UpperCrust
THE WEALTH COMPANY

NISM CERTIFICATION · COMPLETE STUDY GUIDE

NISM Series X-A

Investment Adviser (Level 1)

The SEBI-mandated certification for investment advisers: markets, products, risk, planning, insurance, retirement, tax and ethics.

100 QUESTIONS · 120 MINUTES · PASS 60% · 12 UNITS

UpperCrust Academy · ucwacademy.in · Free for every learner · Edition 2026

ABOUT THIS GUIDE

Everything you need, in one place.

NISM Series X-A is the first of the two certifications required by SEBI for registered investment advisers. It tests the product knowledge and the planning toolkit that an adviser uses with every client, with strong weight on insurance, retirement and tax.

100	120 min	60%	25% of marks
QUESTIONS	DURATION	TO PASS	NEGATIVE MARKING

Who should take this exam

Aspiring and existing SEBI-registered investment advisers, wealth managers, relationship managers, bank staff and anyone who wants to give holistic advice instead of selling single products.

How this guide works

1. Read the unit overview
2. Study each concept card
3. Say the example aloud
4. Check the watch-outs
5. Take the unit mock

Each unit opens with its exam weight, so you know where marks are. Each concept card gives the idea, a worked example, and the mistake the exam wants you to make. The same ideas power the five mock tests on the UpperCrust Academy app, which get harder one by one.

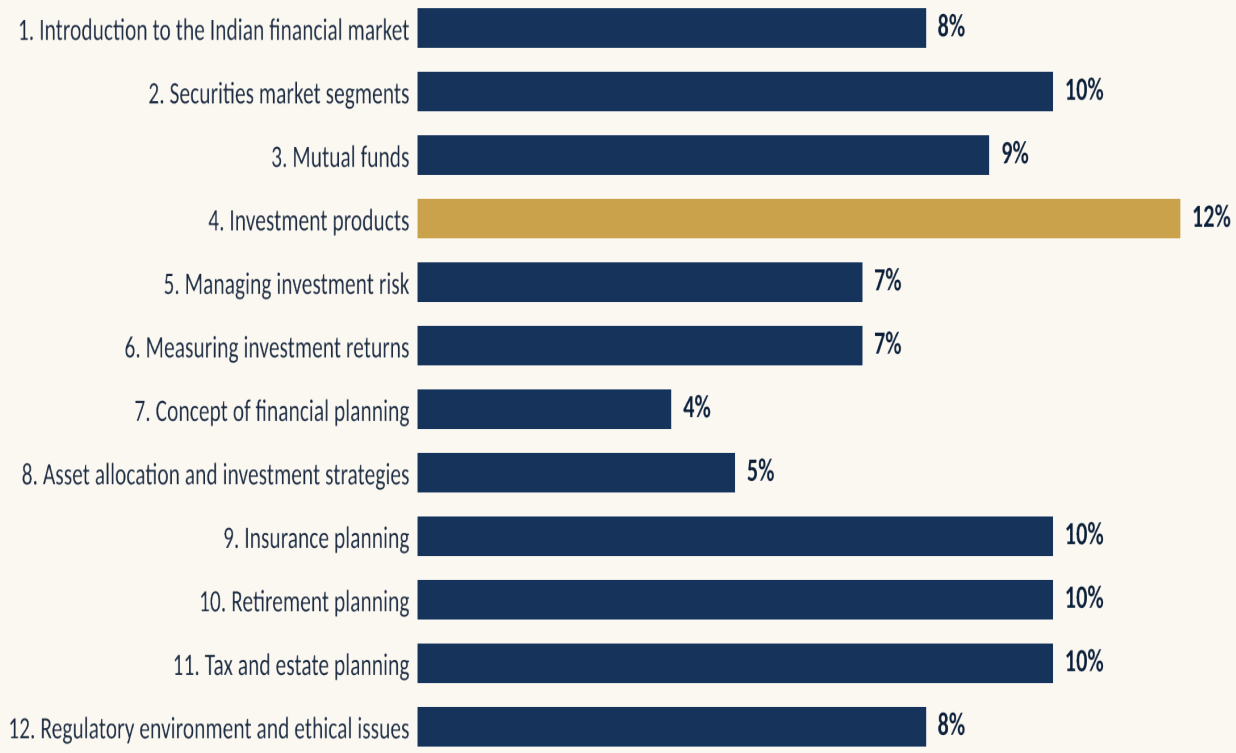
> **Keep this in mind**
>
> NISM revises its syllabus and workbook from time to time, and rules change by SEBI circular. This guide follows the official unit structure and weightage. Check the latest NISM workbook for any changes before your exam date.

EXAM AT A GLANCE

Structure and marks.

Item	Detail
Format	Computer-based, multiple-choice questions
Questions and marks	100 questions, 1 mark each, 100 marks
Duration	2 hours
Passing score	60 marks (60%)
Negative marking	25% of a question's marks, so 0.25 per wrong answer
Certificate validity	Three years; renew through NISM
Where it leads	SEBI investment adviser registration (with Level 2 where needed)

Where the marks are



Read the chart like an examiner

Units above 10% decide most results. Master them first, then use the small units for easy marks. A unit worth 3% still supplies three marks at no extra effort once you have the concepts.

YOUR STUDY PLAN

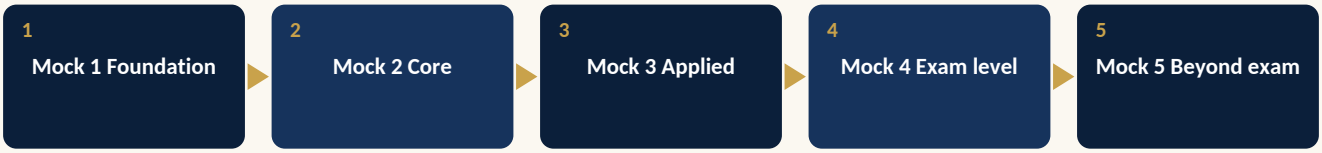
Time follows marks.

The bar shows how the exam is split across units. Spend your hours in the same proportion.



Unit	Marks	Share of study time	Suggested days
1. Introduction to the Indian financial market	8	8%	2
2. Securities market segments	10	10%	3
3. Mutual funds	9	9%	3
4. Investment products	12	12%	3
5. Managing investment risk	7	7%	2
6. Measuring investment returns	7	7%	2
7. Concept of financial planning	4	4%	1
8. Asset allocation and investment strategies	5	5%	1
9. Insurance planning	10	10%	3
10. Retirement planning	10	10%	3
11. Tax and estate planning	10	10%	3
12. Regulatory environment and ethical issues	8	8%	2
Revision and five mocks			7

The mock ladder



Take Mock 1 after your first pass through the guide. Move to the next mock only when you score 15 marks above the pass mark. Review every wrong answer in the app; each one links back to its unit.

UNIT 1 · 8% OF THE EXAM

Introduction to the Indian financial market

The financial system, its institutions and regulators. Who regulates what, and how savings flow to investment.

What the exam looks for

- Financial system components.
- Regulators: SEBI, RBI, IRDAI, PFRDA.
- Money, capital and forex markets.

Who regulates what

Regulator	Oversees
RBI	Banks, money market, forex, payment systems
SEBI	Securities markets, mutual funds, advisers
IRDAI	Insurance companies and intermediaries
PFRDA	NPS and pension funds

Concept cards

01

Financial system

The financial system consists of institutions, markets, instruments and regulators that move savings to productive uses.

EXAMPLE Banks, markets and insurers together channel household savings into investments.

WATCH OUT Not true: the financial system consists of banks only.

02

Financial market

A financial market is where financial assets are created and traded, and it is divided into money market, capital market and foreign exchange market.

EXAMPLE Equity shares, short-term paper and currencies each trade in their own market.

WATCH OUT Not true: financial markets deal only in physical commodities.

03

RBI

The Reserve Bank of India is the central bank. It regulates banks, manages monetary policy and the money market, and issues currency.

EXAMPLE The authority that sets the repo rate also regulates banks.

WATCH OUT Not true: the RBI regulates mutual funds.

04

IRDAI

The Insurance Regulatory and Development Authority of India regulates insurers and intermediaries and protects policyholders.

EXAMPLE A complaint about an insurance company's conduct is escalated to this body.

WATCH OUT Not true: iRDAI regulates stock exchanges.

05

PFRDA

The Pension Fund Regulatory and Development Authority regulates the National Pension System and pension funds.

EXAMPLE The body that oversees NPS fund managers and subscribers.

WATCH OUT Not true: pFRDA regulates mutual funds.

06

Repo rate

The repo rate is the rate at which the RBI lends short-term funds to banks against government securities, and it is the main policy rate.

EXAMPLE When the central bank raises the rate at which banks borrow, loan rates tend to rise.

WATCH OUT Not true: a repo rate cut makes loans costlier.

07

Inflation and interest rates

When inflation rises, central banks tend to raise rates to cool demand, which affects bond prices and borrowing costs.

EXAMPLE Rising prices lead to higher policy rates and lower bond prices.

WATCH OUT Not true: high inflation always leads to lower interest rates.

08

Primary dealer

Primary dealers are institutions that underwrite and trade government securities and support the central bank in managing borrowing.

EXAMPLE An institution that bids at government auctions and makes a market in G-secs.

WATCH OUT Not true: primary dealers sell only equity shares.

09

Stock exchanges and depositories

Exchanges provide the trading platform; depositories hold securities in electronic form; clearing corporations settle trades.

EXAMPLE A trade flows through an exchange, a clearing corporation and a depository.

WATCH OUT Not true: depositories execute trades on exchanges.

10

Foreign portfolio investor

A foreign portfolio investor is an overseas entity that invests in Indian securities, registered under SEBI's regulations.

EXAMPLE An overseas fund buys listed Indian shares and bonds.

WATCH OUT Not true: an FPI is an Indian retail investor.

11 Credit rating agency

A credit rating agency assesses the creditworthiness of issuers and their debt instruments and is regulated by SEBI.

EXAMPLE An independent agency rates a company's bonds as AA+.

WATCH OUT Not true: a credit rating agency issues the bonds.

12 Money supply and liquidity

Liquidity in the system is influenced by the RBI's tools such as CRR, SLR and open market operations.

EXAMPLE The central bank buys securities to inject liquidity into the system.

WATCH OUT Not true: liquidity is controlled only by the stock exchanges.

Unit recap · one line each

Financial system · Financial market · RBI · IRDAI · PFRDA · Repo rate · Inflation and interest rates · Primary dealer · Stock exchanges and depositories · Foreign portfolio investor · Credit rating agency · Money supply and liquidity

UNIT 2 · 10% OF THE EXAM

Securities market segments

Equity, debt and derivative segments, how they work and what a client is buying when she buys each.

