

Portfolio management: hni flashcard



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Who is HNI? A high-net-worth individual (HNWI) is a person with a high net worth. In the private banking business, these individuals typically are defined as having investable assets (financial assets not including primary residence) in excess of US\$1 million. As explained below, the U. S. Securities and Exchange Commission has promulgated a different definition of “ high net worth individual” for regulatory purposes. World’s Wealth Report 2011

The Merrill- lynch – Capgemini World’s Wealth Report 2009 defines HNWI as those who hold at least US\$1 million in financial assets and ultra-HNWIs as those who hold at least US\$30 million in financial assets, with both excluding collectibles, consumables, consumer durables and primary residences. The report states that in 2008 there were 8. 6 million HNWI worldwide, a decline of 14. 9% from 2007. The total HNWI wealth worldwide totaled US\$32. 8 trillion, a 19. 5% decrease from 2007. The ultra-HNWIs experienced the greater loss, losing 24. % in population size and 23. 9% in accumulated wealth. The report revised its 2007 projections that HNWI financial wealth would reach US\$59. 1 trillion by 2012 and revised this downward to a 2013 HNWI wealth valued at \$48. 5 trillion advancing at an annual rate of 8. 1% Ultra high net worth individuals Ultra high net worth individuals (UHNWIs) are individuals or families who have, by one definition, at least US\$30 million in investable assets, or with a disposable income of more than US\$20 million.

The exact dividing lines depend on how a bank wishes to segment its market; for example, the term “ very high net worth individuals” can refer to those with assets between \$5 million and \$50 million, with ultra high net worth individuals only those with above \$50 million. Growth of HNI’s in India

India's population of high net worth individuals (HNIs) has become one of the largest in the world. In 2010, we were 12th in the global list, replacing Spain.

According to a World Wealth Report by Merrill Lynch Global Wealth Management (MLGWM) and Capgemini, it is the second straight year in which India's HNI population growth has been among the top. " India's HNI population grew at 20.8 per cent to 153,000 compared with 126,700 in 2009," said the report. It added HNIs continued to benefit from a robust economy and strength in other key wealth drivers such as equity-market performance. Atul Singh, managing director and head of MLGWM, said, " With a GDP growth of 9.1 per cent in 2010 and an increase in market capitalisation by 24. per cent India presents a great opportunity and continues to remain an important market for wealth management providers worldwide. " Entrepreneurship is clearly the dominant source of domestic wealth, noted the Kotak report. " But fast-growing service industries such as technology and financial services have also catapulted many hitherto middle-income group individuals into the ultra HNIs bracket," it said. Crisil Research has defined an ultra high net worth household (ultra HNH) as having a minimum average net worth of Rs 25 crore.

According to reports, in the year 2010-11, the number of HNHs in India was estimated at 62,000. " This number represents a meagre 0.03 per cent of total households in India but is poised to more than triple to 219,000 households by 2015-16," added the Kotak report. Services offered by banks for portfolio management for HNI Experts for every need To service varied needs like buying property*, seeking loans for personal or business needs,

investments and insurance, banks provide experts on different products will work closely with Relationship Manager.

Together, these experts bring to the table Bank's expertise across various financial products, offering enhanced service levels, quicker responses and end-to-end solutions, customized to present and future needs of HNI clients.

- Dedicated Relationship Manager
- Dedicated Customer Service Manager
- Team of Financial Experts
- Dedicated Business Banking Advisor

Exclusive Priority services Banks have started opening new branches and lounges especially for HNI clients where they entertain only HNI clients. For ex . ICICI BANK through which they are providing priority services which are given below:

- Wealth

- Management Branches and Lounges
- Priority Processing
- Exclusive 24-hour Customer Care Helpdesk

These steps are taken forward by banks just to give more attention towards HNI clients and their portfolio management.

Customized investing Planning In order to provide investment and portfolio planning services banks create, review and rebalance investment plan for HNIs to meet their needs. This is a dynamic, 5 stage process, where basically Relationship Manager and a team of experts will work closely with HNIs to customize their investment.

Step 1: Understanding clients Risk Profile: a profiling of the client is done to understand the risk appetite as well as how much risk is involved in portfolio and also need of the client is understood by it Step 2: Asset Allocation: after the profiling and portfolio risk is assessed then the relationship managers prepares allocation of assets that would fetch maximum return this asset

allocation is different for different HNI's Step 3: Investment Advisory: the relationship managers or investment advisors then accordingly give suggestions to clients (HNI's) to invest in the products that fetch maximum returns to their portfolios

Step 4: Review their Investments: the banks keep reviewing their clients portfolio After the end of every calendar quarter, a portfolio needs to be reviewed to make sure that it is achieving your desired results within acceptable risk and other constraints, such as cash flow requirements and tax considerations Step 5: Matching their changing needs: the banks need to match the changing needs of their clients as they wish to retain their clients by satisfying their needs and also at the same time maintain the achieved results.

This Five Stage process is backed by in-depth research on different asset classes and a wide range of investment products. Special Privileges Banks have started believing that their relationship with Wealth management customers or HNI clients is truly special. So banks are providing special privileges to HNI clients. Personal Banking Privileges – Enjoy special privileges like charge waivers, personalized international Debit Card and Family Wealth Account. Lifestyle Privileges –banks organize exclusive investment seminars, lifestyle events and special offers for HNI clients.

Summary

To sum it up we know that it is important for a bank to retain their relationship with HNI customers as they are investable assets and sources of revenue to bank and with the growth of HNI's almost at the rate of 20. 8%

and the growth of banks at the rate of 30% and also with new banks and financial institutions giving portfolio advisory services to HNI's and rise in fierce competition amongst banks, it becomes almost important for every bank to provide a special portfolio management service its HNI's and ULTRA-HNI's so that both the bank and clients benefit out of the result of successful Portfolio management done by banks.