UpperCrust
THE WEALTH COMPANY

NISM CERTIFICATION · COMPLETE STUDY GUIDE

NISM Series X-B

Investment Adviser (Level 2)

Advanced planning for SEBI-registered investment advisers: insurance, retirement, tax, estate, behaviour and full financial plans.

120 QUESTIONS · 180 MINUTES · PASS 60% · 6 UNITS

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

ABOUT THIS GUIDE

Everything you need, in one place.

NISM Series X-B is the advanced module for people who advise clients on complete financial plans. It builds on Level 1 and tests judgement: choosing insurance cover, sizing a retirement corpus, tax-efficient structuring, estate planning, handling client behaviour and putting everything into a coherent plan.

120	180 min	60%	25% of marks
QUESTIONS	DURATION	TO PASS	NEGATIVE MARKING

Who should take this exam

Registered investment advisers and their principal officers, wealth managers, relationship managers and financial planners who give holistic advice for a fee.

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.

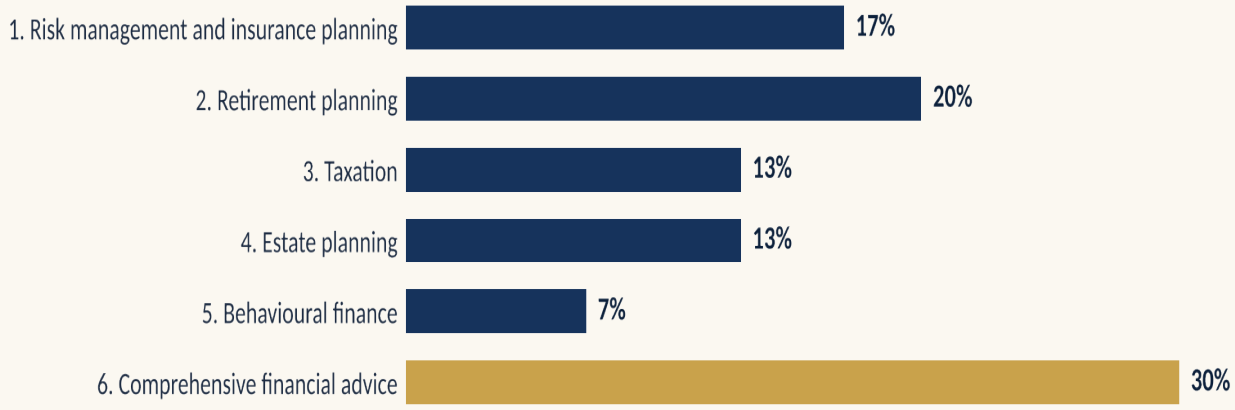
> **Keep this in mind**
>
> NISM revises its syllabus and workbook from time to time, and rules change by SEBI circular. This guide follows the official unit structure and weightage. Check the latest NISM workbook for any changes before your exam date.

EXAM AT A GLANCE

Structure and marks.

Item	Detail
Format	Computer-based; 90 one-mark questions and 6 case studies of 5 two-mark questions each
Questions and marks	120 questions, 150 marks (30 questions carry 2 marks)
Duration	3 hours
Passing score	90 marks (60%)
Negative marking	25% of a question's marks
Prerequisite	Level 1 (Series X-A) is a usual first step
Where it leads	Registration and practice as a SEBI investment adviser

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

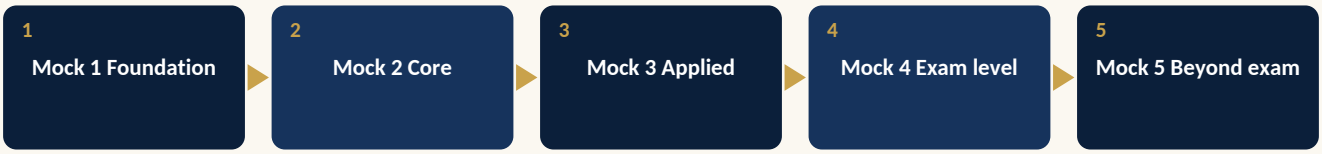
Time follows marks.