What the exam looks for

- Equity market and its participants.
- Debt market: G-secs, corporate bonds, money market.
- Derivatives for advisers.

Concept cards

01

Equity market

The equity market is where shares are issued and traded, giving investors ownership and a claim on residual profits.

EXAMPLE An investor buys shares and shares in a company's future profit.

WATCH OUT Not true: the equity market offers fixed returns.

02

Debt market

The debt market is where fixed-income securities such as bonds and treasury bills are issued and traded.

EXAMPLE An investor lends to a government in return for interest.

WATCH OUT Not true: the debt market gives investors ownership of companies.

03

Primary and secondary markets

The primary market creates new securities and the secondary market trades existing ones, giving liquidity to investors.

EXAMPLE An IPO happens in the primary market; later trading happens in the secondary market.

WATCH OUT Not true: trading among investors takes place in the primary market.

04

Demat and trading accounts

A demat account holds securities electronically and a trading account is used to place orders through a broker.

EXAMPLE An investor needs both to buy shares on an exchange.

WATCH OUT Not true: a demat account is used to place orders.

05

Settlement cycle

Equity cash market trades settle on T+1, meaning the next working day after the trade.

EXAMPLE A share bought on Monday is settled the next working day.

WATCH OUT Not true: equity trades take a week to settle.

06

Corporate bond market

Corporate bonds are debt securities issued by companies and carry credit risk, rated by rating agencies.

EXAMPLE A company raises money by issuing rated bonds.

WATCH OUT Not true: corporate bonds are free from credit risk.

07

Government securities market

G-secs are issued by the government to borrow, and carry virtually no credit risk, though prices move with interest rates.

EXAMPLE A government bond has no default risk but its price can fall when rates rise.

WATCH OUT Not true: g-sec prices never change.

08

Money market instruments

Money market instruments mature within a year and include T-bills, CP, CD and repos.

EXAMPLE A company parks funds for 60 days in a short-term instrument.

WATCH OUT Not true: money market instruments mature after ten years.

09

Derivatives for advisers

Derivatives such as futures and options are used for hedging and speculation; advisers must understand leverage before recommending them.

EXAMPLE An adviser explains why a protective position may reduce a client's portfolio risk.

WATCH OUT Not true: derivatives remove market risk entirely.

10

Stock market indices

Indices such as the Sensex and Nifty 50 track the market and are benchmarks for portfolios and index funds.

EXAMPLE A portfolio manager compares returns with a broad market index.

WATCH OUT Not true: indices are fixed numbers that never change.

11

Short-term vs long-term capital gains

Gains on listed shares and equity funds are short-term if held up to 12 months and long-term if held longer, with different tax rates.

EXAMPLE An investor selling after 15 months realises a long-term gain.

WATCH OUT Not true: the tax rate is the same regardless of the holding period.

12

Market risk of equity

Equity prices fluctuate with company performance and market sentiment, and capital can be lost, especially over short horizons.

EXAMPLE A client's equity fund falls 15% in a quarter.

WATCH OUT Not true: equities cannot lose value over short periods.

13

Settlement guarantee

The clearing corporation guarantees the settlement of exchange trades, reducing counterparty risk for investors.

EXAMPLE A trader need not worry that the other party will fail to deliver.

WATCH OUT Not true: exchange trades have no settlement guarantee.

14

Rating scales

Bond ratings range from the highest (AAA) to default (D), and investment grade is generally BBB- and above.

EXAMPLE A bond rated BB is considered below investment grade.

WATCH OUT Not true: bBB is the highest rating.

15

Yield curve

The yield curve plots yields of bonds against their maturities; an upward-sloping curve is normal, where longer maturities yield more.

EXAMPLE Ten-year bonds yield more than one-year bonds.

WATCH OUT Not true: the yield curve plots share prices against time.

16

Liquidity of securities

Liquidity varies by security: large-cap shares and G-secs trade easily while thinly traded bonds can be hard to sell.

EXAMPLE A client finds it difficult to sell a thinly traded bond.

WATCH OUT Not true: all securities are equally liquid.

Unit recap · one line each

Equity market · Debt market · Primary and secondary markets · Demat and trading accounts · Settlement cycle · Corporate bond market · Government securities market · Money market instruments · Derivatives for advisers · Stock market indices · Short-term vs long-term capital gains · Market risk of equity · Settlement guarantee · Rating scales · Yield curve · Liquidity of securities

UNIT 3 · 9% OF THE EXAM

Mutual funds

Funds from an adviser's viewpoint: structure, categories, costs, taxation and how to compare schemes.

What the exam looks for

- Scheme categories and fit.
- Direct versus regular plans.
- Taxation of funds.

Concept cards

01

Mutual fund structure

A mutual fund has a sponsor, trust, trustees and an AMC, supported by a custodian and RTA, and is regulated by SEBI.

EXAMPLE A three-tier structure oversees the investor's money.

WATCH OUT Not true: a mutual fund is a bank deposit.

02

Direct plan for advisers

A registered investment adviser charging a fee should generally recommend direct plans to avoid receiving commissions.

EXAMPLE An adviser who charges a fee puts the client into the lower-cost plan.

WATCH OUT Not true: an adviser charging a fee can also collect trail commission from the same client.

03

NAV

NAV is the per-unit value of a scheme, equal to total assets less liabilities divided by units outstanding.

EXAMPLE A scheme with ₹100 crore net assets and 5 crore units has a NAV of ₹20.

WATCH OUT Not true: nAV is the price paid for shares on the exchange.

04

Equity fund categories

SEBI defines categories such as large cap, mid cap, small cap, flexi cap and ELSS, each with minimum equity allocations.

EXAMPLE A scheme must keep at least 80% in top-100 stocks to be called a large cap fund.

WATCH OUT Not true: a large cap fund can hold any mix of stocks.

05

Debt fund risk

Debt funds are exposed to interest-rate risk, credit risk and liquidity risk, and returns are not guaranteed.

EXAMPLE A bond fund loses value when interest rates rise.

WATCH OUT Not true: debt funds are free of risk.

06

Hybrid funds

Hybrid funds combine equity and debt, with varied allocations, to balance growth and stability.

EXAMPLE A client wanting moderate risk holds a scheme with 65% equity and 35% debt.

WATCH OUT Not true: hybrid funds invest only in debt.

07

Expense ratio

The expense ratio is the annual charge as a percentage of a scheme's assets and reduces the investor's return.

EXAMPLE A scheme charging 1.5% costs the investor ₹1,500 yearly on ₹1 lakh.

WATCH OUT Not true: the expense ratio is charged only at entry.

08

Exit load

Exit load is charged on redemption within a defined period and is credited to the scheme.

EXAMPLE A fund levies 1% if units are sold within a year.

WATCH OUT Not true: exit load is a commission paid to the adviser.

09

SIP

A Systematic Investment Plan invests a fixed sum at regular intervals and helps to average the purchase cost over time.

EXAMPLE A client invests ₹10,000 monthly in a fund.

WATCH OUT Not true: a SIP assures positive returns.

10

Riskometer

The riskometer shows a scheme's risk on six levels from low to very high, and should match the client's risk profile.

EXAMPLE An adviser compares the scheme's risk label with the client's tolerance.

WATCH OUT Not true: riskometer shows the scheme's past return.

11

Tax on mutual funds

Equity-oriented funds are taxed on short- and long-term gains at different rates, while specified debt funds are taxed at the investor's slab rate.

EXAMPLE A debt fund gain is added to the investor's total income.

WATCH OUT Not true: all mutual fund gains are tax-free.

12

Fund selection

An adviser compares funds on risk-adjusted return, consistency, costs, portfolio quality and fit with the client's goals, not just recent performance.

EXAMPLE An adviser reviews five-year rolling returns, not just last year.

WATCH OUT Not true: the previous year's best fund is always the right choice.

13

ETF and index funds

ETFs and index funds replicate an index at low cost; ETFs trade on exchanges while index funds are bought from the AMC.

EXAMPLE A client buys a low-cost fund that mirrors the Nifty 50.

WATCH OUT Not true: eTFs are bought only through the AMC at NAV.

14

Portfolio overlap

Holding several funds with similar portfolios increases overlap and reduces diversification benefits.

EXAMPLE A client owns five large-cap funds with the same top holdings.

WATCH OUT Not true: more funds always mean better diversification.

Unit recap · one line each

Mutual fund structure · Direct plan for advisers · NAV · Equity fund categories · Debt fund risk · Hybrid funds · Expense ratio · Exit load · SIP · Riskometer · Tax on mutual funds · Fund selection · ETF and index funds · Portfolio overlap

UNIT 4 · 12% OF THE EXAM

Investment products

The shelf of products an adviser can use: deposits, small savings, bonds, equity, gold, real estate, REITs, PMS, AIFs and structured products.

What the exam looks for

- Features, risk, return, liquidity and tax of each product.
- Which product suits which goal.

Product comparison

Product	Risk	Liquidity	Typical role
Bank FD	Low	Moderate	Capital safety
PPF	Government-backed	Low	Long-term safe, tax-efficient
Equity	High	High	Growth
Gold	Moderate	High	Hedge
Real estate	Moderate to high	Low	Long-term, income
REIT/InvIT	Moderate	High (listed)	Income

Concept cards

01

Fixed deposit

A fixed deposit gives a fixed return for a fixed period, with capital safety up to the deposit insurance limit and interest taxable at slab rates.

EXAMPLE A saver locks a sum for three years at a known rate.

WATCH OUT Not true: a fixed deposit gives market-linked returns.

02

Deposit insurance

Deposit insurance covers bank deposits up to ₹5 lakh per depositor per bank in case of bank failure.

EXAMPLE A depositor holds ₹8 lakh in one bank, with ₹5 lakh insured.

WATCH OUT Not true: all deposits of any amount are fully insured.

03

Public Provident Fund

PPF is a government-backed small savings scheme with a 15-year tenure, tax benefits on deposit and interest, and limited premature withdrawal.

EXAMPLE A long-term saver builds a tax-efficient corpus over fifteen years.

WATCH OUT Not true: pPF can be fully withdrawn after one year.

04

Sukanya Samriddhi Yojana

The Sukanya Samriddhi account is a small savings scheme for the girl child with tax benefits and a long lock-in until maturity or marriage after 18.

EXAMPLE A parent opens an account for her daughter's education and marriage.

WATCH OUT Not true: sukanya Samriddhi is available for any child.

05

Senior Citizens' Savings Scheme

SCSS is a government-backed scheme for those aged 60 and above with a five-year tenure, offering regular interest payouts.

EXAMPLE A retiree places a lump sum for regular quarterly income.

