

# Opportunities for Chartered Accountants for Financial Wellness and Wealth Creation

*Encouraging investing trends are being witnessed in the markets. While the equity markets have been highly volatile in recent times, the retail investors invested ₹ 8,324 crore through SIPs (Systematic Investment Plans) during the month, the highest ever in a month<sup>1</sup>. While trusting the financial markets in pursuit of their financial goals, the foundation stones of this confidence of retail investors in the markets may have been laid down by their financial guide, their Chartered Accountants, who advise them to continue to invest to accumulate a healthy sum towards the financial goals. It is often said, “one should not keep any secrets with three people – doctors, lawyers, and CAs.” While doctors and lawyers emerge as your guardians in specific times as and when the circumstances arise, CA is someone from whom people are seeking guidance and advice at frequent intervals. Read on...*



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Whether it is about filing your Income Tax Returns or ensuring GST compliances, it is the CA who is always is always looked for. However, we often see that the role of CA is seen as confined only to tax saving and planning matters, even when the capabilities of CAs extend much beyond that. CAs can help their clients in taxes, investments, financial planning, managing debts, and the list goes on. As such, a CA can undoubtedly add a lot more value to the finances of their clients and towards their financial aspirations and goals.

We, the Chartered Accountants, get polished through a healthy practical experience during the training period and with ICAI having revamped the curriculum with the practical aspects of capital and foreign markets, the qualified CA professionals acquire the crucial theoretical and practical exposure into different facets of financial world. Given the practical experience, it is seen that people tend

to rely heavily on their CAs for all their significant financial matters, be it purchasing any property or taking any loan. As such, CAs can certainly play a vital role in securing a healthy financial future for their clients.

First things first, CAs are most sought after by the majority of the population during the tax filing season. With the expertise in taxation matters, CAs can be a great guide to help their clients understand the nuisances of income tax. Not only can we help them make the most of the tax deductions and exemptions available, our role does not stop there itself. We can be a pivot in the pursuit of financial literacy and can educate our clients about the ways to maximize the tax benefits, helping to bridge the gap between tax planning and financial planning. It is always easier for them to understand and rely upon the financial advice if it comes from a CA. So, if their CA tells them that Equity Linked Savings Schemes (ELSS) is one of

<sup>1</sup> Monthly SIP inflows - AMFI, link - <https://www.amfiindia.com/mutual-fund>

the preferred investment options to avail ₹ 1.50 lakh deduction under section 80C due to its lowest lock-in period of 3 years and its inherent potential to create wealth, clients are assured of such advices taking care of their financial interests. Even while the Code of Ethics does not allow CAs to be distributors for different investment products, the clients trust us for getting an unbiased and independent financial advice.

Similarly, CAs are generally aware of the income pattern as well as the spending pattern of their clients. Whether the income is flowing on a regular basis or seasonal basis, whether one is an informed tax saver or someone who makes tax savings at year-end in panic, whether one has any committed liabilities or has all the income at his/ her disposal, CAs are most informed person about such things. Many times, certain financial issues may not be generally known to the spouses, but to the CAs. While the thumb rule states that an emergency fund should be maintained for at least six months' expenses, the committed liabilities including EMIs and income flows, can impact the quantum of such emergency fund. Therefore, CAs are the best judge for the requirement for emergency fund creation and also helping the clients quantify such fund. Further, when such advice comes from a CA, it is bound to be taken more seriously than otherwise.

CAs, by virtue of their professional assignments and practical experiences, are better updated on the emerging trends in the capital markets. With the risk profile of different investment products in the know-how, we can help our clients make an informed decision on making investments basis the risk-adjusted returns.

It has been seen that people tend to make investment decisions based on returns from different investment products. However, there are two crucial parameters for consideration before one compares the returns –

the first is the comparison of risk-adjusted returns and secondly the tax incidence of such returns from the investments. CAs, by virtue of their professional assignments and practical experiences, are better updated on the emerging trends in the capital markets. With the risk profile of different investment products in the know-how, we can help our clients make an informed decision on making investments basis the risk-adjusted returns.

Further, being a taxation expert, CAs also understand the varying tax incidence of returns from different investments. Since the tax rules may cause the gains to be taxed at different rates, the post-tax returns may be vastly different from the published returns. For example, a tax-free bond with a 7% yield is more beneficial investment than a bank fixed deposit at 8% interest, when you are into the tax slab of 30%. This is since after adjusting the tax benefit of 31.2% (without considering the applicable surcharge); the returns from the tax-free bond can be considered to be above 10%. So, if our clients would not have consulted us and gone ahead with the traditional investment into bank deposits, they would have effectively lost on the returns due to the tax incidence.

Similarly, as a CA, we can measure financial strengths as well as weaknesses of the individuals as well as the companies. Since we are aware of our client's risk tolerance, tax status as well as the financial goals, the clients tend to rely upon our advice on how the portfolio must be apportioned between different asset classes and also making regular investments towards the financial goals. No wonder, CAs can assist individuals to start the journey towards wealth creation, while also helping to plan their taxes smartly. CAs can also make use of the financial data and information to help others select the right investments suiting the risk bearing ability and investment horizon. As we can analyse the financials with our core fundamental expertise, it also becomes easier for us to

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Ratan Tata, the Chairman emeritus for the Tata Group, once said, *"I may need MBAs to run my businesses, but I need CAs to teach them how to run a business."* Even while we, as CAs, may tend to undermine our abilities and capabilities, the opportunities in the financial world are immense for us. The need of the hour is to recognise our inherent strengths and utilise them to the good of the World. Be it Kumar Mangalam Birla, or the renowned investor, Rakesh Jhunjhunwala, or the Cabinet Minister - Piyush Goyal, all these Chartered Accountants have been leaving their mark in different facets of the economy in the Country.

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