

# **BEYOND BANKING: INVESTING IN PROSPERITY - THE ROLE OF BANKS IN FINANCIAL PLANNING AND WEALTH MANAGEMENT**

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## ***Abstract***

*Financial planning and wealth management is becoming crucial and omni present. In this paper the authors have tried to deliberate on rising significance of financial planning and wealth management, impact of covid-19 pandemic on financial planning and wealth management, recent trends in financial planning and wealth management, SWOT Analysis of the financial planning and wealth management industry at Global Level and Indian Level, role of Banks in financial planning and wealth management and rising use of Technology by banks in catering to Financial Planning and Wealth Management, all these with the aim to buttress the presence of banks in this industry which is offering humungous growth potential.*

**Keywords:** *Wealth Management, Financial Planning*

## **FINANCIAL PLANNING AND WEALTH MANAGEMENT: OVERVIEW AND SIGNIFICANCE**

Financial planning and wealth management are essential for individuals of all ages to secure their financial future. Financial planning involves creating a comprehensive strategy to manage finances and attain specific financial goals. Wealth management refers to the professional management of an individual's assets. Financial planning and wealth management can provide peace of mind and reduce stress related to financial uncertainty.

Regardless of age, financial planning and wealth management are critical for individuals to achieve their financial goals and secure their financial future. Younger individuals may focus more on creating a strong financial foundation, such as paying off student loans, establishing a budget, and saving for a down payment on a home. As individuals age, they may shift their focus to longer-term goals such as retirement planning, estate planning, and managing investment portfolios to generate income. The global wealth management market is anticipated to increase at a CAGR of 5.3% from 2020 to 2025, reaching \$116.3 billion by that time, according to a report by Research And Markets. The rising importance of financial planning and wealth management echoes in India also according to a report by the Indian Wealth Management Industry Association (IWMI), the Indian wealth management industry is expected to grow at a CAGR of 15.7% from 2020 to 2025, reaching INR 8.5 trillion (\$117 billion) by 2025. The research names the rise of digital wealth management platforms, increased disposable earnings, and an increase in the population of high net worth individuals as growth drivers.

## IMPACT OF COVID PANDEMIC ON FINANCIAL PLANNING AND WEALTH MANAGEMENT

The financial planning and asset management industry has been significantly impacted by the COVID-19 pandemic. The pandemic's impact on market turbulence and economic instability has pushed the industry to undergo a number of changes. The following is deemed noteworthy.:

**Increase in demand for financial planning and wealth management services:** Due to the uncertainty caused by the pandemic, many investors have sought out financial planning and wealth management services to help them navigate the volatile markets and make informed investment decisions. A survey by the consulting firm EY found that 64% of investors increased their use of financial planning and wealth management services during the pandemic.

**Shift towards digital platforms:** With the pandemic forcing many businesses to move online, there has been a shift towards digital platforms in the financial planning and wealth management industry. Many financial advisors and wealth managers have been using digital tools and online resources to communicate with clients and manage their investments.

**Increase in sustainable investing:** Investors are now more interested in supporting businesses that are having a beneficial influence on society and the environment as a result of the pandemic, which has brought sustainability and social responsibility back into the spotlight. According to a poll conducted by the consulting firm Morgan Stanley, 64% of investors are considering sustainable investments.

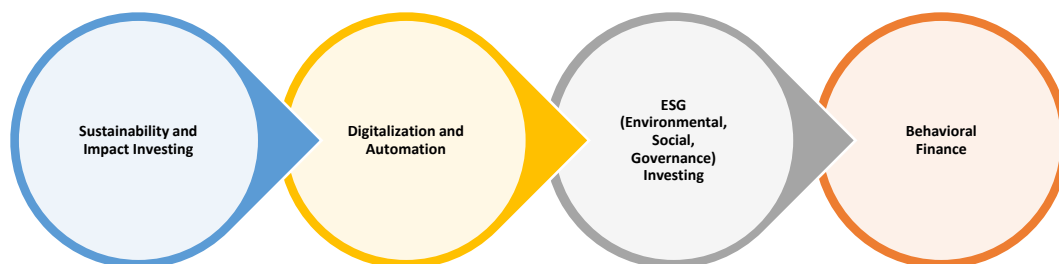
**Increase in the use of robo-advisory services:** The pandemic has led to an increased interest in robo-advisory services, as many investors seek out low-cost and efficient ways to manage their investments. A report by the consulting firm A.T. Kearney found that the global assets under management (AUM) for robo-advisors is expected to reach \$3 trillion by 2025.