WATCH OUT Not true: sCSS is open to any age.

06

Sovereign gold bond

A sovereign gold bond is a government security denominated in grams of gold that pays interest and has no storage or purity issues, with a defined tenure.

EXAMPLE An investor holds gold on paper, backed by the government, and earns annual interest.

WATCH OUT Not true: a sovereign gold bond pays no interest.

07

Gold ETF

A gold ETF is a fund that holds physical gold and trades on an exchange, giving gold exposure without storage.

EXAMPLE An investor buys units of gold in a demat account.

WATCH OUT Not true: a gold ETF offers jewellery on redemption.

08

Equity share

An equity share offers ownership and growth potential, dividends and voting rights, but with the highest risk among common products.

EXAMPLE A client wants long-term growth and can bear volatility.

WATCH OUT Not true: equity gives assured returns.

09

REIT

A REIT owns and operates income-producing real estate and distributes most of its income to unit holders, listed on exchanges.

EXAMPLE An investor holds units in a trust that owns office buildings.

WATCH OUT Not true: a REIT invests in debt instruments of companies.

10

InvIT

An InvIT pools money to invest in infrastructure assets such as roads and power lines and distributes income to unit holders.

EXAMPLE An investor buys units in a trust that owns toll roads.

WATCH OUT Not true: an InvIT invests only in residential flats.

11

Real estate

Real estate offers appreciation and rental income but is illiquid, high in ticket size and costly to transact.

EXAMPLE A client finds it hard to sell a property quickly.

WATCH OUT Not true: real estate is a liquid investment.

12

PMS

Portfolio management services manage a client's portfolio of securities in a segregated account, with a minimum investment of ₹50 lakh.

EXAMPLE A wealthy client hands over a securities portfolio to a professional manager.

WATCH OUT Not true: pMS has no minimum investment.

13

Alternative investment fund

An AIF is a privately pooled fund investing in non-traditional assets and strategies, with a minimum investment of ₹1 crore.

EXAMPLE An investor puts ₹1 crore into a private equity fund.

WATCH OUT Not true: an AIF accepts investments of ₹10,000.

14

Structured product

A structured product combines a debt instrument with a derivative to deliver a customised payoff, and may carry high complexity and issuer risk.

EXAMPLE A product offers returns linked to an index with partial capital protection.

WATCH OUT Not true: structured products are simple and risk free.

15

NPS as a product

NPS is a defined-contribution pension scheme invested in equity, corporate bonds and government securities, with a partly mandatory annuity at exit.

EXAMPLE A person builds a retirement corpus with regulated pension fund managers.

WATCH OUT Not true: nPS is a mutual fund.

16

Bonds and debentures

Bonds are debt instruments paying interest and returning principal at maturity; yields depend on credit quality and tenure.

EXAMPLE A client receives coupons and principal on a corporate bond.

WATCH OUT Not true: bond returns are linked to company profits.

17

Annuity

An annuity is a series of regular payments, usually from an insurer, bought with a lump sum, to provide income in retirement.

EXAMPLE A retiree pays a lump sum and receives monthly income for life.

WATCH OUT Not true: an annuity pays a single lump sum at maturity.

18

Unit linked insurance plan

A ULIP combines insurance with market-linked investment, with charges for mortality, administration and fund management.

EXAMPLE A policy invests part of the premium in funds and part in cover.

WATCH OUT Not true: a ULIP has no charges.

19

Corporate fixed deposit

A corporate fixed deposit is a deposit with a company at a higher rate than banks, with higher risk and no deposit insurance.

EXAMPLE A client considers a company deposit for its higher interest.

WATCH OUT Not true: company deposits are insured like bank deposits.

20

Recurring deposit

A recurring deposit lets a saver deposit a fixed sum every month for a fixed term, earning a fixed interest rate.

EXAMPLE A saver puts ₹5,000 monthly into a bank for two years.

WATCH OUT Not true: a recurring deposit needs a single lump sum at the start.

Unit recap · one line each

Fixed deposit · Deposit insurance · Public Provident Fund · Sukanya Samriddhi Yojana · Senior Citizens' Savings Scheme · Sovereign gold bond · Gold ETF · Equity share · REIT · InvIT · Real estate · PMS · Alternative investment fund · Structured product · NPS as a product · Bonds and debentures · Annuity · Unit linked insurance plan · Corporate fixed deposit · Recurring deposit

UNIT 5 · 7% OF THE EXAM

Managing investment risk

Risk is more than volatility. This unit lists the types of risk and the tools to measure and manage them.

What the exam looks for

- Types of risk.
- Standard deviation and beta.
- Diversification and risk management steps.

Concept cards

01

Market risk

Market risk is the risk of loss from overall movements in market prices that cannot be diversified away.

EXAMPLE A portfolio falls because the whole market fell.

WATCH OUT Not true: market risk can be eliminated by diversification.

02

Credit risk

Credit risk is the chance that a borrower will not repay interest or principal on time.

EXAMPLE A bond issuer defaults on interest payments.

WATCH OUT Not true: credit risk applies only to equity shares.

03

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the value of fixed-income investments; prices fall when rates rise.

EXAMPLE A bond portfolio loses value after the policy rate is raised.

WATCH OUT Not true: bond prices rise when interest rates rise.

04

Inflation risk

Inflation risk is the risk that returns will not keep pace with price rises, eroding purchasing power.

EXAMPLE A saver's 5% deposit returns less than the 6% inflation.

WATCH OUT Not true: inflation risk affects only equity investors.

05

Liquidity risk

Liquidity risk is the risk of being unable to sell an asset quickly at a fair price.

EXAMPLE A client cannot sell a plot of land at short notice.

WATCH OUT Not true: liquidity risk is the chance of a price fall.

06

Reinvestment risk

Reinvestment risk is the risk that cash flows such as coupons can only be reinvested at lower rates than the original.

EXAMPLE A bond's coupons are reinvested at lower rates after rates fall.

WATCH OUT Not true: reinvestment risk is the risk of default.

07

Systematic and unsystematic risk

Systematic risk affects the whole market and cannot be diversified; unsystematic risk is specific to a company or sector and can be reduced by diversification.

EXAMPLE A strike at one company is specific risk, while a recession affects all.

WATCH OUT Not true: systematic risk can be diversified away.

08

Standard deviation

Standard deviation measures how widely returns vary around the average and is used as a measure of total risk.

EXAMPLE A fund with a standard deviation of 20% is more volatile than one with 10%.

WATCH OUT Not true: a higher standard deviation indicates lower risk.

09

Beta

Beta measures a security's sensitivity to market moves; beta above 1 means more volatile than the market.

EXAMPLE A stock with a beta of 1.4 tends to move more than the market.

WATCH OUT Not true: a beta of 1 means the stock never moves.

10

Diversification

Diversification reduces unsystematic risk by holding assets that do not move together, such as equity, debt and gold.

EXAMPLE An investor spreads money across asset classes and sectors.

WATCH OUT Not true: diversification eliminates all risk.

11

Risk tolerance

Risk tolerance is a client's willingness to accept fluctuations; it differs from risk capacity, which is the ability to bear loss.

EXAMPLE A client who loses sleep over a small fall has low tolerance.

WATCH OUT Not true: risk tolerance is a fixed number set by regulation.

12

Risk management process

Risk management involves identifying risks, measuring them, choosing a treatment such as avoiding, reducing, transferring or retaining and monitoring.

EXAMPLE A family buys health insurance to transfer the risk of a large medical bill.

WATCH OUT Not true: risk management means ignoring all risks.

13

Value at Risk

Value at Risk estimates the maximum likely loss over a period at a given confidence level under normal conditions.

EXAMPLE A portfolio's one-day 95% VaR is ₹2 lakh.

WATCH OUT Not true: vaR is the worst possible loss ever.

14

Risk-adjusted return

Risk-adjusted measures such as the Sharpe ratio show return earned per unit of risk taken.

EXAMPLE Two funds with equal returns are compared on how much risk each took.

WATCH OUT Not true: the highest-return fund always has the best risk-adjusted performance.

Unit recap · one line each

Market risk · Credit risk · Interest rate risk · Inflation risk · Liquidity risk · Reinvestment risk · Systematic and unsystematic risk · Standard deviation · Beta · Diversification · Risk tolerance · Risk management process · Value at Risk · Risk-adjusted return

UNIT 6 · 7% OF THE EXAM

Measuring investment returns

Formulas matter here: holding period return, CAGR, IRR, real return and the effect of tax and costs.

What the exam looks for

- Absolute and annualised return.
- IRR and XIRR.
- Real and post-tax return.

FORMULA · CAGR

CAGR = (Ending value ÷ Beginning value)^(1 ÷ years) − 1

FORMULA · Future value

FV = PV × (1 + r)^n

Concept cards

01

Holding period return

Holding period return is the total return over the period an investment is held, including income and price change, as a percentage of the initial value.

EXAMPLE An investment of ₹100 returns ₹115 including dividends.

WATCH OUT Not true: holding period return is the annual yield.

02

CAGR

CAGR is the constant annual rate at which an investment grows over a period longer than a year, assuming compounding.

EXAMPLE ₹1 lakh becomes ₹1.44 lakh in three years, about 13% a year.

WATCH OUT Not true: cAGR is the simple average of yearly returns.

03

IRR

The internal rate of return is the rate that makes the present value of cash inflows equal to the outflows, used for irregular cash flows.

EXAMPLE A series of deposits and withdrawals is summarised in one annual rate.

WATCH OUT Not true: iRR ignores the timing of cash flows.

04

XIRR

XIRR computes the annualised return for investments made on specific dates, such as monthly SIPs.

EXAMPLE An adviser wants the true return on a three-year SIP.

WATCH OUT Not true: xIRR cannot be used for SIPs.

05

Real return

Real return is nominal return adjusted for inflation; it shows the growth in purchasing power.

EXAMPLE A 9% return with 6% inflation gives about 3% in real terms.

WATCH OUT Not true: real return equals nominal return.

06

Post-tax return

Post-tax return is the return after deducting tax, and is the figure that matters to the client.

EXAMPLE An investor compares products after tax.

WATCH OUT Not true: pre-tax return is the final return.

07

Time value of money

Money available now is worth more than the same amount in the future, because it can be invested to earn a return.

EXAMPLE ₹1 lakh today beats ₹1 lakh received in five years.

WATCH OUT Not true: a rupee today and tomorrow are equal.

08

Present value

Present value is the current worth of a future sum, discounted at a given rate.

EXAMPLE ₹1.1 lakh receivable in a year at 10% is worth ₹1 lakh today.

WATCH OUT Not true: present value is always more than future value.