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. Risk management and insurance planning	17	17%	6
2. Retirement planning	20	20%	8
3. Taxation	13	13%	5
4. Estate planning	13	13%	5
5. Behavioural finance	7	7%	3
6. Comprehensive financial advice	30	30%	11
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 · 17% OF THE EXAM

Risk management and insurance planning

25 marks. Identifying risks and choosing insurance to cover them.

What the exam looks for

- Principles of insurance.
- Life, health and general cover.
- Needs analysis.
- Product choice.

Insurance products

Product	Core idea
Term plan	Pure protection, no maturity value
Endowment	Protection plus savings
ULIP	Insurance with market-linked investment
Health indemnity	Pays actual hospital costs
Annuity	Converts a corpus into income

Concept cards

01

Risk management process

The process is to identify risks, measure them, choose a treatment and monitor.

EXAMPLE An adviser lists a client's risks and assigns cover.

WATCH OUT Not true: the process starts with buying a policy.

02

Risk treatment options

Risks can be avoided, reduced, retained or transferred; insurance is a way of transferring risk.

EXAMPLE A client keeps small risks and insures large ones.

WATCH OUT Not true: insurance eliminates all risk.

03

Insurable interest

The policyholder must stand to suffer a financial loss if the insured event occurs.

EXAMPLE A person can insure a spouse but not an unrelated stranger.

WATCH OUT Not true: anyone may insure anyone.

04

Utmost good faith

Both parties must disclose all material facts honestly, and non-disclosure can void the claim.

EXAMPLE A client who hides a heart condition risks rejection.

WATCH OUT Not true: disclosure is needed only at claim time.

05

Indemnity

General and health insurance restore the insured to the position before the loss without allowing profit.

EXAMPLE A fire policy pays the actual loss up to the sum insured.

WATCH OUT Not true: indemnity allows a claim larger than the loss.

06

Proximate cause

The claim is payable only if the loss arises from the insured peril as the nearest effective cause.

EXAMPLE A loss from an excluded cause is declined.

WATCH OUT Not true: any loss is paid if a policy exists.

07

Term insurance

Term insurance pays the sum assured on death during the term and nothing on survival, so premiums are low.

EXAMPLE A young earner buys a large term cover cheaply.

WATCH OUT Not true: a term plan returns premiums by default.

08

Whole life and endowment

These combine cover with savings and are costlier per rupee of cover than term plans.

EXAMPLE An endowment pays on maturity or death.

WATCH OUT Not true: endowment plans give the highest cover per premium.

09

ULIP

A unit linked plan invests premiums in market funds after charges, with a life cover; it has a five-year lock-in.

EXAMPLE A policyholder switches between equity and debt funds.

WATCH OUT Not true: uLIP returns are guaranteed.

10

Human life value

The human life value approach sets cover as the present value of the future earnings that the family would lose.

EXAMPLE Cover is based on expected income over working years.

WATCH OUT Not true: cover equals current annual expenses only.

11

Needs-based approach

The needs approach adds the family's future needs and liabilities and subtracts existing assets to find the cover.

EXAMPLE Cover covers loans, goals and living costs net of savings.

WATCH OUT Not true: cover is a fixed multiple for everyone.

12

Income multiple rule

A rough rule suggests cover of ten to fifteen times annual income, to be refined by a needs analysis.

EXAMPLE A first estimate for a young earner.

WATCH OUT Not true: the multiple is set by law.

13 **Health insurance**

Health policies are indemnity contracts that cover hospital costs up to the sum insured, with waiting periods for pre-existing conditions.

EXAMPLE A person buys cover before illness arises.

WATCH OUT Not true: health cover applies from the first day for every condition.

