

Monday, January 9, 2023

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'We tell clients to keep business and personal finances separate'

Tarun Birani, founder of TBNG Capital Advisors, says effective communication with clients is crucial

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Tarun Birani worked at a couple of brokerage firms in the early part of his career and that's when he became disillusioned with the fact that most advisers were merely peddling investment products rather than helping clients understand and meet their long-term goals. And this led him, in the early 2000s, to start his own advisory practice, much before market regulator Securities and Exchange Board of India (Sebi) carved out a separate category for financial planners—Registered Investment Advisers (RIAs)—in 2013. Birani, who now handles ₹400 crore of assets under advisory (AUA), looks back at his financial journey over the years in this special *Mint* series commemorating a decade of Sebi's creation of RIAs (*Mint* has been speaking to advisers who have completed or are nearing a decade in the profession). *Edited excerpts from an interview:*

Describe your career before you became an RIA?

I hail from a small town, Bhilwara in Rajasthan, and came to Mumbai for my education in 1997. After my graduation, I did MBA in finance. I worked in various internships, then worked at a couple of brokerage firms. But I soon realized the focus was on pushing investment products to clients, and there was no advisory focus. At that time, mutual funds were a new product in the market. Not many clients had mutual funds in their portfolios. I founded TBNG Capital Advisors, and started my own practice in 2004. In 2010, I did my certified financial planning (CFP) course, which changed my perspective of the industry. I got really interested in goal-based investing, which helps clients during different stages of their lives.

I started offering financial plans from 2010. In 2013, when the Securities and Exchange Board of India (Sebi) came up with the framework for registered investment advisers (RIA), we applied for this because I genuinely felt that we should work more as a fiduciary than as a broker. **What was the financial advisory landscape before the RIA regulations were introduced?**

The focus was more on selling a single product. There was no multi-asset approach. And, real estate and gold formed a larger part of client portfolios. Other financial assets were not so prominent. Clients were also surprised that they had to pay fees for getting financial advice. Fee-based advice model was new in India.

Tell us about your first client and your first year of practice.

My first client was a friend. One day he asked if I could help him in managing his assets. This was when we started back in the early 2000s.

The first year as an RIA (after getting RIA license from Sebi) was not very different in terms of our practice as we had already adopted a financial planning approach. We were very selective in terms of choosing clients. We preferred those with a goal-oriented mindset and a long-term approach to investing.

From a regulatory perspective, the first year was quite different as we had to take a lot of compliance-related approvals from the clients, including a letter of engagement signed by the client. A lot of our time also went in developing systems and processes.

What has been your proudest moment of serving a client?

There have been quite a few instances. A 57-year-old businessman came to me after making huge losses in futures and options (F&O) trading. He was very insecure about his retirement despite having a steady income. So, we put in place a goal-focused plan and slowly built a corpus for his retirement. We are in the eighth year of that plan. We have helped him achieve financial freedom and his portfolio has a very good balance in debt and equity.

Another client was a professional who liked to dabble in different asset classes. If he liked crypto, he would ramp up investments in that asset class. There was a lack of focus on building a portfolio for long-term stability. We moved him from a concentrated (flavour of the season) investment approach to a diversified long-term portfolio approach.

Investments for your own and that of your children's future should not be held in speculative assets. After advising him for 2-3 years, the client started focusing on goal-based planning. Both his children are now studying abroad. Their education has been funded from this corpus. He is just 44 year old, but his retirement corpus is more or less ready.

Then there were two businessmen who had mixed up their personal and business finances. I explained to them that the future of their families would be at stake if something were to go wrong with their business. It is important to separate business and personal finances. And in the pandemic, this is what helped them. Their businesses shut down but they had their personal finances in place and it helped them sail through during this tough phase.

Did you ever regret something that you had recommended in good faith?

An RIA's journey

WHEN DID YOU GET THE SEBI RIA LICENCE?
In 2014

HOW LONG YOU HAVE BEEN ADVISING CLIENTS?
I have been advising for almost 19 years.

HOW MANY CLIENTS HAVE BEEN ASSOCIATED WITH YOU SINCE INCEPTION?
We have worked with around 300 families so far. Currently, we are working with around 170 families.

WHAT IS THE SIZE OF THE ASSETS UNDER ADVICE?
It is about ₹400 crore.

WHAT IS YOUR TEAM SIZE?
We have 14 members in our team. We also have offices in Bengaluru and Aurangabad.

HOW FREQUENTLY DO YOU REVIEW YOUR CLIENTS' PORTFOLIO?
We do portfolio reviews every four months.

WHAT IS YOUR PROUDEST MOMENT OF SERVING A CLIENT?
There have been quite a few. Not long ago, a 57-year-old businessman came to us after losing a big amount of money in futures and options (F&O) trading. He was very insecure about his retirement, but he had a cash flow stream coming in. We used that to build up a retirement corpus for him.

DO YOU HAVE ANY REGRETS FOR SOMETHING YOU HAD RECOMMENDED IN GOOD FAITH?
When we had started out in 2000s, since markets were doing well, we thought we can advise direct equities to some clients. However, you need to watch stocks regularly, if you want to advise on them. We had not built our team for this and found a diversified well-managed portfolio to be a better approach.

Earlier, in my distribution days, we tried something in direct equity. We thought that since markets were doing well, we could promote direct equity to some clients. However, with direct equity, you need to track these stocks on a regular basis, and we had not built a team for that. We found it was not something we could manage for the client, and a well-managed portfolio would be a better approach. **Can you walk us through the growth in your practice?**

We have been growing at a CAGR (compounded annual growth rate) of 30-35% in terms of AUA. We now have a team of 14 people. We have expanded to Bengaluru and Aurangabad. Though online as a platform is evolving and changing, you need to be closer to your clients. So, we felt the need to expand the practice outside Mumbai. In 2014, we had around

₹70 crore of AUA, today we are managing around ₹400 crore.

Do you practice what you advise?
When you manage your own money, you have to deal with your own emotional biases. I don't mix insurance and investment. In equities, I only put money that I can park away for at least five years. I keep some liquidity for short-term needs. So, I follow these basic principles, which I also advise my clients to do. **What has been the most challenging part about being an adviser?**

One of the hardest parts is to communicate effectively so that the clients can take the right action. For example, we had a client who decided to exit all his investments, built over eight years, when the market crashed during the pandemic. We tried explaining to him that his goals were still 10 years away and so his decision

would be unwise. But he did not listen to us. His decision to exit proved costly as the markets rallied sharply soon after. So, when clients do not follow your advice, it can get frustrating. I always think about how communication with clients can be improved and made effective.

Is there anything in the Sebi regulations that you would like to change?

We should not have to appear for all these exams at frequent intervals to keep our RIA licence. I don't think that is required.

Sebi is now planning to come up with a new category of investors — accredited investors—to identify more evolved and sophisticated class of investors. This can open up more options for such investors, as well as advisers working with such investors. So, that is a good thing happening.



TARUN BIRANI
Founder and CEO
TBNG Capital Advisors



A DECADE OF RIAs
A MINT SERIES