91	33.00	36.45	40.30	44.60	49.40	54.75
18	32.76	36.38	40.45	45.02	50.16	55.94	62.44
19	35.79	40.00	44.76	50.16	56.27	63.20	71.05
20	38.99	43.87	49.42	55.76	63.00	71.27	80.70
21	42.39	48.01	54.46	61.87	70.40	80.21	91.50
22	46.00	52.44	59.89	68.53	78.54	90.15	103.60
23	49.82	57.18	65.76	75.79	87.50	101.17	117.16
24	53.86	62.25	72.11	83.70	97.35	113.41	132.33
25	58.16	67.68	78.95	92.32	108.18	127.00	149.33

With the table on the following page, you can find the amount required today to meet a future goal at a future date. How to use this table?

If you want to accumulate Rs.10,00,000/- after 16 years from now for your retirement corpus by making a onetime investment in a bank fixed deposit, which pays you 9% interest pa. You want to know how much you will need to invest today?

a. Match the cell which meets under column 9% with row "16" Doing this, you get 0.252.

b. Now multiply Rs.10,00,000/- with 0.252 and you get Rs.2,52,000. So investment of Rs.2,52,000/- today in bank fixed deposit can yield you Rs.10 lacs after 16 years.

Do It Yourself

1. You want to accumulate Rs.13,00,000/-, 18 years from now for marriage of your daughter. Bank pays interest 9% p.a. You would require depositing Rs.______________________ today.

2. You require Rs.6,00,000/- after 7 years for engineering education of your son. Bank pays you interest @ 8% pa. You will today need to deposit Rs.____________________.

Present Investment Value to accumulate Re. 1 at different interest rate					
No. of Years	**8%**	**9%**	**10%**	**11%**	**12%**
1	0.926	0.917	0.909	0.901	0.893
2	0.857	0.842	0.826	0.812	0.797
3	0.794	0.772	0.751	0.731	0.712
4	0.735	0.708	0.683	0.659	0.636
5	0.681	0.650	0.621	0.593	0.567
6	0.630	0.596	0.564	0.535	0.507
7	0.583	0.547	0.513	0.482	0.452
8	0.540	0.502	0.467	0.434	0.404
9	0.500	0.460	0.424	0.391	0.361
10	0.463	0.422	0.386	0.352	0.322
11	0.429	0.388	0.350	0.317	0.287
12	0.397	0.356	0.319	0.286	0.257
13	0.368	0.326	0.290	0.258	0.229
14	0.340	0.299	0.263	0.232	0.205
15	0.315	0.275	0.239	0.209	0.183
16	0.292	0.252	0.218	0.188	0.163
17	0.270	0.231	0.198	0.170	0.146
18	0.250	0.212	0.180	0.153	0.130
19	0.232	0.194	0.164	0.138	0.116
20	0.215	0.178	0.149	0.124	0.104
21	0.199	0.164	0.135	0.112	0.093
22	0.184	0.150	0.123	0.101	0.083
23	0.170	0.138	0.112	0.091	0.074
24	0.158	0.126	0.102	0.082	0.066
25	0.146	0.116	0.092	0.074	0.059

With the table on the following page, you can find the amount required to be invested every year to accumulate a set amount at a future date. How to use this table?

If you want to accumulate Rs.10,00,000/- after 16 years from now for your retirement corpus by making an annual investment in a bank recurring deposit, which pays you 9% interest pa. You want to know how much you will need to invest every year for the next 16 years?

a. Match the cell which meets under column 9% with row "16" Doing this, you get 0.028.

b. Now multiply Rs.10,00,000/- with 0.028 and you get Rs.28,000/- . So investment of Rs.28,000/- every year for next 16 years in bank recurring deposit can yield you Rs. 10 lacs @ 9%.

Do It Yourself

1. You want to accumulate Rs.13,00,000/- after 18 years from now for marriage of your daughter. Bank pays interest 8% p.a on its recurring deposit. You would require depositing Rs. ______________ every year.

2. You require Rs.6,00,000/- after 7 years for engineering education of your son. Bank pays you interest @ 8% pa. You will need to deposit Rs.____________________ every year.