14 **Family floater and individual**

A floater shares one sum insured among members, while individual policies give each person a separate sum.

EXAMPLE A floater is cheaper but the cover can be exhausted by one member.

WATCH OUT Not true: a floater gives each member the full sum.

15 **Deductible and co-payment**

In co-payment the insured bears a fixed share of each claim; a deductible is an amount borne before the insurer pays.

EXAMPLE A policy requires the insured to pay 20% of each claim.

WATCH OUT Not true: co-payment reduces the premium to zero.

16 **Critical illness cover**

A critical illness plan pays a lump sum on diagnosis of a listed illness, regardless of the actual bills.

EXAMPLE A benefit policy pays on diagnosis.

WATCH OUT Not true: it reimburses only actual expenses.

17 **Personal accident cover**

Personal accident cover pays for death or disability caused by accident.

EXAMPLE A policy pays for loss of limb in an accident.

WATCH OUT Not true: it covers illness-related death.

18 **Disability cover**

Income protection or disability cover replaces part of earnings if the person cannot work.

EXAMPLE A rider pays a monthly benefit on disability.

WATCH OUT Not true: term plans always include disability benefit.

19 **Motor and home insurance**

Third-party motor cover is mandatory; home policies cover structure and contents against listed perils.

EXAMPLE A car owner must hold at least the liability cover.

WATCH OUT Not true: own-damage motor cover is compulsory.

20 **Claim settlement ratio**

The ratio of claims settled to claims received indicates an insurer's claims record, among other factors for choosing an insurer.

EXAMPLE An adviser checks the insurer's record.

WATCH OUT Not true: the ratio guarantees that every claim will be paid.

21

Nomination and assignment

A nominee receives the proceeds as a trustee in many cases, while assignment transfers rights in the policy.

EXAMPLE A policyholder updates the nominee after marriage.

WATCH OUT Not true: a nominee always becomes the legal owner.

22

Beneficiary nominee under MWP Act

A policy under the Married Women's Property Act creates a trust for the spouse and children, protecting proceeds from creditors.

EXAMPLE A policy is protected from the policyholder's creditors.

WATCH OUT Not true: mWP policies can be claimed by creditors.

23

Free-look period

A new life policy can be returned within the free-look period for a refund subject to deductions.

EXAMPLE A buyer cancels the policy within the window.

WATCH OUT Not true: there is no right to return a policy.

24

Riders

Riders add benefits such as accidental death or waiver of premium for an extra cost.

EXAMPLE A buyer adds an accident rider.

WATCH OUT Not true: riders are always free.

25

Insurance as part of the plan

Insurance is for protection; mixing it with investment often leads to poor outcomes in both, so advisers usually separate them.

EXAMPLE An adviser recommends term plus mutual funds.

WATCH OUT Not true: combination products always beat the two separately.

26

Emergency fund and risk

An emergency fund of three to six months of expenses is the first line of defence before insurance.

EXAMPLE A client keeps liquid money for shocks.

WATCH OUT Not true: an emergency fund is not needed with insurance.

Unit recap · one line each

Risk management process · Risk treatment options · Insurable interest · Utmost good faith · Indemnity · Proximate cause · Term insurance · Whole life and endowment · ULIP · Human life value · Needs-based approach · Income multiple rule · Health insurance · Family floater and individual · Deductible and co-payment · Critical illness cover · Personal accident cover · Disability cover · Motor and home insurance · Claim settlement ratio · Nomination and assignment · Beneficiary nominee under MWP Act · Free-look period · Riders · Insurance as part of the plan · Emergency fund and risk

UNIT 2 · 20% OF THE EXAM

Retirement planning

30 marks. Sizing the corpus, choosing instruments, and planning the payout.

What the exam looks for

- Retirement needs and corpus.
- EPF, PPF, NPS and annuities.
- Withdrawal strategies.
- Longevity and inflation.