**Increase in online financial education:** With many people having more time to focus on their finances due to the pandemic, there has been an increase in online financial education and resources. Many financial advisors and wealth managers have been providing online resources, such as webinars, to educate their clients on financial planning and wealth management.

Overall, the financial planning and asset management industries have been significantly impacted by the COVID-19 epidemic. The pandemic's market turbulence and economic unpredictability have increased demand for wealth management and financial planning services, shifted attention to digital platforms, increased use of robo-advisory services, and increased online financial education.

### Recent trends in financial planning and wealth management

The financial planning and wealth management industry is spreading its tentacles and the following are found to be major trends in the industry



**Sustainability and Impact Investing:** As more investors look to match their investments with their values and have a beneficial effect on society and the environment, there has been an increase in the focus on sustainable and socially responsible investing in recent years.

**Digitalization and Automation:** The financial planning and wealth management industries have undergone a transition towards digitization and automation as a result of the development of technology. The use of algorithms by robo-advisory services, which offer automated financial advice and portfolio management, has grown in popularity in recent years..

**ESG (Environmental, Social, Governance) Investing:** Environmental, social, and governance (ESG) investing has been gaining popularity as it is considered a way to achieve better returns while aligning with the ethical values of the investors. Global Sustainable Investment Alliance research indicates that by 2020, there would be \$30.7 trillion in ESG assets managed.

**Behavioral Finance:** Behavioral finance has become an important trend in financial planning and wealth management. It is the

study of how psychology affects the financial decision-making process. Many financial advisors and wealth managers are using behavioral finance to understand the biases and emotions of their clients and provide more personalized and effective financial planning advice.

Overall, the latest trends in financial planning and wealth management at the global level include sustainability and impact investing, digitalization and automation, ESG investing, and behavioral finance. By understanding and adapting to these trends, financial advisors and wealth managers can provide better services to their clients and help them achieve their financial goals.

## Financial Planning And Wealth Management Industry: SWOT Analysis at Global Level and Indian Level

It is very important to understand strengths and weaknesses and opportunities and threats facing the industry to be commendable player in any industry. The authors in this paper have done SWOT analysis of financial planning and wealth management industry both at the global and at the Indian level

### SWOT Analysis at Global Level



### SWOT Analysis at Indian Level



In conclusion, the SWOT analysis of financial planning and wealth management industry at both Global and Indian level shows that though there are challenges lying ahead the industry offers tremendous potential for the players to make huge revenue and profits.

## ROLE OF BANKS IN FINANCIAL PLANNING AND WEALTH MANAGEMENT

In India, banks play an important role in financial planning and wealth management. Banks offer a wide range of financial products and services, including savings accounts, fixed deposits, mutual funds, insurance, and wealth management services.

Banks in India typically offer wealth management services through their private banking or wealth management divisions. These services can include portfolio management, investment advice, and tax planning. Banks may also offer specialized wealth management services for high net worth individuals (HNWIs) such as inheritance planning and trust services.

In recent times, many Indian banks have been focusing on expanding their wealth management services to tap into the growing demand for such services in the country. Banks are also leveraging technology to enhance their wealth management offerings, such as digital platforms, robo-advisory services, and other analytics tools to provide more personalized and efficient service.

A wide variety of investment products, including mutual funds, bonds, and other fixed-income instruments, are also available from banks. In order to protect their clients' futures, banks also provide insurance services like life, health, and general insurance.