09

Future value

Future value is the amount an investment will grow to after earning a given return over a period.

EXAMPLE ₹1 lakh at 10% for two years grows to ₹1.21 lakh.

WATCH OUT Not true: future value is the value today of future cash flow.

10

Annuity versus perpetuity

An annuity pays a fixed amount for a fixed number of periods, while a perpetuity pays forever.

EXAMPLE A pension that continues for life with no end date is like a perpetuity.

WATCH OUT Not true: a perpetuity stops after ten years.

11

Rule of 72

The Rule of 72 estimates the years for money to double by dividing 72 by the annual return in percent.

EXAMPLE At 8% an investment doubles in about nine years.

WATCH OUT Not true: the Rule of 72 gives the tax payable.

12

Impact of costs

Fees and expense ratios reduce net returns, and the effect compounds over long periods.

EXAMPLE A 1% yearly cost on a 12% return reduces ending wealth materially over twenty years.

WATCH OUT Not true: costs have no effect on long-term returns.

13

Benchmarking

Comparing a portfolio's return with a relevant benchmark shows whether the manager added value after adjusting for risk.

EXAMPLE A fund's return is compared with its category index.

WATCH OUT Not true: any index can be used as a benchmark for any fund.

14

Time-weighted versus money-weighted

Time-weighted return removes the effect of cash flows, judging a manager; money-weighted return, like IRR, reflects the investor's own timing of flows.

EXAMPLE A manager's skill is judged ignoring the investor's deposits and withdrawals.

WATCH OUT Not true: both measures are always the same.

Unit recap · one line each

Holding period return · CAGR · IRR · XIRR · Real return · Post-tax return · Time value of money · Present value · Future value · Annuity versus perpetuity · Rule of 72 · Impact of costs · Benchmarking · Time-weighted versus money-weighted

UNIT 7 · 4% OF THE EXAM

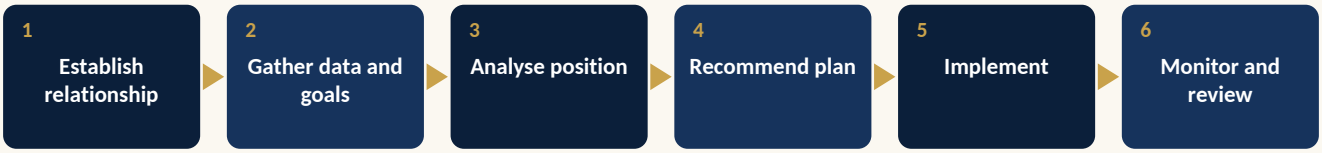
Concept of financial planning

The planning process, from understanding the client to monitoring.

What the exam looks for

- Six steps of financial planning.
- Life-cycle needs.
- Balance sheet and cash flow.

Financial planning process



Concept cards

01

Financial planning process

The process involves establishing the client relationship, gathering information, analysing, recommending, implementing and monitoring.

EXAMPLE An adviser starts by agreeing scope and fees before collecting data.

WATCH OUT Not true: financial planning starts with product recommendation.

02

Fiduciary duty

An adviser acts as a fiduciary, putting the client's interests ahead of her own and avoiding conflicts of interest.

EXAMPLE An adviser recommends a lower-cost option though it pays her less.

WATCH OUT Not true: a fiduciary may put her own interest first.

03

Net worth statement

A net worth statement lists assets and liabilities; net worth equals assets minus liabilities.

EXAMPLE A client's assets are ₹80 lakh and liabilities ₹30 lakh, giving ₹50 lakh.

WATCH OUT Not true: net worth is total income minus expenses.

04

Cash flow statement

A cash flow statement lists a client's income and expenses to show the surplus available for saving.

EXAMPLE An adviser reviews monthly inflows and outflows to find the surplus.

WATCH OUT Not true: a cash flow statement lists assets only.

05

Financial ratios

Ratios such as savings ratio, liquidity ratio and debt-service ratio show the client's financial health.

EXAMPLE An adviser checks whether EMIs exceed 40% of income.

WATCH OUT Not true: financial ratios are used only for companies.

06

Goal prioritisation

Goals are ranked by importance and urgency, such as emergency fund, protection, education and retirement, so funds go where they matter most.

EXAMPLE A client funds insurance and emergency money before a car purchase.

WATCH OUT Not true: all goals are funded equally without ranking.

07

Life-cycle planning

Financial needs and risk capacity change through life stages such as starting work, family building, peak earning and retirement.

EXAMPLE A young single client can usually take more equity risk than a retiree.

WATCH OUT Not true: life stage does not affect planning.

08

Emergency fund

An emergency fund is three to six months of expenses held in liquid, safe assets.

EXAMPLE A client sets aside funds in a liquid fund for emergencies.

WATCH OUT Not true: an emergency fund is invested in small-cap equity.

09

Financial plan review

A plan should be reviewed at least annually and whenever there is a major life event such as marriage, a child or job change.

EXAMPLE A client's plan is updated after the birth of a child.

WATCH OUT Not true: a plan once made is never revisited.

10

Planning scope

A comprehensive plan covers cash flow, risk management, investments, tax, retirement and estate planning.

EXAMPLE An adviser looks at all aspects of a client's finances.

WATCH OUT Not true: financial planning is only about investments.

Unit recap · one line each

Financial planning process · Fiduciary duty · Net worth statement · Cash flow statement · Financial ratios · Goal prioritisation · Life-cycle planning · Emergency fund · Financial plan review · Planning scope

UNIT 8 · 5% OF THE EXAM

Asset allocation and investment strategies

Asset allocation drives the majority of long-run portfolio outcomes. Strategies for implementing it.

What the exam looks for

- Strategic and tactical allocation.
- Rebalancing.
- Active versus passive.

Concept cards

01

Strategic asset allocation

Strategic allocation sets long-term target weights across asset classes based on goals and risk profile, with periodic rebalancing.

EXAMPLE A client's plan fixes 60% equity and 40% debt for years.

WATCH OUT Not true: strategic allocation changes with every market move.

02

Tactical asset allocation

Tactical allocation makes short-term shifts away from strategic weights to exploit perceived opportunities.

EXAMPLE An adviser temporarily reduces equity because valuations look stretched.

WATCH OUT Not true: tactical allocation is never allowed.

03

Rebalancing

Rebalancing restores the target allocation by selling what has grown overweight and buying what lags, controlling risk.

EXAMPLE Equity rises to 70% of a 60% target, so some is sold.

WATCH OUT Not true: rebalancing means buying only winners.

04

Core and satellite

A core and satellite approach keeps most assets in low-cost diversified holdings and a smaller part in higher-conviction ideas.

EXAMPLE A client holds 75% in index funds and 25% in thematic funds.

WATCH OUT Not true: the satellite is the main holding.

05

Active versus passive investing

Active investing tries to beat a benchmark through selection; passive investing tracks it at low cost.

EXAMPLE An index fund follows the market rather than trying to beat it.

WATCH OUT Not true: active funds always beat passive funds.

06

Lump sum versus SIP

Lump sum investing puts money in at once while SIP spreads entry over time to average the cost and reduce timing risk.

EXAMPLE A client with a bonus splits it into monthly instalments.

WATCH OUT Not true: a SIP always beats a lump sum.

07

Glide path

A glide path gradually moves a portfolio from growth assets to safer assets as a goal date approaches.

EXAMPLE As retirement nears, equity share is steadily lowered.

WATCH OUT Not true: a glide path raises equity near the goal.

08

Investment policy statement

An investment policy statement documents the client's objectives, constraints, allocation and review rules, guiding long-term discipline.

EXAMPLE An adviser and client sign a document setting out targets and limits.

WATCH OUT Not true: an investment policy statement is a promise of returns.

09

Behavioural biases

Biases such as overconfidence, loss aversion and herding lead investors to make poor decisions; advisers help counter them.

EXAMPLE A client sells in panic after a fall.

WATCH OUT Not true: investors always behave rationally.

Unit recap · one line each

Strategic asset allocation · Tactical asset allocation · Rebalancing · Core and satellite · Active versus passive investing · Lump sum versus SIP · Glide path · Investment policy statement · Behavioural biases

UNIT 9 · 10% OF THE EXAM

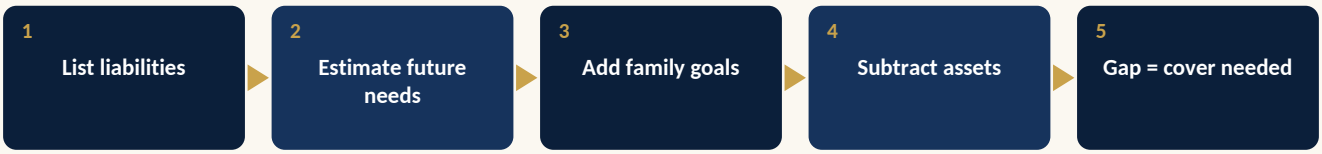
Insurance planning

Insurance protects the plan. This unit covers life and health insurance, need analysis, types of policies and claims.

What the exam looks for

- Term versus savings policies.
- Human life value and need-based cover.
- Health and general insurance.

Insurance needs analysis



Concept cards

01

Term insurance

Term insurance pays the sum assured on death during the term and nothing on survival, making it the cheapest pure protection.

EXAMPLE A family earner buys cover for twenty years at a low premium.

WATCH OUT Not true: term insurance returns premiums if the policyholder survives.

02

Endowment plan

An endowment plan combines life cover with savings and pays on maturity or earlier death, with lower cover and returns than term plus investment.

EXAMPLE A policy pays a lump sum after twenty years or on earlier death.

WATCH OUT Not true: an endowment plan offers the highest cover per rupee.

03

Whole life insurance

Whole life insurance provides cover for the whole life of the insured, typically up to a very advanced age.

EXAMPLE A policy that pays at death whenever it occurs.

WATCH OUT Not true: whole life insurance ends at 60.

04

Human life value

Human life value estimates the present value of the future income of a person that his family would lose on his death.

EXAMPLE An adviser computes the value of future earnings to size the cover.

WATCH OUT Not true: human life value is the sum of premiums paid.

05

Needs analysis

Needs analysis sizes life cover by adding liabilities and future goals and subtracting existing assets.

EXAMPLE An adviser adds a home loan and child education costs and subtracts savings.

WATCH OUT Not true: cover is fixed at five times the premium.

06

Rider

A rider is an optional benefit added to a base policy for an extra premium, such as accidental death or critical illness.

EXAMPLE A policyholder adds a benefit that pays on diagnosis of a serious disease.

WATCH OUT Not true: a rider reduces the base premium.

07

Health insurance

Health insurance covers hospitalisation and related costs up to the sum insured; features include waiting periods, co-payment and exclusions.