Retirement planning steps

1. Estimate expenses
2. Inflate to retirement
3. Find the corpus
4. Compute monthly saving
5. Review yearly

FORMULA · Corpus idea

Corpus = Annual expense at retirement / (withdrawal rate)

Concept cards

01 Retirement planning

It estimates the corpus needed to sustain the client's lifestyle after income stops, and the saving needed to reach it.

EXAMPLE A 35-year-old plans for retirement at 60.

WATCH OUT Not true: it focuses only on the date of retirement.

02 Inflation impact

Inflation raises future expenses, so the corpus must be based on inflated expenses, not today's.

EXAMPLE Expenses of ₹5 lakh today are higher at retirement.

WATCH OUT Not true: expenses stay constant during retirement.

03 Real rate of return

The real return is the return after adjusting for inflation, roughly nominal less inflation.

EXAMPLE A return of 9% with 6% inflation is about 3% real.

WATCH OUT Not true: the real return equals the nominal return.

04 Retirement corpus

The corpus is the amount that, invested at an assumed return, can fund inflation-adjusted expenses for the expected life.

EXAMPLE The corpus covers withdrawals up to age 85 or 90.

WATCH OUT Not true: the corpus only needs to cover five years.

05

Safe withdrawal rate

A safe rate such as around 4% of the initial corpus, adjusted for inflation, is used as a rule to avoid depletion.

EXAMPLE A corpus of ₹2.5 crore supports ₹10 lakh a year.

WATCH OUT Not true: withdrawing 20% a year is safe.

06

Longevity risk

Longevity risk is the risk of outliving one's savings, addressed by planning for a long life and using annuities.

EXAMPLE A client plans to age 90.

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

07

Sequence of returns risk

Poor returns in the early years of retirement hurt more because withdrawals deplete the corpus.

EXAMPLE A market fall in year one damages the plan.

WATCH OUT Not true: the order of returns does not matter.

08

Bucket strategy

The bucket approach holds near-term needs in safe assets and long-term money in growth assets.

EXAMPLE Three years of expenses sit in debt funds.

WATCH OUT Not true: all money sits in equity.

09

Employees' Provident Fund

The EPF is a mandatory retirement scheme where employee and employer both contribute 12% of basic pay, with a rate declared annually.

EXAMPLE A salaried person's retirement base.

WATCH OUT Not true: ePF offers a fixed guaranteed rate for life.

10

Public Provident Fund

The PPF has a 15-year tenure, an annual limit of ₹1.5 lakh and a government-set rate, with tax-free interest and maturity under current rules.

EXAMPLE An investor opens a PPF for long-term saving.

WATCH OUT Not true: pPF has a 5-year tenure.

11

National Pension System

The NPS is a market-linked pension scheme; the Tier I account has restricted withdrawals, and at 60 up to 60% may be taken as a lump sum with the rest used to buy an annuity.

EXAMPLE A subscriber buys an annuity with part of her corpus.

WATCH OUT Not true: nPS allows full free withdrawal at any time.

12

NPS asset choices

NPS subscribers choose between active choice and auto choice, with different limits for equity exposure.

EXAMPLE An investor selects the lifecycle option.

WATCH OUT Not true: nPS offers only government securities.

13 **Annuity**

An annuity converts a corpus into a regular income, for life or a fixed period, in exchange for a lump sum.

EXAMPLE A retiree buys an annuity for steady income. **WATCH OUT** Not true: an annuity is a growth investment.

14 **Immediate versus deferred annuity**

An immediate annuity starts paying soon after purchase, while a deferred annuity starts after an accumulation phase.

EXAMPLE A retiree needing income buys an immediate annuity. **WATCH OUT** Not true: a deferred annuity pays at once.

15 **Annuity with return of purchase price**

This option pays income for life and returns the purchase price to the nominee on death, with a lower payout.