Present annual Investment Value to accumulate Re. 1 at different interest rate and after n number of Years					
Years	**8%**	**9%**	**10%**	**11%**	**12%**
1	0.926	0.917	0.909	0.901	0.893
2	0.445	0.439	0.433	0.427	0.421
3	0.285	0.280	0.275	0.270	0.265
4	0.205	0.201	0.196	0.191	0.187
5	0.158	0.153	0.149	0.145	0.141
6	0.126	0.122	0.118	0.114	0.110
7	0.104	0.100	0.096	0.092	0.088
8	0.087	0.083	0.079	0.076	0.073
9	0.074	0.070	0.067	0.064	0.060
10	0.064	0.060	0.057	0.054	0.051
11	0.056	0.052	0.049	0.046	0.043
12	0.049	0.046	0.043	0.040	0.037
13	0.043	0.040	0.037	0.034	0.032
14	0.038	0.035	0.032	0.030	0.028
15	0.034	0.031	0.029	0.026	0.024
16	0.031	0.028	0.025	0.023	0.021
17	0.027	0.025	0.022	0.020	0.018
18	0.025	0.022	0.020	0.018	0.016
19	0.022	0.020	0.018	0.016	0.014
20	0.020	0.018	0.016	0.014	0.012
21	0.018	0.016	0.014	0.012	0.011
22	0.017	0.015	0.013	0.011	0.010
23	0.015	0.013	0.011	0.010	0.009
24	0.014	0.012	0.010	0.009	0.008
25	0.013	0.011	0.009	0.008	0.007

16. Time Management

Everyone is given 24 hours in a day. Yet some use their time effectively while others derive less out of it. If you follow some simple rules you can use your time effectively and have more productivity.

Work hours

Decide on your work hours. 8 hours of dedicated work is good enough. In the initial years you can put in 10-12 hours a day. Beyond that you will wear out. Your efficiency will drop. Leisure and family time is equally important to feel energetic at work next day.

10.00am till 6.00pm is an ideal time. You can start early too or extend a couple of hours depending upon your work style and convenience. If you have to work longer periods, start your day early rather than working late evenings. Don't schedule your client meetings beyond work hours; say 6.00pm except special circumstances. Don't make it a rule to meet clients beyond a specific time.

Plan you week in advance

Plan your days. Don't do everything every day. Don't be in the field every day. Try to break your activity in days. For eg.

- Allocate 3 days of the week to meet existing and new clients.
- Allocate 2 days of the week for client reviews and action plan, servicing, and other back office works.
- Allocate 1 day of the week for reading and learning's.

This way, your productivity can go up. For eg. rather than meeting clients all days of the week if you allocate 2-3 days for client meetings, you can use your day more effectively and work in tight compartments. It can also save you on commuting time. Other days you can be at your work place focussed on back-end works un-interrupted.

You can also decide to use your first half at work place doing backend works and utilise the second half in meeting clients.

Plan whatever works for you. The idea is that you have limited time every day and week. You should make the most of it.

Finish what you start

Don’t work in broken periods. If you are working on something, try to finish it and then move to another work. This saves time. Do less but do it right and finish the job at one go.

17. Other Ideas

Preparing for client meetings

The most important aspect of this business is client meetings. It is during meetings, most of the sales happen. Naturally, you have to be prepared well before you go for a client meeting. Consider having with you the following before you sit with a client.

Client meeting sheet

Carry a client meeting sheet in which you mention the agenda of the meeting and record all discussions and decisions taken during the meeting.

Previous meeting sheets

Carry previous meeting sheets, if any. This can become a reference point of current meeting. It also indicates professionalism to the client and that you keep proper records.

Latest portfolio of client

In each meeting, clients generally like to have a look at their portfolio. Make sure you carry the latest position of their investments.

Performance chart of SIPs

Always keep handy the latest performance chart of mutual fund schemes, both SIPs and onetime.

Sip calculators

SIPs can be considered the lifeline of this business for many IFAs. Carry as much data and calculations. Many AMC's have readymade calculators (paper based and excel based) which shows the calculations of expected values at various expected rate of returns. Ask for it from AMC's.

Mobile applications

Some AMC's have launched mobile applications which you can use for instant information, data, calculations and reports. Output can even be mailed instantly to clients. These are good sales tools which you can use.

New investment proposals

Last but not the least, carry some new investment proposals for discussing with clients. Unless you pitch a product, you may not get a sale. Always give some investments proposal to the client so that you may get a sale or can followup later on.

Backend operations, technology & software

Time is money and using technology and software saves you lot of time which you can use in making more client and selling more. It also helps give better service to clients.

Microsoft Excel

Learn to use excel. It is a very good tool for calculations, reports and analysis.

Mail back services from registrars

Registrars of mutual fund companies offer mailback services (transaction reports and various other data is sent to you by email). Register with them for this service. It is free.

Transactions from your office

Some registrars offer you online transaction feeding service. When you register for such service, you can punch transactions sitting in your office and submit the applications and documents within a stipulated time. This helps you do transactions on time. Enquire about this service from registrars.

MF Utility

MF Utility – an online platform has been launched in Jan'2015. It will make your life much easier for transactions, analysis and reporting.

Software

Buy software to provide portfolio reports to clients. There are many software in the market. Take a demo and decide for yourself what suits you in terms of pricing and preference. Some of the popular mutual fund software in the market place is:-

- Investwell
- MProfit
- Business Link
- Finsys

Special documentation

In day to day business you will need to know various documentation processes for different situations. For eg.