EXAMPLE A policy pays ₹5 lakh of hospital costs in a year.

WATCH OUT Not true: health insurance pays unlimited costs.

08

Family floater

A family floater covers the whole family under one sum insured shared among members.

EXAMPLE A couple and children share one ₹10 lakh cover.

WATCH OUT Not true: a floater gives each member a separate sum insured.

09

Super top-up

A super top-up pays when claims in a year exceed a threshold, giving high cover at a low premium.

EXAMPLE A client adds ₹50 lakh cover above a ₹10 lakh deductible.

WATCH OUT Not true: a super top-up replaces the base policy.

10

Waiting period

A waiting period is the time after purchase during which certain claims, such as pre-existing diseases, are not payable.

EXAMPLE A claim for a planned surgery is rejected in the first month.

WATCH OUT Not true: waiting periods do not exist in health policies.

11

Critical illness cover

Critical illness cover pays a lump sum on diagnosis of specified serious illnesses, regardless of actual expenses.

EXAMPLE A policy pays ₹20 lakh on diagnosis of cancer.

WATCH OUT Not true: critical illness cover reimburses bills only.

12

Personal accident cover

Personal accident insurance pays on death or disability caused by accident, and may pay for temporary disablement.

EXAMPLE A policy pays when the insured loses a limb in an accident.

WATCH OUT Not true: personal accident cover pays for any illness.

13

Motor insurance

Third-party motor insurance is mandatory in India and covers liability to others; comprehensive cover also covers damage to own vehicle.

EXAMPLE An owner buys a policy covering both liability and own damage.

WATCH OUT Not true: third-party cover pays for damage to your own car.

14

Home insurance

Home insurance covers loss or damage to the structure and contents from specified perils such as fire and flood.

EXAMPLE A homeowner insures the building against fire.

WATCH OUT Not true: home insurance covers only jewellery.

15

Insured versus assured

Under insurance, indemnity policies compensate actual loss up to the sum insured, while life policies pay a fixed sum assured.

EXAMPLE Health policy reimburses actual bills; life policy pays the fixed sum.

WATCH OUT Not true: life insurance reimburses actual loss.

16

Claim settlement ratio

The claim settlement ratio shows the share of claims paid by an insurer; a high ratio suggests a better claim record.

EXAMPLE An insurer paid 98 of every 100 claims.

WATCH OUT Not true: claim ratio is the premium refunded.

17

Nomination and assignment

A nominee receives the policy proceeds on the insured's death, while assignment transfers rights in the policy to another person, such as a lender.

EXAMPLE A policyholder names his wife to receive the claim.

WATCH OUT Not true: a nominee becomes the permanent owner of the policy.

18

Underwriting

Underwriting is the insurer's process of assessing risk and deciding whether to accept a proposal and at what premium.

EXAMPLE An insurer asks for medical tests before issuing a large cover.

WATCH OUT Not true: underwriting is the payment of claims.

19

Free-look period

The free-look period lets a policyholder return a policy within a stated number of days and get a refund of premium, less minor deductions.

EXAMPLE A buyer cancels the policy within the free-look window.

WATCH OUT Not true: the free-look period starts after the first claim.

20

Mis-selling in insurance

Selling insurance as an investment, or hiding charges and conditions, is mis-selling and a conduct violation.

EXAMPLE An agent promises that a policy will double money in five years.

WATCH OUT Not true: selling insurance as a guaranteed investment is acceptable.

Unit recap · one line each

Term insurance · Endowment plan · Whole life insurance · Human life value · Needs analysis · Rider · Health insurance · Family floater · Super top-up · Waiting period · Critical illness cover · Personal accident cover · Motor insurance · Home insurance · Insured versus assured · Claim settlement ratio · Nomination and assignment · Underwriting · Free-look period · Mis-selling in insurance

UNIT 10 · 10% OF THE EXAM

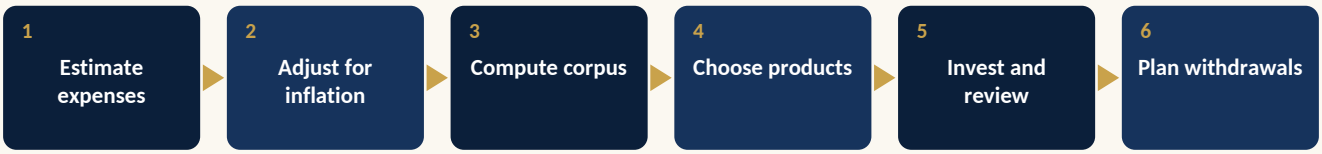
Retirement planning

Estimating the corpus, choosing products and planning withdrawals. Retirement is a multi-decade project with inflation as the main enemy.

What the exam looks for

- Corpus estimation.
- EPF, PPF, NPS and annuities.
- Withdrawal strategies.

Retirement planning steps



Concept cards

01

Retirement corpus

The retirement corpus is the accumulated sum needed to fund expenses after retirement, estimated using expenses, inflation, years in retirement and returns.

EXAMPLE A client works out the lump sum she needs at 60.

WATCH OUT Not true: the corpus is the amount spent each month.

02

Replacement ratio

The replacement ratio is the percentage of pre-retirement income needed after retirement to maintain the lifestyle, often taken as 60% to 80%.

EXAMPLE A client needs 70% of her final income in retirement.

WATCH OUT Not true: the replacement ratio is more than 100% for everyone.

03

Longevity risk

Longevity risk is the risk of outliving one's savings because life expectancy is increasing.

EXAMPLE A retiree is still alive when savings run out.

WATCH OUT Not true: longevity risk is the risk of dying early.

04

Employees' Provident Fund

The EPF is a mandatory retirement savings scheme for salaried employees with contributions from employee and employer, and interest declared annually.

EXAMPLE A salaried person's monthly contribution is matched by her employer.

WATCH OUT Not true: ePF is voluntary for all employees.

05

National Pension System

NPS is a voluntary defined-contribution scheme in which contributions are invested in equity, corporate bonds and government securities, with a part of the corpus used for an annuity.

EXAMPLE A person builds her pension through a regulated portable account.

WATCH OUT Not true: nPS guarantees a fixed pension.

06

NPS Tier I and Tier II

Tier I is the retirement account with restricted withdrawals, while Tier II is a voluntary savings account with free withdrawals.

EXAMPLE A subscriber keeps a flexible withdrawal account in addition to the main account.

WATCH OUT Not true: tier I allows free withdrawal at any time.

07

Annuity options

Annuity options include life annuity, annuity with return of purchase price and joint-life annuity, each differing in payout and continuation.

EXAMPLE A couple selects an annuity that continues for the spouse after the first death.

WATCH OUT Not true: all annuities pay the same.

08

Systematic withdrawal plan

A systematic withdrawal plan redeems a fixed amount from a fund at regular intervals to create retirement income.

EXAMPLE A retiree draws a monthly sum from a debt fund.

WATCH OUT Not true: an SWP buys more units every month.

09

Safe withdrawal rate

A safe withdrawal rate is the percentage of the corpus that can be withdrawn each year with a low chance of running out, commonly assumed at around 4% in global studies.

EXAMPLE A client withdraws a modest percentage each year to make a corpus last.

WATCH OUT Not true: a safe withdrawal rate is the rate of inflation.

10

Inflation in retirement

Inflation raises expenses over a long retirement, so some growth assets are needed even after retirement.

EXAMPLE A retiree's monthly cost of ₹50,000 rises over twenty years.

WATCH OUT Not true: retirees should avoid all growth assets.

11

Bucket strategy

A bucket strategy divides retirement money into near-term cash, medium-term income and long-term growth buckets.

EXAMPLE A retiree holds two years of expenses in cash and the rest invested for growth.

WATCH OUT Not true: the bucket strategy puts everything in one asset.

12

Medical costs in retirement

Healthcare costs usually rise faster than general inflation, so retirement planning should include adequate health insurance.

EXAMPLE A retiree faces large medical expenses at 75.

WATCH OUT Not true: medical costs fall after retirement.

13

Pension from employer

A defined-benefit pension promises a fixed pension based on salary and service, while defined-contribution plans depend on contributions and returns.

EXAMPLE A government employee receives a pension formula-based on last salary.

WATCH OUT Not true: in a defined-contribution plan the pension is guaranteed.

14

Reverse mortgage

A reverse mortgage lets senior citizens convert home equity into regular income while staying in the home, with the loan repaid from sale of the house later.

EXAMPLE A senior receives monthly payments against her house, and keeps living there.

WATCH OUT Not true: a reverse mortgage requires moving out immediately.

15

Start early advantage

Starting early gives compounding more time, so a smaller monthly investment can build a larger corpus than a later start with a bigger sum.

EXAMPLE A 25-year-old needs far lower SIP than a 40-year-old for the same corpus.

WATCH OUT Not true: starting late gives the same result at the same SIP.

16

Retirement age assumptions

Retiring earlier needs a bigger corpus because savings must last more years with fewer years of accumulation.

EXAMPLE A person retiring at 50 needs a larger corpus than at 60.

WATCH OUT Not true: retiring earlier lowers the corpus needed.

Unit recap · one line each

Retirement corpus · Replacement ratio · Longevity risk · Employees' Provident Fund · National Pension System · NPS Tier I and Tier II · Annuity options · Systematic withdrawal plan · Safe withdrawal rate · Inflation in retirement · Bucket strategy · Medical costs in retirement · Pension from employer · Reverse mortgage · Start early advantage · Retirement age assumptions

UNIT 11 · 10% OF THE EXAM

Tax and estate planning

Tax shapes returns; succession shapes legacy. This unit covers income tax basics, capital gains, deductions, wills, trusts and nomination.

What the exam looks for

- Capital gains and deductions.
- Old versus new tax regime.
- Wills, nomination, trusts and HUF.

Concept cards

01

Residential status

Tax liability in India depends on residential status — resident, non-resident or not ordinarily resident — which decides what income is taxable here.

EXAMPLE A person who spends more than 182 days in India in a year is generally a resident.

WATCH OUT Not true: residential status depends only on citizenship.

02

Heads of income

Income is classified under five heads: salary, house property, business or profession, capital gains and other sources.

EXAMPLE Rent from a flat and interest on a deposit fall under different heads.

WATCH OUT Not true: all income is taxed under one head.

03

Capital gains

Capital gains are profits on the sale of capital assets, classified as short-term or long-term based on the holding period of the asset.

EXAMPLE An investor sells shares for more than she paid.

WATCH OUT Not true: capital gains arise only from selling property.

04

Section 80C

Section 80C allows deductions up to a ceiling for specified investments and expenses under the old tax regime, such as PPF, ELSS and life insurance premium.