EXAMPLE A retiree wants to leave money to her heirs. **WATCH OUT** Not true: it gives a higher payout than the life-only option.

16 **Senior Citizens' Savings Scheme**

SCSS is a government scheme for those aged 60 and above with a 5-year tenure, a quarterly interest payout and an investment cap.

EXAMPLE A retiree seeks safe regular income. **WATCH OUT** Not true: sCSS is open to all ages.

17 **Atal Pension Yojana**

APY gives a guaranteed pension of ₹1,000 to ₹5,000 a month at 60 for contributors in the unorganised sector.

EXAMPLE A small earner chooses a fixed pension. **WATCH OUT** Not true: aPY pays a market-linked pension.

18 **Systematic withdrawal plan**

An SWP withdraws a fixed amount from a mutual fund regularly, providing income while the balance stays invested.

EXAMPLE A retiree draws monthly from a debt fund. **WATCH OUT** Not true: an SWP sells the whole fund at once.

19 **Retirement income sources**

Sources include pension, rental income, interest, dividends and annuities, and the adviser should map them against expenses.

EXAMPLE An adviser tabulates income against needs. **WATCH OUT** Not true: only one source is needed.

20 **Reverse mortgage**

A reverse mortgage lets a senior citizen borrow against the home and receive regular payments with no repayment during life.

EXAMPLE A homeowner draws income against the property. **WATCH OUT** Not true: the borrower makes monthly repayments.

21 **Healthcare in retirement**

Medical costs rise faster than general inflation, so health cover and a medical reserve are part of the plan.

EXAMPLE A plan sets aside a health fund.

WATCH OUT Not true: healthcare costs fall after retirement.

22 **Savings needed per month**

The monthly saving is found by working out the future value of a series of investments needed to reach the corpus.

EXAMPLE A planner solves for the SIP to reach ₹3 crore.

WATCH OUT Not true: savings are computed without any return assumption.

23 **Replacement ratio**

The replacement ratio is post-retirement income as a share of pre-retirement income, often taken at 60 to 80%.

EXAMPLE A client plans for 70% of the last salary.

WATCH OUT Not true: replacement ratio is always 100%.

24 **Glide path**

As retirement nears, the equity share is reduced gradually to protect the corpus.

EXAMPLE A lifecycle fund shifts to debt with age.

WATCH OUT Not true: equity is raised as retirement nears.

25 **Early retirement**

Retiring earlier increases the corpus needed because there are fewer saving years and more years to fund.

EXAMPLE A client wants to retire at 45.

WATCH OUT Not true: early retirement lowers the required corpus.

26 **Retirement and tax**

Pension and annuity income are taxed as income, and tax on withdrawals depends on the product and the rules in force.

EXAMPLE An annuity payout is added to taxable income.

WATCH OUT Not true: annuities are always tax-free.

27 **Review and rebalancing**

A retirement plan is reviewed every year for changes in expenses, returns, health and goals.

EXAMPLE The adviser reviews assumptions annually.

WATCH OUT Not true: a plan is set once and never reviewed.

Unit recap · one line each

Retirement planning · Inflation impact · Real rate of return · Retirement corpus · Safe withdrawal rate · Longevity risk · Sequence of returns risk · Bucket strategy · Employees' Provident Fund · Public Provident Fund · National Pension System · NPS asset choices · Annuity · Immediate versus deferred annuity · Annuity with return of purchase price · Senior Citizens' Savings Scheme · Atal Pension Yojana · Systematic withdrawal plan · Retirement income sources · Reverse mortgage · Healthcare in retirement · Savings needed per month · Replacement ratio · Glide path · Early retirement · Retirement and tax · Review and rebalancing

UNIT 3 · 13% OF THE EXAM

Taxation

20 marks. Tax treatment of income and investments, and tax-efficient planning. Rates change; check the latest law.

What the exam looks for

- Heads of income.
- Capital gains.
- Deductions and regimes.
- Tax-efficient investing.