In addition, a variety of financial planning services, such as retirement planning, tax planning, and estate planning, are provided by Indian banks. These services can assist clients in making financial plans and ensuring they have enough money to achieve their long-term objectives. In conclusion, by providing consumers with a wide range of financial goods and services, such as savings accounts, fixed deposits, mutual funds, insurance, and wealth management services, Indian banks play a vital role in financial planning and wealth management. Many Indian banks have recently concentrated on strengthening and growing their wealth management products due to the rising demand for wealth management services and the fiercer rivalry among banks.

The Indian wealth management market is anticipated to expand at a compound annual growth rate (CAGR) of 15% to reach \$2 trillion by 2025, according to a report by the consulting firm KPMG. The report also states that by 2025, there will be 4.5 million High Net Worth Individuals (HNWIs) in India, growing at a CAGR of 10%.

All this indicates the growing importance of insurance as a financial planning tool in India. In summary, the Indian wealth management market is expected to grow at a CAGR of 15% to reach \$2 trillion by 2025, driven by the increasing number of HNWIs in the country. Banks are expected to play a significant role in this market, with the share of bank-managed assets in the wealth management market expected to increase from 35% in 2018 to 45% in 2023.

## RISING USE OF TECHNOLOGY BY BANKS IN CATERING TO FINANCIAL PLANNING AND WEALTH MANAGEMENT

Banks across the globe and in India are increasingly using technology to provide financial planning and wealth management services. Here are some examples

- **DBS Bank in Singapore** launched an AI-powered financial planning tool called NAV Planner, which helps customers plan their finances and investments based on their personal goals and risk tolerance. Since its launch in 2019, NAV Planner has attracted over 300,000 users, and has helped DBS increase its assets under management significantly.
- **HDFC Bank** in India has launched a robo-advisory platform called HDFC MFOnline, which uses machine learning algorithms to provide customized investment recommendations to customers. The platform has over 2.5 million registered users, and has helped HDFC Bank increase its assets under management considerably.
- **JP Morgan** in the US has launched an app called You Invest, which provides personalized investment recommendations to customers based on their financial goals and risk tolerance. The app has over 2 million users, and has helped JP Morgan increase its assets under management significantly.
- **ICICI Bank** in India has launched a voice-powered virtual assistant called iPal, which can provide customers with information on their account balances, transactions, and investment portfolios. The assistant uses natural language processing and machine learning algorithms to understand customer queries and provide personalized responses.

These are just a few examples of how banks are leveraging the technology to cater to the humungous opportunities financial planning and wealth management business is bringing. This just seems to be the beginning as according to a survey by the World Economic Forum, 77% of banks across the continents are planning to invest in AI and machine learning technologies for wealth management services in the next two years. The survey also found that 53% of banks are planning to invest in blockchain and distributed ledger technologies for wealth management.

Overall, banks are using AI and analytics to improve their operations and customer service, in areas such as fraud detection and prevention, risk management, personalized customer service, credit scoring and predictive maintenance all these leading to better financial planning and wealth management.

## CONCLUSION

It can very rightly conclude that financial planning and wealth management industry is one of the growing industries both at the global and national level. Increasing disposable income, the growing number of high net worth individuals, and the rise of digital wealth management platforms are the key drivers of growth of the industry. The covid pandemic has created positive impact on the industry as the market volatility and economic uncertainty caused by the pandemic has led to an increase in demand for financial planning and wealth management services. The latest trends in financial planning and wealth management at the global level include sustainability and impact investing, digitalization and automation, ESG investing, and behavioral finance. By

understanding and adapting to these trends, financial advisors and wealth managers can provide better services to their clients and help them achieve their financial goals. Banks are one of the important pillars of economy and their presence in financial planning and wealth management industry turns out to be win-win situation both for the banks and the clients. In recent times, many Indian banks have been focusing on expanding their wealth management services to tap into the growing demand for such services in the country. Banks are also leveraging technology to enhance their wealth management offerings, such as digital platforms, robo-advisory services, and other analytics tools to provide more personalized and efficient service. So, it can rightly be concluded that financial planning and wealth management industry is going to be better, more robust and dynamic due to presence of banks as key service providers.

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