EXAMPLE An investor claims a deduction for ELSS investment.

WATCH OUT Not true: section 80C is available under both regimes always.

05

New versus old regime

Taxpayers can choose between the default new regime with lower slab rates and few deductions, and the old regime with higher rates and many deductions.

EXAMPLE A client compares tax payable under both regimes before choosing.

WATCH OUT Not true: the old regime has no deductions.

06

Tax-loss harvesting

Tax-loss harvesting means selling investments at a loss to set off against gains, reducing the tax payable.

EXAMPLE A client books a loss in one stock to offset a gain in another.

WATCH OUT Not true: tax-loss harvesting increases tax payable.

07

Set-off and carry forward

Capital losses can be set off against capital gains and carried forward for eight years, subject to conditions.

EXAMPLE A loss this year is used to reduce gains next year.

WATCH OUT Not true: losses can never be carried forward.

08

TDS

Tax deducted at source is tax withheld by the payer on specified payments such as salary and interest, and credited to the payee's tax account.

EXAMPLE A bank deducts tax on fixed deposit interest above the limit.

WATCH OUT Not true: tDS is paid by the receiver in cash at year end.

09

Advance tax

Advance tax is paid in instalments during the year by taxpayers whose liability exceeds a threshold.

EXAMPLE A trader pays tax quarterly instead of at year end.

WATCH OUT Not true: advance tax is paid only after filing the return.

10

Will

A will is a legal document by which a person decides how her property is to be distributed after death, and it takes effect only on death.

EXAMPLE An investor states which heirs get which assets.

WATCH OUT Not true: a will takes effect immediately on signing.

11

Intestate succession

When a person dies without a will, the property passes according to the succession laws applicable to the person's religion.

EXAMPLE A man dies with no will and his assets pass as per the law.

WATCH OUT Not true: without a will, the government takes all property.

12

Probate

Probate is the court's certificate that proves a will is genuine and authorises the executor to administer the estate.

EXAMPLE An executor obtains court proof before dealing with the assets.

WATCH OUT Not true: probate is the process of writing a will.

13

Nominee versus legal heir

A nominee is only a custodian who receives the asset on death and must hand it to the legal heirs; she is not necessarily the owner.

EXAMPLE A nominee receives proceeds but must pass them on as per the will.

WATCH OUT Not true: a nominee becomes the sole owner of the asset.

14

Trust

A trust holds assets for beneficiaries under a trustee's control, and is used for succession, protection and management of wealth.

EXAMPLE A parent places assets under a trustee to benefit a child later.

WATCH OUT Not true: a trust has no beneficiaries.

15

HUF

A Hindu Undivided Family is a separate taxable entity consisting of family members from a common ancestor, which can hold assets and file its own return.

EXAMPLE A family unit with its own PAN and tax return.

WATCH OUT Not true: an HUF is a company.

16

Gift tax rules

Gifts received from specified relatives are exempt from tax, while gifts above a threshold from others can be taxed as income of the receiver.

EXAMPLE A son receives money from his father with no tax.

WATCH OUT Not true: gifts from relatives are taxed at 30%.

17

Power of attorney

A power of attorney authorises another person to act for the principal in specified matters, and ends on the principal's death.

EXAMPLE An elderly client authorises her son to handle bank formalities.

WATCH OUT Not true: a power of attorney continues after the principal's death.

18

Clubbing of income

Income earned from assets gifted to a spouse or minor child is generally clubbed with the giver's income for tax.

EXAMPLE A husband gifts money to his wife who invests it, and the income is added to his.

WATCH OUT Not true: income of a minor child is always taxed separately.

Unit recap · one line each

Residential status · Heads of income · Capital gains · Section 80C · New versus old regime · Tax-loss harvesting · Set-off and carry forward · TDS · Advance tax · Will · Intestate succession · Probate · Nominee versus legal heir · Trust · HUF · Gift tax rules · Power of attorney · Clubbing of income

UNIT 12 · 8% OF THE EXAM

Regulatory environment and ethical issues

SEBI's investment adviser regulations, the fiduciary duty and the code of conduct for advisers. Learn the exact rules.

What the exam looks for

- Who needs registration.
- Fee limits and segregation.
- Risk profiling, suitability and records.

Adviser regulation snapshot

Topic	Rule
Registration	Mandatory for anyone giving investment advice for consideration
Fees	Fixed fee or % of AUA, not both, within SEBI caps
Distribution	Advisory and distribution must be segregated
Records	Maintained for at least five years
Risk profiling	Mandatory, with suitability documented

Concept cards

01

SEBI (Investment Advisers) Regulations

These regulations require anyone providing investment advice for a fee to be registered with SEBI and to follow conduct rules.

EXAMPLE A person charging a fee for investment advice must hold the regulator's registration.

WATCH OUT Not true: anyone can give paid investment advice without registration.

02

Fee modes

An adviser may charge a fixed fee or a fee based on assets under advice, but not both for the same client, and within the limits prescribed by SEBI.

EXAMPLE An adviser charges a flat annual fee rather than a percentage.

WATCH OUT Not true: advisers may charge both fixed fee and percentage at the same time.

03

Fee cap

SEBI has capped fees: up to ₹1.51 lakh per family per annum in fixed fee mode, or up to 2.5% of assets under advice per annum in AUA mode.

EXAMPLE A fixed fee cannot exceed the prescribed limit per family.

WATCH OUT Not true: sEBI places no limit on advisory fees.

04

Segregation of advisory and distribution

Advisory and distribution must be kept separate: an individual adviser cannot do both for the same client, and non-individual advisers need separate arrangements.

EXAMPLE An adviser cannot earn commissions on the products sold to her advisory client.

WATCH OUT Not true: an adviser may sell commission-based products to her advisory clients.

05

Risk profiling

Advisers must profile every client's risk before giving advice and document it, to ensure suitability.

EXAMPLE An adviser uses a questionnaire to determine the client's risk tolerance.

WATCH OUT Not true: risk profiling is optional for advisers.

06

Suitability

Advice must be suitable for the client's risk profile, goals, horizon and financial position, and the reasons must be recorded.

EXAMPLE An adviser recommends a safe product to an elderly client with low risk tolerance.

WATCH OUT Not true: advice can ignore the client's risk profile.

07

Client agreement

An adviser must enter into a written agreement with each client stating fees, services, and the rights and obligations of both.

EXAMPLE A client signs a document describing the services and fees.

WATCH OUT Not true: an adviser can provide services with no written agreement.

08

Disclosure of conflicts

An adviser must disclose any conflict of interest, such as holdings in recommended securities or relationships with product providers.

EXAMPLE An adviser tells the client that she owns the recommended security.

WATCH OUT Not true: conflicts need not be disclosed.

09

Record keeping

An adviser must keep records of advice, risk profile, communications and fees for at least five years.

EXAMPLE An adviser retains the client's risk profile and recommendations on file.

WATCH OUT Not true: records need to be kept for only one month.

10

Qualification and certification

An individual adviser needs prescribed qualifications and the NISM certification, and must meet minimum experience and net worth norms.

EXAMPLE A person with the right degree and NISM certificate applies for registration.

WATCH OUT Not true: certification is not required for registration.

11

Principal officer and compliance

A non-individual adviser must appoint a principal officer with prescribed qualifications and a compliance officer to ensure compliance.

EXAMPLE A firm appoints a certified principal officer.

WATCH OUT Not true: firms need not appoint any compliance officer.

12

Advertisement code

Advertisements by advisers must be fair, not misleading, and must not promise assured returns or guarantee performance.

EXAMPLE An adviser's brochure must not claim guaranteed returns.

WATCH OUT Not true: advisers may promise guaranteed returns.

13

Confidentiality

An adviser must keep client information confidential and use it only for the advisory purpose, unless required by law.

EXAMPLE An adviser does not share a client's holdings with anyone else.

WATCH OUT Not true: an adviser may sell client data to product companies.

14

Code of conduct

The code of conduct for advisers includes honesty, diligence, care, transparency, avoidance of conflicts and compliance with the law.

EXAMPLE An adviser acts honestly and in the client's best interest.

WATCH OUT Not true: the code allows misleading statements about returns.

15

Grievance redressal

Advisers must have a mechanism to address client complaints, and clients can approach SEBI's complaint system and online dispute resolution if unsatisfied.

EXAMPLE A client files a complaint on the regulator's portal after the adviser does not respond.

WATCH OUT Not true: clients have no route for complaints against advisers.

16

Annual audit

Registered advisers must undergo an annual compliance audit and submit reports as required.

EXAMPLE A firm gets its compliance reviewed every year.

WATCH OUT Not true: advisers are never audited.

17

Prohibition of guaranteed returns

No intermediary may promise or guarantee returns on market-linked products; doing so is a violation.

EXAMPLE A representative says, 'You will definitely get 15% every year.'

WATCH OUT Not true: intermediaries may guarantee returns if the client is wealthy.

Unit recap · one line each

SEBI (Investment Advisers) Regulations · Fee modes · Fee cap · Segregation of advisory and distribution · Risk profiling · Suitability · Client agreement · Disclosure of conflicts · Record keeping · Qualification and certification · Principal officer and compliance · Advertisement code · Confidentiality · Code of conduct · Grievance redressal · Annual audit · Prohibition of guaranteed returns

QUICK REFERENCE

Numbers and formulas.

Formulas

Measure	Formula
Future value	FV = PV × (1 + r)^n
Present value	PV = FV ÷ (1 + r)^n
CAGR	(End ÷ Start)^(1 ÷ n) − 1
Real return (approx.)	Nominal return − inflation
Savings ratio	Savings ÷ gross income
Debt-service ratio	EMIs ÷ monthly income

GLOSSARY

Every term, A to Z.