Check the date

Tax rates, slabs and limits change in each Budget. The facts here follow the law at the time of writing; always verify current figures before advising a client or answering a question that names a financial year.

Capital gains (listed equity)

Holding	Type	Rate
Up to 12 months	Short term	20%
More than 12 months	Long term	12.5% above ₹1.25 lakh a year

Concept cards

01

Heads of income

Income is classified as salary, house property, business or profession, capital gains and other sources.

EXAMPLE Rent is taxed under house property.

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

02

Residential status

Tax liability depends on residential status; residents are taxed on global income and non-residents on India-sourced income.

EXAMPLE An NRI is taxed on income earned in India.

WATCH OUT Not true: residents are taxed only on Indian income.

03

Old and new regime

Individuals can choose between the old regime with deductions and the new regime with lower slab rates and few deductions.

EXAMPLE A client with large deductions compares both.

WATCH OUT Not true: deductions like 80C apply under the new regime.

04

Section 80C

Section 80C allows a deduction up to ₹1.5 lakh for items such as PPF, ELSS, life insurance premiums and EPF in the old regime.

EXAMPLE A client invests in ELSS for deduction.

WATCH OUT Not true: 80C allows unlimited deduction.

05

ELSS

Equity Linked Savings Schemes are tax-saving mutual funds with a three-year lock-in.

EXAMPLE A client chooses ELSS under 80C.

WATCH OUT Not true: eLSS has a 15-year lock-in.

06

Section 80D

Section 80D allows a deduction for health insurance premiums, with higher limits for senior citizens, in the old regime.

EXAMPLE A client claims the premium paid for her parents.

WATCH OUT Not true: 80D covers life insurance premiums.

07

Section 80CCD(1B)

An additional deduction of up to ₹50,000 is available for NPS contributions, over and above 80C, in the old regime.

EXAMPLE A client adds to NPS for extra deduction.

WATCH OUT Not true: the extra deduction is ₹5 lakh.

08

Standard deduction

Salaried individuals get a flat standard deduction from salary income, and the amount differs by regime.

EXAMPLE A salaried person gets it without any proof.

WATCH OUT Not true: the standard deduction needs bills.

09

Short-term capital gains on equity

Gains on listed equity shares and equity funds held up to 12 months are short term and taxed at a flat rate, currently 20%.

EXAMPLE A fund sold after 8 months.

WATCH OUT Not true: short-term gains on equity are taxed at 15% always.

10

Long-term capital gains on equity

Gains on listed equity held for more than 12 months are taxed at 12.5% on the amount above the annual exemption of ₹1.25 lakh.

EXAMPLE A holder sells after two years.

WATCH OUT Not true: lTCG on equity is fully exempt.

11

Debt mutual funds

Debt funds bought after April 2023 are taxed on gains at the investor's slab rate, whatever the holding period.

EXAMPLE A debt fund gain is added to income.

WATCH OUT Not true: debt funds get indexation benefit.

12 **Holding period for other assets**

Unlisted shares and immovable property need two years to be long term, and long-term gains are taxed at 12.5% without indexation under current rules.

EXAMPLE A flat sold after 3 years.

WATCH OUT Not true: property is long term after one year.

13 **Gold**

Gold is long term after 24 months, with gains taxed at 12.5% under current rules, while gold funds follow their own rules.

EXAMPLE Physical gold sold after 3 years.

WATCH OUT Not true: gold is long term after one year.

14 **Set-off and carry forward**

Capital losses can be set off against capital gains and carried forward for eight years, but long-term losses only against long-term gains.

EXAMPLE A short-term loss reduces long-term gain.

WATCH OUT Not true: long-term loss offsets any income.

15 **Dividend taxation**

Dividends are taxed in the hands of the recipient at the slab rate.

EXAMPLE Dividend income is added to total income.

WATCH OUT Not true: dividends are tax-free for all investors.