- Process in case of death of unit holder.
- Process for nomination
- Process for 'Minor' applications
- Process for bank change

Contact the AMC's you work with and understand these processes. Different AMC's may have different process and documentation requirements.

Be Positive

Life and business never travels in straight line. There will be jams, bumpy roads, challenges, unfavourable circumstances, low confidence, and several factors which will try to deviate you from your journey. You must remain positive at all times so that you stay on course.

Changes in commissions

Commission structures are dynamic. They can and they will change with times. Sometimes favourably, sometime not favourable. You must remain confident that if the overall industry will grow, you will grow with it too.

Bad economic environment

Every few years you may face a downturn in the economy or unforeseen situations coupled with lower or negative returns on clients investments in mutual funds. You must pass through this patch and wait for good times to return. Remain positive about the long term results.

Other negative aspects

Many rough patches can be predicted but many will come as a surprise which no one knows today. That's why businesses are so dynamic in nature. You must remain positive during all times.

Every IFA starts positive but many of them lose the confidence about the future of this business. So, in order to make it big you must remain positive during your journey all along.

Don't time the market

Timing the market means – 'trying to take advantage of the market movement in the short term'. For eg. If equity markets have run up a bit, some IFAs try to time the market by selling equity funds thinking that they will buy it again when the markets fall. Sometime they may be successful but most of the time it doesn't work. Either buying doesn't happen when markets fall or markets run significantly up and they and their clients lose out on the upside which they might have got if they remained invested in the fund.

Even if you are successful a couple of times with regard to timing, one wrong call can negate all the advantage you got by pervious market timings. For eg. between 2011-2013 markets were in trading zone in range of 16000 to 20000. Even if you could sell at 20000 and buy at 18000 a few times, you would have missed the rally once markets broke

20000 levels and touched 28000 in 6 months after the election results in 2014. It is almost impossible to time the market on a consistent basis, yet most IFAs try to do it.

Many clients are apprehensive of upside and with every rise they believe markets will fall. Whenever markets show a little upside, these clients will insist you to book profits and enter again when markets fall. This is tricky. If you do it often, you are bound to miss a big upside when it happens and the client will eventually lose the opportunity of higher gains. If you don't oblige the client's request to book profits and markets fall, they will come shouting at you that you should have done so. There is no fixed solution to this. All you have to keep doing is convince the client to invest for long term and avoid short term timing.

Focus of the month

It is very easy to get lost in the daily routine and miss out on the big picture. Have regular targets. This keeps you on your toes everytime. One way to do this is to have 'focus of the month' every month. It can be:-

- I will meet 25 new prospects this month
- I will sell 50 SIPs this month
- I will promote Gold fund this month
- I will promote child plans this month
- I will sell 1 crore of equity funds this month

Note: The above is just a suggestion. You can have your own focus suiting your business.

The advantage of 'focus of the month' is that you are always on the move and involved in the sales process. There is nothing wrong in having sales target as far as your selling process is right. Concentrated effort yields better results. Achieving shorter period targets regularly helps building a good business in the long term.

Have a mentor

There are two ways to doing things :-

- Do it yourself, or
- Take help from an expert

The easier and faster way to growth is to take help from an expert.

It will take you years to understand the business, apply the right strategies and overcome difficulties. An expert can help you with all this and make your journey smoother and faster.

You should appoint a leading IFA (preferably in your city) as your mentor. You should find the following things in the mentor.

- Should be in this business for over 5 years.
- Should be among the top IFAs in the city / country.
- Should have high on integrity and competency.
- Should be willing to help.

Take reference from relationship managers of mutual fund companies. Approach the said IFA and request him to guide you to grow your business. Most likely, he/she will accept being your mentor and even won't charge you anything.

Apart from this, identify top IFAs in your city. Meet them regularly. Listen to them and their strategies. Being in company of big IFAs will motivate you to work harder and smarter.

Passive approach

Do things in such a way that you don't have to do active management all the time. It will save you time. The more decisions you take chances of going wrong increases.

Suggest mostly vanilla schemes which clients can hold for long term. Don't do churning of portfolio very often. It consumes time, may have cost and tax implication for the client and there is also the possibility of getting wrong. Try to remain passive as much as possible. You and your clients can make more money by passive management rather than being active.

Educate clients so that they understand the investment process, risk and return possibilities, the advantage of long term investing and your role in the entire process. The more informed clients you will have, the more passive your business will become.

Being passive is powerful.

Ask for references

Clients are the lifeline of any business. Making a new client is always challenging. References work wonders in making new clients.