Term	Meaning	Unit
Active versus passive investing	Active investing tries to beat a benchmark through selection; passive investing tracks it at low cost.	8
Advance tax	Advance tax is paid in instalments during the year by taxpayers whose liability exceeds a threshold.	11
Advertisement code	Advertisements by advisers must be fair, not misleading, and must not promise assured returns or guarantee performance.	12
Alternative investment fund	An AIF is a privately pooled fund investing in non-traditional assets and strategies, with a minimum investment of ₹1 crore.	4
Annual audit	Registered advisers must undergo an annual compliance audit and submit reports as required.	12
Annuity	An annuity is a series of regular payments, usually from an insurer, bought with a lump sum, to provide income in retirement.	4
Annuity options	Annuity options include life annuity, annuity with return of purchase price and joint-life annuity, each differing in payout and continuation.	10
Annuity versus perpetuity	An annuity pays a fixed amount for a fixed number of periods, while a perpetuity pays forever.	6
Behavioural biases	Biases such as overconfidence, loss aversion and herding lead investors to make poor decisions; advisers help counter them.	8
Benchmarking	Comparing a portfolio's return with a relevant benchmark shows whether the manager added value after adjusting for risk.	6
Beta	Beta measures a security's sensitivity to market moves; beta above 1 means more volatile than the market.	5
Bonds and debentures	Bonds are debt instruments paying interest and returning principal at maturity; yields depend on credit quality and tenure.	4
Bucket strategy	A bucket strategy divides retirement money into near-term cash, medium-term income and long-term growth buckets.	10
CAGR	CAGR is the constant annual rate at which an investment grows over a period longer than a year, assuming compounding.	6
Capital gains	Capital gains are profits on the sale of capital assets, classified as short-term or long-term based on the holding period of the asset.	11
Cash flow statement	A cash flow statement lists a client's income and expenses to show the surplus available for saving.	7
Claim settlement ratio	The claim settlement ratio shows the share of claims paid by an insurer; a high ratio suggests a better claim record.	9
Client agreement	An adviser must enter into a written agreement with each client stating fees, services, and the rights and obligations of both.	12
Clubbing of income	Income earned from assets gifted to a spouse or minor child is generally clubbed with the giver's income for tax.	11
Code of conduct	The code of conduct for advisers includes honesty, diligence, care, transparency, avoidance of conflicts and compliance with the law.	12

Term	Meaning	Unit
Confidentiality	An adviser must keep client information confidential and use it only for the advisory purpose, unless required by law.	12
Core and satellite	A core and satellite approach keeps most assets in low-cost diversified holdings and a smaller part in higher-conviction ideas.	8
Corporate bond market	Corporate bonds are debt securities issued by companies and carry credit risk, rated by rating agencies.	2
Corporate fixed deposit	A corporate fixed deposit is a deposit with a company at a higher rate than banks, with higher risk and no deposit insurance.	4
Credit rating agency	A credit rating agency assesses the creditworthiness of issuers and their debt instruments and is regulated by SEBI.	1
Credit risk	Credit risk is the chance that a borrower will not repay interest or principal on time.	5
Critical illness cover	Critical illness cover pays a lump sum on diagnosis of specified serious illnesses, regardless of actual expenses.	9
Debt fund risk	Debt funds are exposed to interest-rate risk, credit risk and liquidity risk, and returns are not guaranteed.	3
Debt market	The debt market is where fixed-income securities such as bonds and treasury bills are issued and traded.	2
Demat and trading accounts	A demat account holds securities electronically and a trading account is used to place orders through a broker.	2
Deposit insurance	Deposit insurance covers bank deposits up to ₹5 lakh per depositor per bank in case of bank failure.	4
Derivatives for advisers	Derivatives such as futures and options are used for hedging and speculation; advisers must understand leverage before recommending them.	2
Direct plan for advisers	A registered investment adviser charging a fee should generally recommend direct plans to avoid receiving commissions.	3
Disclosure of conflicts	An adviser must disclose any conflict of interest, such as holdings in recommended securities or relationships with product providers.	12
Diversification	Diversification reduces unsystematic risk by holding assets that do not move together, such as equity, debt and gold.	5
Emergency fund	An emergency fund is three to six months of expenses held in liquid, safe assets.	7
Employees' Provident Fund	The EPF is a mandatory retirement savings scheme for salaried employees with contributions from employee and employer, and interest declared annually.	10
Endowment plan	An endowment plan combines life cover with savings and pays on maturity or earlier death, with lower cover and returns than term plus investment.	9
Equity fund categories	SEBI defines categories such as large cap, mid cap, small cap, flexi cap and ELSS, each with minimum equity allocations.	3
Equity market	The equity market is where shares are issued and traded, giving investors ownership and a claim on residual profits.	2
Equity share	An equity share offers ownership and growth potential, dividends and voting rights, but with the highest risk among common products.	4
ETF and index funds	ETFs and index funds replicate an index at low cost; ETFs trade on exchanges while index funds are bought from the AMC.	3
Exit load	Exit load is charged on redemption within a defined period and is credited to the scheme.	3

Term	Meaning	Unit
Expense ratio	The expense ratio is the annual charge as a percentage of a scheme's assets and reduces the investor's return.	3
Family floater	A family floater covers the whole family under one sum insured shared among members.	9
Fee cap	SEBI has capped fees: up to ₹1.51 lakh per family per annum in fixed fee mode, or up to 2.5% of assets under advice per annum in AUA mode.	12
Fee modes	An adviser may charge a fixed fee or a fee based on assets under advice, but not both for the same client, and within the limits prescribed by SEBI.	12
Fiduciary duty	An adviser acts as a fiduciary, putting the client's interests ahead of her own and avoiding conflicts of interest.	7
Financial market	A financial market is where financial assets are created and traded, and it is divided into money market, capital market and foreign exchange market.	1
Financial plan review	A plan should be reviewed at least annually and whenever there is a major life event such as marriage, a child or job change.	7
Financial planning process	The process involves establishing the client relationship, gathering information, analysing, recommending, implementing and monitoring.	7
Financial ratios	Ratios such as savings ratio, liquidity ratio and debt-service ratio show the client's financial health.	7
Financial system	The financial system consists of institutions, markets, instruments and regulators that move savings to productive uses.	1
Fixed deposit	A fixed deposit gives a fixed return for a fixed period, with capital safety up to the deposit insurance limit and interest taxable at slab rates.	4
Foreign portfolio investor	A foreign portfolio investor is an overseas entity that invests in Indian securities, registered under SEBI's regulations.	1
Free-look period	The free-look period lets a policyholder return a policy within a stated number of days and get a refund of premium, less minor deductions.	9
Fund selection	An adviser compares funds on risk-adjusted return, consistency, costs, portfolio quality and fit with the client's goals, not just recent performance.	3
Future value	Future value is the amount an investment will grow to after earning a given return over a period.	6
Gift tax rules	Gifts received from specified relatives are exempt from tax, while gifts above a threshold from others can be taxed as income of the receiver.	11
Glide path	A glide path gradually moves a portfolio from growth assets to safer assets as a goal date approaches.	8
Goal prioritisation	Goals are ranked by importance and urgency, such as emergency fund, protection, education and retirement, so funds go where they matter most.	7
Gold ETF	A gold ETF is a fund that holds physical gold and trades on an exchange, giving gold exposure without storage.	4
Government securities market	G-secs are issued by the government to borrow, and carry virtually no credit risk, though prices move with interest rates.	2
Grievance redressal	Advisers must have a mechanism to address client complaints, and clients can approach SEBI's complaint system and online dispute resolution if unsatisfied.	12
Heads of income	Income is classified under five heads: salary, house property, business or profession, capital gains and other sources.	11

Term	Meaning	Unit
Health insurance	Health insurance covers hospitalisation and related costs up to the sum insured; features include waiting periods, co-payment and exclusions.	9
Holding period return	Holding period return is the total return over the period an investment is held, including income and price change, as a percentage of the initial value.	6
Home insurance	Home insurance covers loss or damage to the structure and contents from specified perils such as fire and flood.	9
HUF	A Hindu Undivided Family is a separate taxable entity consisting of family members from a common ancestor, which can hold assets and file its own return.	11
Human life value	Human life value estimates the present value of the future income of a person that his family would lose on his death.	9
Hybrid funds	Hybrid funds combine equity and debt, with varied allocations, to balance growth and stability.	3
Impact of costs	Fees and expense ratios reduce net returns, and the effect compounds over long periods.	6
Inflation and interest rates	When inflation rises, central banks tend to raise rates to cool demand, which affects bond prices and borrowing costs.	1
Inflation in retirement	Inflation raises expenses over a long retirement, so some growth assets are needed even after retirement.	10
Inflation risk	Inflation risk is the risk that returns will not keep pace with price rises, eroding purchasing power.	5
Insured versus assured	Under insurance, indemnity policies compensate actual loss up to the sum insured, while life policies pay a fixed sum assured.	9
Interest rate risk	Interest rate risk is the risk that changes in interest rates will affect the value of fixed-income investments; prices fall when rates rise.	5
Intestate succession	When a person dies without a will, the property passes according to the succession laws applicable to the person's religion.	11
Investment policy statement	An investment policy statement documents the client's objectives, constraints, allocation and review rules, guiding long-term discipline.	8
InvIT	An InvIT pools money to invest in infrastructure assets such as roads and power lines and distributes income to unit holders.	4
IRDAI	The Insurance Regulatory and Development Authority of India regulates insurers and intermediaries and protects policyholders.	1
IRR	The internal rate of return is the rate that makes the present value of cash inflows equal to the outflows, used for irregular cash flows.	6
Life-cycle planning	Financial needs and risk capacity change through life stages such as starting work, family building, peak earning and retirement.	7
Liquidity of securities	Liquidity varies by security: large-cap shares and G-secs trade easily while thinly traded bonds can be hard to sell.	2
Liquidity risk	Liquidity risk is the risk of being unable to sell an asset quickly at a fair price.	5
Longevity risk	Longevity risk is the risk of outliving one's savings because life expectancy is increasing.	10
Lump sum versus SIP	Lump sum investing puts money in at once while SIP spreads entry over time to average the cost and reduce timing risk.	8
Market risk	Market risk is the risk of loss from overall movements in market prices that cannot be diversified away.	5