Once you have made some clients, you should focus on making most of your new clients through references from existing clients. It is a lot easier to convert a reference to a client since your credibility is established in the eyes of the new client.

The thing about references is that you have to ask for it. At the end of every client meeting make it a point to ask for reference. You can also mail a reference request mailer to all your existing clients. Many of the time you may not get it. But all you need is those few times when your clients do oblige you with references.

Record all reference at one place. Meet them. Once you convert a reference to client, send a thank you note to your existing client who gave you the reference.

Getting reference from existing clients is an additional proof that your client is happy with you. An un-satisfied client will never give you a reference.

Have patience, have discipline.

Most people overestimate what they can do in one year and underestimate what they can do in ten years.

Bill Gates

This saying by Bill Gates is so true for mutual fund distribution business also. While you may not achieve much in 1 year but you can transform a nation or the world in 10 years. Have patience. Work with discipline each day and you can have amazing results in 5-10 years. In the last 10 years, hundreds of IFAs across the country have reached 100's of crores of aum. Some have reached 500 crores and few are even touching 1000 crores. Imagine where you can be in the next 10 years.

In the first few years, it takes tremendous amount of hard work with small results. Thereafter it starts compounding and you will start seeing great results. So, don't lose heart and don't lose focus.

Whenever you have doubt of what you can achieve in a decade of hard work, read this quote by Bill Gates again.

Greet your clients

A strong relationship with your clients yields maximum returns. As you make new clients and serve existing clients, make a process to greet your clients on their special occasions like birthday and marriage anniversaries. It improves relationship and enhances personal touch.

You can also consider sending them a small gift on these occasions. It can be a book, sweets, cakes, or chocolates. If you do this, make sure you continue with it in future years.

You can go step further by recording special milestones like 25th birthday, 50th birthday, 10th marriage anniversary, etc., and wishing them with customised gifts. It can add tremendous value in the relationship.

In the end, businesses are based on good relationships.

Take a day off for business review and planning

It is important to review the present and plan the future. Take a day off once every qtr for business review and future planning. The following can be reviewed / planned:-

- Current position of business
- Growth in SIPs / Lapsed SIPs
- Growth in AUM
- Equity / Debt ratio of AUM
- Consistency in client meetings
- No. of new clients made
- References received
- Revenues and expenses
- Business target for next qtr / year
- Focus of the month for next few months

See the data objectively. Find out the deficiency, if any, and take corrective steps. Be in control of your business.

Compliance & record keeping

Going forward regulations will become stricter. Do the business the right way. Adhere to rules & regulations.

Keep proper records of client communication so that there is no dispute at a future date. For this you can record all discussion in a meeting sheet and keep it in each client specific file. Make notes of all client interaction. The more record you will maintain, the better.

Own future

While you help clients plan their future through investments, you should also do the same for your own self. Every year a part of your income should be saved and invested for future..

Remember, business is not always same. There will be ups and downs going forward. While the going is good you should save so that when there is a rough patch in business you can sustain because of the savings made in the past. Let the conviction be not broken in bad times. Many IFAs could not survive a bad patch since they did not save much to take care of a couple of bad years which do come in any business. You may not need to pull out money from your savings but it will give you the moral support to pass through a bad phase.

Equity Linked Savings Scheme (ELSS)

These are schemes offered by mutual fund companies which offer tax benefit u/s 80C. They are locked-in for 3 years. Apart from tax benefit, they have delivered outstanding performance in the past.

Actual Performance of some ELSS schemes

Scheme Name	Launch date	Return as on 30th Nov-2014 (Annualized Retun)			
		1 Years	2 Years	3 Years	Since Inception
Scheme A	1993	60.91%	-1.59%	17.99%	17.39%
Scheme B	1996	47.26%	1.77%	11.82%	22.22%
Scheme C	1996	70.26%	26.56%	21.08%	27.77%
Scheme D	1999	67.65%	1.18%	15.98%	23.70%
Scheme E	1999	50.80%	-5.10%	18.00%	18.80%
Scheme F	2001	61.80%	26.65%	22.22%	25.50%
Scheme G	2005	104.19%	-11.19%	20.23%	17.34%

* No scheme names given to remove bias.

ELSS are good schemes which can also help you in building AUM's. Don't sell only on tax benefit sales pitch. Their performance merits them to be sold as a standalone equity fund also. Most of these funds are diversified and/or mid cap oriented.

The power of compounding

Do you know how much extra you can accumulate over a period of 25 years at different rate of return? See the following chart.

Investment Amt	Year	Rate of return	Maturity after 25 years
10000	25	8%	₹68,485
10000	25	12%	₹170,001
10000	25	16%	₹408,742
10000	25	20%	₹953,962

A return of 16% can give you approximately 6 times more compared to return at 8% over a period of 25 years. So this is the power of extra return over a longer period.

BSE Sensex returns

Rs. 1 lac invested in 1979 in BSE Equity Index.
Markets saw the great bearish phase in mid 80s
Market saw the first great bull run in 1992
Market slumped again in 1996
Market saw the second bull run in 1999-2000
Market tanks in the following year 2001-2002
Market sees a great run again in 2007
Market tanks again in 2008
Market is again on a roll in 2014.
Rs. 1 lac invested in 1979 is worth Rs. 2.80 cr.

Rolling returns of Sensex

Bombay stock exchange index started from 1979. The following chart gives information on positive and negative outcomes on a rolling basis.

Summary of Observations								
		Returns (%)						
Date	**Sensex**	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**12 Years**	**15 Years**
03-Apr-79	124							
03-Apr-80	129	3.92						
03-Apr-81	173	34.47						
01-Apr-82	221	27.34	21.18					
02-Apr-83	213	-3.76	18.12					
03-Apr-84	247	16.06	12.46	14.73				
02-Apr-85	353	43.05	16.91	22.3				
03-Apr-86	582	64.91	39.9	27.4	24.7			
03-Apr-87	524	-9.92	28.56	18.87	22.18			
30-Mar-88	398	-24.03	4.11	13.38	12.61			
03-Apr-89	724	81.71	7.53	24.01	18.48	19.28		
02-Apr-90	783	8.16	14.3	17.27	20.47	19.76		
03-Apr-91	1203	53.63	44.54	15.62	25.39	21.37	20.83	
03-Apr-92	4238	252.34	80.24	51.88	42.63	34.37	33.78	
02-Apr-93	2311	-45.46	43.45	42.14	21.77	26.95	24.08	
31-Mar-94	3779	63.49	46.46	39.17	32.6	31.37	26.7	25.57
03-Apr-95	3317	-12.23	-7.85	33.47	35.36	25.11	25.73	24.17
03-Apr-96	3418	3.04	13.92	23.23	24.82	19.36	24.49	21.98
03-Apr-97	3558	4.1	-1.99	-3.44	24.14	21.1	21.23	20.35
03-Apr-98	4072	14.46	7.08	11.99	19.03	26.17	17.6	21.75
01-Apr-99	3686	-9.47	2.55	-0.5	-1.97	17.68	17.65	19.75
03-Apr-00	5053	37.07	12.41	8.79	11.82	20.5	23.58	19.41
03-Apr-01	3605	-28.66	-3.98	1.07	-0.67	11.6	14.32	12.92
03-Apr-02	3463	-3.94	-2.06	-0.54	0.62	-2.00	13.19	13.41
03-Apr-03	3151	-9	-14.56	-5	-1.15	3.15	8.36	14.78
02-Apr-04	5788	83.68	17.1	9.44	7.2	4.36	2.63	14.87
01-Apr-05	6605	14.11	24.02	5.5	7.15	7.13	9.14	15.28
03-Apr-06	11564	75.08	54.25	26.25	17.74	12.96	9.77	16.29
03-Apr-07	12625	9.17	29.69	29.52	13.98	13.5	11.78	7.55
03-Apr-08	15833	25.41	33.83	38.11	23.54	14.54	13.63	13.69
02-Apr-09	10349	-34.64	-3.63	12.32	16.93	10.87	9.31	6.95
01-Apr-10	17693	70.96	11.91	21.78	27.95	13.35	13.02	11.81
01-Apr-11	19420	9.77	7.05	10.92	18.88	18.34	14.85	12.28
03-Apr-12	17597	-9.39	19.36	6.87	15.03	17.65	10.96	11.25
03-Apr-13	18802	6.84	2.05	3.5	7.19	19.56	14.76	10.74
03-Apr-14	22509	19.72	5.04	16.81	8.61	14.55	16.88	12.82
Yearly Rolling Returns		35	33	31	29	26	24	21
Negative Returns		11	6	4	3	1	0	0

Summary since 03 Apr 1979							
	1 Year	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**12 Years**	**15 Years**
No.of Observations	35	33	31	29	26	24	21
Negative Return Observations	11	6	4	3	1	0	0
Loss Probability (%)	31	18	13	10	4	NIL	NIL
Median Return (%)	10	14	16	18	18	15	15
Average Return (%)	24	18	17	17	17	17	16
Max Return (%)	252	80	52	43	34	34	26
Minimum Return (%)	-45	-15	-5	-2	-2	3	7
Standard Deviation (%)	52	20	14	11	8	7	5

This chart gives an indication that the longer the holding period, the higher the possibility of positive returns.

Credit Ratings

Credit Ratings for Fixed Income Securities- Scales

AAA (Highest Safety)	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
AA (High Safety)	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
A (Adequate Safety)	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
BBB (Moderate Safety)	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.
BB (Moderate Risk)	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
B (High Risk)	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.
C (Very High Risk)	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.
D Default	Instruments with this rating are in default or are expected to be in default soon.