Term	Meaning	Unit
Market risk of equity	Equity prices fluctuate with company performance and market sentiment, and capital can be lost, especially over short horizons.	2
Medical costs in retirement	Healthcare costs usually rise faster than general inflation, so retirement planning should include adequate health insurance.	10
Mis-selling in insurance	Selling insurance as an investment, or hiding charges and conditions, is mis-selling and a conduct violation.	9
Money market instruments	Money market instruments mature within a year and include T-bills, CP, CD and repos.	2
Money supply and liquidity	Liquidity in the system is influenced by the RBI's tools such as CRR, SLR and open market operations.	1
Motor insurance	Third-party motor insurance is mandatory in India and covers liability to others; comprehensive cover also covers damage to own vehicle.	9
Mutual fund structure	A mutual fund has a sponsor, trust, trustees and an AMC, supported by a custodian and RTA, and is regulated by SEBI.	3
National Pension System	NPS is a voluntary defined-contribution scheme in which contributions are invested in equity, corporate bonds and government securities, with a part of the corpus used for an annuity.	10
NAV	NAV is the per-unit value of a scheme, equal to total assets less liabilities divided by units outstanding.	3
Needs analysis	Needs analysis sizes life cover by adding liabilities and future goals and subtracting existing assets.	9
Net worth statement	A net worth statement lists assets and liabilities; net worth equals assets minus liabilities.	7
New versus old regime	Taxpayers can choose between the default new regime with lower slab rates and few deductions, and the old regime with higher rates and many deductions.	11
Nomination and assignment	A nominee receives the policy proceeds on the insured's death, while assignment transfers rights in the policy to another person, such as a lender.	9
Nominee versus legal heir	A nominee is only a custodian who receives the asset on death and must hand it to the legal heirs; she is not necessarily the owner.	11
NPS as a product	NPS is a defined-contribution pension scheme invested in equity, corporate bonds and government securities, with a partly mandatory annuity at exit.	4
NPS Tier I and Tier II	Tier I is the retirement account with restricted withdrawals, while Tier II is a voluntary savings account with free withdrawals.	10
Pension from employer	A defined-benefit pension promises a fixed pension based on salary and service, while defined-contribution plans depend on contributions and returns.	10
Personal accident cover	Personal accident insurance pays on death or disability caused by accident, and may pay for temporary disablement.	9
PFRDA	The Pension Fund Regulatory and Development Authority regulates the National Pension System and pension funds.	1
Planning scope	A comprehensive plan covers cash flow, risk management, investments, tax, retirement and estate planning.	7
PMS	Portfolio management services manage a client's portfolio of securities in a segregated account, with a minimum investment of ₹50 lakh.	4
Portfolio overlap	Holding several funds with similar portfolios increases overlap and reduces diversification benefits.	3

Term	Meaning	Unit
Post-tax return	Post-tax return is the return after deducting tax, and is the figure that matters to the client.	6
Power of attorney	A power of attorney authorises another person to act for the principal in specified matters, and ends on the principal's death.	11
Present value	Present value is the current worth of a future sum, discounted at a given rate.	6
Primary and secondary markets	The primary market creates new securities and the secondary market trades existing ones, giving liquidity to investors.	2
Primary dealer	Primary dealers are institutions that underwrite and trade government securities and support the central bank in managing borrowing.	1
Principal officer and compliance	A non-individual adviser must appoint a principal officer with prescribed qualifications and a compliance officer to ensure compliance.	12
Probate	Probate is the court's certificate that proves a will is genuine and authorises the executor to administer the estate.	11
Prohibition of guaranteed returns	No intermediary may promise or guarantee returns on market-linked products; doing so is a violation.	12
Public Provident Fund	PPF is a government-backed small savings scheme with a 15-year tenure, tax benefits on deposit and interest, and limited premature withdrawal.	4
Qualification and certification	An individual adviser needs prescribed qualifications and the NISM certification, and must meet minimum experience and net worth norms.	12
Rating scales	Bond ratings range from the highest (AAA) to default (D), and investment grade is generally BBB- and above.	2
RBI	The Reserve Bank of India is the central bank. It regulates banks, manages monetary policy and the money market, and issues currency.	1
Real estate	Real estate offers appreciation and rental income but is illiquid, high in ticket size and costly to transact.	4
Real return	Real return is nominal return adjusted for inflation; it shows the growth in purchasing power.	6
Rebalancing	Rebalancing restores the target allocation by selling what has grown overweight and buying what lags, controlling risk.	8
Record keeping	An adviser must keep records of advice, risk profile, communications and fees for at least five years.	12
Recurring deposit	A recurring deposit lets a saver deposit a fixed sum every month for a fixed term, earning a fixed interest rate.	4
Reinvestment risk	Reinvestment risk is the risk that cash flows such as coupons can only be reinvested at lower rates than the original.	5
REIT	A REIT owns and operates income-producing real estate and distributes most of its income to unit holders, listed on exchanges.	4
Replacement ratio	The replacement ratio is the percentage of pre-retirement income needed after retirement to maintain the lifestyle, often taken as 60% to 80%.	10
Repo rate	The repo rate is the rate at which the RBI lends short-term funds to banks against government securities, and it is the main policy rate.	1
Residential status	Tax liability in India depends on residential status — resident, non-resident or not ordinarily resident — which decides what income is taxable here.	11

Term	Meaning	Unit
Retirement age assumptions	Retiring earlier needs a bigger corpus because savings must last more years with fewer years of accumulation.	10
Retirement corpus	The retirement corpus is the accumulated sum needed to fund expenses after retirement, estimated using expenses, inflation, years in retirement and returns.	10
Reverse mortgage	A reverse mortgage lets senior citizens convert home equity into regular income while staying in the home, with the loan repaid from sale of the house later.	10
Rider	A rider is an optional benefit added to a base policy for an extra premium, such as accidental death or critical illness.	9
Risk management process	Risk management involves identifying risks, measuring them, choosing a treatment such as avoiding, reducing, transferring or retaining and monitoring.	5
Risk profiling	Advisers must profile every client's risk before giving advice and document it, to ensure suitability.	12
Risk tolerance	Risk tolerance is a client's willingness to accept fluctuations; it differs from risk capacity, which is the ability to bear loss.	5
Risk-adjusted return	Risk-adjusted measures such as the Sharpe ratio show return earned per unit of risk taken.	5
Riskometer	The riskometer shows a scheme's risk on six levels from low to very high, and should match the client's risk profile.	3
Rule of 72	The Rule of 72 estimates the years for money to double by dividing 72 by the annual return in percent.	6
Safe withdrawal rate	A safe withdrawal rate is the percentage of the corpus that can be withdrawn each year with a low chance of running out, commonly assumed at around 4% in global studies.	10
SEBI (Investment Advisers) Regulations	These regulations require anyone providing investment advice for a fee to be registered with SEBI and to follow conduct rules.	12
Section 80C	Section 80C allows deductions up to a ceiling for specified investments and expenses under the old tax regime, such as PPF, ELSS and life insurance premium.	11
Segregation of advisory and distribution	Advisory and distribution must be kept separate: an individual adviser cannot do both for the same client, and non-individual advisers need separate arrangements.	12
Senior Citizens' Savings Scheme	SCSS is a government-backed scheme for those aged 60 and above with a five-year tenure, offering regular interest payouts.	4
Set-off and carry forward	Capital losses can be set off against capital gains and carried forward for eight years, subject to conditions.	11
Settlement cycle	Equity cash market trades settle on T+1, meaning the next working day after the trade.	2
Settlement guarantee	The clearing corporation guarantees the settlement of exchange trades, reducing counterparty risk for investors.	2
Short-term vs long-term capital gains	Gains on listed shares and equity funds are short-term if held up to 12 months and long-term if held longer, with different tax rates.	2
SIP	A Systematic Investment Plan invests a fixed sum at regular intervals and helps to average the purchase cost over time.	3
Sovereign gold bond	A sovereign gold bond is a government security denominated in grams of gold that pays interest and has no storage or purity issues, with a defined tenure.	4
Standard deviation	Standard deviation measures how widely returns vary around the average and is used as a measure of total risk.	5

Term	Meaning	Unit
Start early advantage	Starting early gives compounding more time, so a smaller monthly investment can build a larger corpus than a later start with a bigger sum.	10
Stock exchanges and depositories	Exchanges provide the trading platform; depositories hold securities in electronic form; clearing corporations settle trades.	1
Stock market indices	Indices such as the Sensex and Nifty 50 track the market and are benchmarks for portfolios and index funds.	2
Strategic asset allocation	Strategic allocation sets long-term target weights across asset classes based on goals and risk profile, with periodic rebalancing.	8
Structured product	A structured product combines a debt instrument with a derivative to deliver a customised payoff, and may carry high complexity and issuer risk.	4
Suitability	Advice must be suitable for the client's risk profile, goals, horizon and financial position, and the reasons must be recorded.	12
Sukanya Samriddhi Yojana	The Sukanya Samriddhi account is a small savings scheme for the girl child with tax benefits and a long lock-in until maturity or marriage after 18.	4
Super top-up	A super top-up pays when claims in a year exceed a threshold, giving high cover at a low premium.	9
Systematic and unsystematic risk	Systematic risk affects the whole market and cannot be diversified; unsystematic risk is specific to a company or sector and can be reduced by diversification.	5
Systematic withdrawal plan	A systematic withdrawal plan redeems a fixed amount from a fund at regular intervals to create retirement income.	10
Tactical asset allocation	Tactical allocation makes short-term shifts away from strategic weights to exploit perceived opportunities.	8
Tax on mutual funds	Equity-oriented funds are taxed on short- and long-term gains at different rates, while specified debt funds are taxed at the investor's slab rate.	3
Tax-loss harvesting	Tax-loss harvesting means selling investments at a loss to set off against gains, reducing the tax payable.	11
TDS	Tax deducted at source is tax withheld by the payer on specified payments such as salary and interest, and credited to the payee's tax account.	11
Term insurance	Term insurance pays the sum assured on death during the term and nothing on survival, making it the cheapest pure protection.	9
Time value of money	Money available now is worth more than the same amount in the future, because it can be invested to earn a return.	6
Time-weighted versus money-weighted	Time-weighted return removes the effect of cash flows, judging a manager; money-weighted return, like IRR, reflects the investor's own timing of flows.	6
Trust	A trust holds assets for beneficiaries under a trustee's control, and is used for succession, protection and management of wealth.	11
Underwriting	Underwriting is the insurer's process of assessing risk and deciding whether to accept a proposal and at what premium.	9
Unit linked insurance plan	A ULIP combines insurance with market-linked investment, with charges for mortality, administration and fund management.	4
Value at Risk	Value at Risk estimates the maximum likely loss over a period at a given confidence level under normal conditions.	5

Term	Meaning	Unit
Waiting period	A waiting period is the time after purchase during which certain claims, such as pre-existing diseases, are not payable.	9
Whole life insurance	Whole life insurance provides cover for the whole life of the insured, typically up to a very advanced age.	9
Will	A will is a legal document by which a person decides how her property is to be distributed after death, and it takes effect only on death.	11
XIRR	XIRR computes the annualised return for investments made on specific dates, such as monthly SIPs.	6
Yield curve	The yield curve plots yields of bonds against their maturities; an upward-sloping curve is normal, where longer maturities yield more.	2

FINAL STRETCH

The last seven days.

Revision checklist

Re-do time-value-of-money calculations: FV, PV, CAGR.

Learn the SEBI IA fee caps and the segregation rule exactly.

Revise the insurance types and the human life value idea.

List retirement products with their lock-in and tax treatment.

Take Mock 5 with negative marking switched on.

Exam-day tips

- Negative marking applies. Eliminate options before guessing.
- For planning questions, name the client's goal and horizon first, then pick the product.
- Regulation questions use exact phrases such as 'fiduciary' and 'segregation'.
- Do not rely on interest rates from memory; questions test the type of instrument, not the rate.
- Keep a one-page list of formulas for FV, PV, CAGR and real return.

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