18. Goal sheet for next 5 years

It is a good idea to have a goal sheet and monitor performance regularly. Selling without a target is like shooting in the air.

Goal Sheet for IFAs
(Fill your targets here)

Particulars		Year 1	Year 2	Year 3	Year 4	Year 5
Mutual Fund AUM	Target					
	Actual					
SIP Book (No.)	Target					
	Actual					
SIP Book (Amt.)	Target					
	Actual					
No. of total clients	Target					
	Actual					
No. of active clients	Target					
	Actual					

Track your business

You should track your periodical performance. The following tracker can help you.

Mutual Fund AUM Tracker

	Year 1	Year 2	Year 3	Year 4	Year 5
30th June					
30th Sep					
31st Dec					
31st March					

No. of Running SIP Tracker

	Year 1	Year 2	Year 3	Year 4	Year 5
30th June					
30th Sep					
31st Dec					
31st March					

Monthly SIP Sold Tracker

Date	Year 1	Year 2	Year 3	Year 4	Year 5
April					
May					
June					
July					
Aug					
Sep					
Oct					
Nov					
Dec					
Jan					
Feb					
Mar					

New Clients Made Tracker

Date	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
April					
May					
June					
July					
Aug					
Sep					
Oct					
Nov					
Dec					
Jan					
Feb					
Mar					

19. Frequency asked questions

Since investors can invest directly in mutual fund schemes and it costs less, I have a fear that my clients can go direct. I am not sure if I should take this risk of growing my mutual fund business.

Look at the bigger picture. Some clients can go direct, most will not. Every business has its own challenge. Inspite of 'direct', thousands of IFAs in the country are doing well and increasing their AUM. Shun the fear. Moreover, the risk of 'direct' is more in corporate and institutions. Retail is least affected.

I have been selling mutual funds for 3 months. I have sold 30 SIPs and 25 lacs of onetime investment. However, I am not happy with the commissions I am getting in my bank. Should I continue or quit?

Any business takes time to grow. You are on the right track. Don't look at the short term revenue. Think long term. These SIPs will compound over time and you can build a large AUM. See the 'Revenue' chapter and 'SIP is a winning strategy' chapter. SIP of Rs.5,000/- has the potential to earn you over Rs.35,000/- over 10 years.

My relationship manager told me that I will get 1% upfront and 1% trail when I sell SIPs. I calculated that if I sell SIP of Rs.3,000/-, I will get just Rs.30/- as upfront. Is it worth it?

Don't look at the first month or first year only. SIPs build long term assets and earns you commissions over long periods. Once you sell a SIP, you don't have to do much for next few years and your AUM keeps growing. Look long term. SIP is very powerful. Once you touch 200-300 SIPs and/or Rs.5-10 lac SIP book, you will realise the power of SIP.

There is so much of effort to do KYC of a new client in mutual funds. It affects my sales since I have to spend a lot of time in it.

KYC is a onetime activity for each account. It is worth the effort.

One of the prospects I met is asking for rebate of commissions I get from mutual funds. He is commiting 25 Lacs of investments. Should I do this?

Never do this. Such clients will never respect you. They will always look at you with suspicion about your income. Build your business of integrity, quality, trust and long term.

Last week one of my clients asked me to do calculation for his daughters education planning. I have no idea how to do it. What should I do?

This will be a ongoing process. As you move ahead more clients will ask you for helping them with numbers and doing calculations for achieving their goal. You should do the following:-

Step-1 – For this client, take help from your relationship managers.
Step-2 – Learn how to do it. You can do it in excel or financial calculator.

Find out how you can learn excel and / or financial calculator. If needed take classes from experts. It will be a must for you sooner or later. Your sales will grow if you know how to do long term calculations.

I have recently taken my ARN Code. A national distributor of mutual fund approached me to work for them. What should I do?

You can either work on your own or associate with a national distributor as a sub broker. The following are the advantage and concerns for working direct and through a national distributor.

Advantage

- You get software and backend support from day-1.
- You get guidance to do this business effectively.
- You can focus more on clients since most of your backend is taken care of.

Concerns

- You have to work in national distributor code. Many IFAs prefer personal branding.
- You may have to compromise a little on commissions rates. But you also get support. Some national distributor may even pay you more since they have volumes.

I have some NRI clients and some of my clients stay in different cities. I am finding it difficult to service them. Is there a way out?

Yes. You can enroll with some online platforms. They offer seamless transactions through online and you can continue to get commissions. Why lose your clients anywhere in the world. You can continue to work on your ARN with local clients and work as a sub broker with an online platform. Your relationship manager can refer you to them.

I am new to this industry. All my life I sold fixed deposits, bonds, post office schemes and life insurance. My clients fear capital market and I am finding it difficult to sell them SIPs and equity funds.

There are two steps to it.

1. You are yourself not convinced about capital markets – It will be difficult for you to sell. You must have your conviction before you sell any product to your clients. For this, you should spend time in learning and getting more information on schemes, performance, and risks involved.

2. You are yourself convinced about capital markets – It may take time, but you will eventually be able to convince your clients. Don't give up. Keep trying and keep meeting them.

Also, some clients will never feel comfortable with equity schemes. Sell them debt funds.

Since clients can redeem their investments in mutual funds at will, how will I grow my AUM.

Don't forget that the convenience of anytime liquidity itself helps you in selling more. After a few years, as the comfort of client grows they become more disciplined and stick with their investments. Infact, easy liquidity in mutual funds allows most investors to keep coming back once they have surplus funds again. Freedom to clients is the basis of growth of this business. With time you will see more clients remaining invested than those who will redeem.

A lot of focus is given to trail commissions. What if trail commissions go away?

There is no end to fears that you can have. Some of them will happen too. But that's not an excuse not to work. As far as trail is concerned, it is one of the basis and characteristic of this business in most of the countries worldwide. Another reason is 'direct' option to investors. Since investors can now choose between 'direct' and 'distributor', I don't find any reason why trail will go away. Don't look for guarantees always. Look beyond.

My clients look for guaranteed returns. Mutual funds don't offer guaranteed returns. How can I overcome this concern?

This is a genuine concern. However, all products are different. Mutual funds are high on liquidity, offer better tax treatment and have an excellent performance track record – both in equity and debt schemes. By regulation they cannot offer any guaranty. You have to go deeper to understand this. Mutual fund schemes are pass through vehicles which mean they invest the entire money of investors in securities (debt or equity as the case may be) and the entire returns are passed back to the investors after charging a management fee. In equity there cannot be any guarantee anyways. In debt, investors don't get any guaranty but most of their money is invested in instruments which offer a guaranteed return. Eventually, that return is passed back to the investor after charging a fee. Once you understand this, you will be able to explain the client.

My clients are retail. Can I grow in mutual fund distribution business?

Ofcourse. Retail offers huge potential. If you have 150-200 retail clients you can do well in this business. Focus on SIPs. You can build a large AUM and early very good commissions by selling SIPs (refer chapter –SIP is a winning strategy'). Even by doing net sales of 2-3 crores every year, you can build sizeable AUM and early good commissions (refer chapter 'Revenue model').

20. Words of wisdom from successful IFAs

In the last decade or two, thousands of IFAs have made it big in the mutual fund business. Not only IFAs of big cities like Mumbai and Delhi, but IFAs from smaller cities like Belgaum, Dhanbad, Goa, etc have done well too.

During their journey they found a lot of ups and downs. They remained resilient, strong and focussed.

Given below is a brief on some IFAs who made it big in this business. They have also shared their words of wisdom for you to grow.

	**Ashish Chadha**
City	Delhi
MF Aum as on 31st Jan'15	Over a few hundred crores
About	Retired from army as a major, Ashish started selling mutual funds from 1995. Today he is one of the most successful IFAs in the country. He has been named as IFA of the year India winner twice by Wealth forum annual awards and stood runner up once. He is also a Life Member of the Million Dollar Round Table USA, with 7 Top of the Table qualifications. He has travelled 25% of the globe. He is a National Defence Academy blue in riding, polo and academy team in squash, avid golfer & swimmer.
Client profile	Primarily Retail, Some HNI's and a few corporates.
Selling Mutual Funds since	20 years
No. of Clients	Over 1,000 families
No. of SIP's running	Over 1,000
Ashish's advice to new IFAs	
1	Truth is the eternal wealth.
2	Sell what you would buy.
3	Build a prospect funnel.

	**Prabhakar & Anita Datta**
City	Belgaum
MF Aum as on 31st Jan'15	73 Crore
About	A husband and wife team, Datta's boast of a strong AUM of over 70 crores from a small city of Belgaum. Both of them were doing job for 14 years. Their life took a turning point in year 2003-04 when they took mutual fund agency. SIPs have been their core strength and a major portion of AUM is built through it. They mostly have retail clients and a few HNI's.
Client profile	Retail & HNI
Selling Mutual Funds since	11 Years
No. of Clients	**More than 1,000**
No. of SIP's running	**More than 2,000**
Datta's advice to new IFAs	
1	Have faith in mutual fund industry.
2	You are the wealth creator for your investor. Be sincere.
3	Believe in yourself.

	**Hari Ghanashyam Kamat**
City	Panaji, Goa
MF Aum as on 31st Jan'15	405 Crores
About	Coming from a modest background, Mr. Kamat started his full time professional career in financial services in year 1982. His passion and dedication paid off and today he is among the top mutual fund distributor in the whole country. He also services more than 4000 PPF accounts along with substantial collection for other small saving schemes. He is the Chairman's Club member in LIC since 19 years. He has been awarded several awards for his performance including CNBC TV 18 award in 2012 for Best performing IFA (Up country west).
Client profile	HNI & More in Retail
Selling Mutual Funds since	From 1983 (UTI)
No. of Clients	3600 Families
No. of SIP's running	2700
	Kamat's advice to new IFAs
1	Be a long-term and life Long financial advisor to your client and future generation. Expansion and retention of clients should be the top most priority.
2	Educate your clients and involve them in decision making. Speak the language that matches with their wave length.
3	Don't restrict yourself in equity or balanced funds. Work for accumulating and acquiring substantial AUM across all schemes.

	**Ashish Modani**
City	Jaipur
MF Aum as on 31st Jan'15	285 Crores
About	Backed with professional certification of CA & CFP, Ashish started selling mutual funds from 2004. Today his company is a leading financial advisory firm based out in Jaipur. "Advice what's Right" has been the philosophy that has driven him and his organization since inception which has helped to develop unique trust amongst the clients. A self-starter and a dynamic leader,he has been felicitated as the Best Financial Advisor(North India – Tier 2 cities) by CNBC TV 18 for F.Y. 2013-14 and by Wealth Forum F.Y. 2010-11.
Client profile	Retail
Selling Mutual Funds since	11 Years
No. of Clients	4500
No. of SIP's running	5300
	Ashish's advice to new IFAs
1	Be an advisor, not a transaction enabler. Be in the business of trust.
2	The moment you start managing your client's money as your own money, that is when both he and you would start making money.
3	Conviction is important - if you are convinced, your clients will be convinced. Don't just say long term, believe in long term.

	**Shaibal Kumar Bhaduri**
City	Dhanbad
MF Aum as on 31st Jan'15	65 Crore
About	Shaibal, along with his partners, started distributing financial products in late 1990's in Dhanbad (Jharkhand). Initially, it was very challenging to sell mutual funds to the investor community of Dhanbad as they were very conservative and FD/insurance driven but he knew that the future was mutual funds. So he and his team worked hard to educate clients about mutual funds. Over the years his company has become a leading distributor of mutual funds in eastern India. Shaibal is an example of sheer hard work, dedication and faith in the mutual fund business.
Client profile	Retail
Selling Mutual Funds since	18 Years
No. of Clients	3500 +
No. of SIP's running	1269
Shaibal's advice to new IFAs	
1	Invest in your business. It will multiply your income. Invest in Knowledge, it will give you control on business.
2	Follow the trend and leaders of the market but create your own style. This is because you are the best judge of your strength and weakness.
3	Create a space where your client will find the quality of service and advise like National Distributor with personalised touch in addition which they may not find with the big players

21. Top actionable points

- Meet 10 clients a week
- Given 10 hours a week to learning's and knowledge
- Create infrastructure and hire support staffs
- Sell lots of SIPs
- Sell all products. Focus on mutual funds.
- Make a goal sheet for next 5 years and keep a track of your performance
- Focus on trail.

About Brijesh

Brijesh is the founder of 'Dalmia Advisory Services Pvt. Ltd.', which is among the leading distributor of financial products in India.

Brijesh is considered to have tremendous insight on mutual fund distribution business in India due to his own experiences as an IFA and also because of connecting with thousands of IFAs across the country during over 300 programs done by him in over 100 locations.

A CERTIFIED FINANCIAL PLANNER^{CM}, LUTCF and LMF, Brijesh has authored 8 books before this on investments, business practices and personal growth, reaching over 1,00,000 readers. His last book on mutual funds - 'A Case for Mutual Fund Selling' has reached over 25,000 IFAs across the country. His views and articles are regularly published by several leading magazines and websites.

Brijesh is also the founder of 'The Brijesh Dalmia Leadership Company'. As a motivational and inspirational speaker in the area of Life, Leadership and Personal Development, Brijesh has transformed several lives through his coaching, workshops and keynote speaking. Till now, over 60,000 participants have benefitted from his powerful workshops and seminars.

Brijesh is also a Founder Member and Director of the national association 'Foundation of Independent Financial Advisors (FIFA)', He also serves as a member of the academic advisory committee of Nopany Institute of Professional Studies.

He served as the national convenor for learning & personality development at Round Table India, a social organisation involved in community service project 'Freedom through Education'. He was also the Chairman of Chapter # 34 of Round Table India in year 2012-13.

Brijesh enjoys reading, writing, swimming and listening to music. Tennis and Cricket are his favourite sports.