16 **Interest income**

Interest from bank deposits is taxable at slab rates, with TDS above specified limits.

EXAMPLE FD interest is added to income.

WATCH OUT Not true: fD interest is tax-free.

17 **TDS**

Tax deducted at source is a prepayment of tax by the payer and can be adjusted in the return.

EXAMPLE A bank deducts tax on interest.

WATCH OUT Not true: tDS is a separate additional tax.

18 **Advance tax**

Taxpayers expecting liability above a threshold pay advance tax in instalments through the year.

EXAMPLE A business pays four times a year.

WATCH OUT Not true: advance tax is paid after the year ends.

19 **Rental income**

Rent is taxed under house property after a standard deduction of 30% of net annual value, plus home loan interest deduction subject to limits.

EXAMPLE A landlord claims a 30% deduction.

WATCH OUT Not true: rent is exempt from tax.

20 **Home loan benefits**

Interest on a home loan is deductible within limits for a self-occupied house, with principal repayment qualifying under 80C in the old regime.

EXAMPLE A borrower claims interest up to the limit.

WATCH OUT Not true: there is no tax benefit from a home loan.

21

HUF

A Hindu Undivided Family is taxed as a separate entity, which allows another set of exemptions and slabs.

EXAMPLE A family splits income between itself and an HUF.

WATCH OUT Not true: hUF is not a separate taxpayer.

22

Clubbing of income

Income from assets transferred to a spouse or minor child without adequate consideration is clubbed with the transferor's income.

EXAMPLE A gift to a spouse that earns interest is taxed in the giver's hands.

WATCH OUT Not true: gifts to a spouse always shift the tax.

23

Gifts

Gifts from specified relatives are exempt, while gifts from others above a threshold are taxed as income of the recipient.

EXAMPLE A gift from a parent is exempt.

WATCH OUT Not true: all gifts are taxed.

24

Tax harvesting

Booking long-term gains up to the exemption limit each year and re-investing can reduce future tax.

EXAMPLE An investor sells units to use the annual exemption.

WATCH OUT Not true: tax harvesting avoids all tax.

25

Tax planning versus evasion

Planning uses legal provisions to reduce tax, while evasion hides income or misreports and is illegal.

EXAMPLE A client uses deductions properly.

WATCH OUT Not true: hiding income is tax planning.

Unit recap · one line each

Heads of income · Residential status · Old and new regime · Section 80C · ELSS · Section 80D · Section 80CCD(1B) · Standard deduction · Short-term capital gains on equity · Long-term capital gains on equity · Debt mutual funds · Holding period for other assets · Gold · Set-off and carry forward · Dividend taxation · Interest income · TDS · Advance tax · Rental income · Home loan benefits · HUF · Clubbing of income · Gifts · Tax harvesting · Tax planning versus evasion

UNIT 4 · 13% OF THE EXAM

Estate planning

20 marks. Passing wealth smoothly through wills, nominations, trusts and succession law.

What the exam looks for

- Wills and probate.
- Succession laws.
- Trusts.
- Nomination versus legal heirs.

Nominee vs legal heir

Point	Nominee	Legal heir
Role	Receives, often as trustee	Entitled by law or will
Ownership	Not automatic owner	Owns the share
Basis	Nomination form	Succession law / will

Concept cards

01

Estate planning

Estate planning arranges how assets will pass to the next generation, minimising disputes, delay and cost.

EXAMPLE A client documents her wishes while alive.

WATCH OUT Not true: it begins only after death.

02

Will

A will is a legal declaration of how a person wants her property distributed after death, and it takes effect only on death.

EXAMPLE A testator names her heirs in a signed will.

WATCH OUT Not true: a will operates from the date of signing.

03

Testator and executor

The testator makes the will and the executor is the person appointed to carry it out.

EXAMPLE A friend named to execute the will.

WATCH OUT Not true: the executor makes the will.

04

Valid will

A will must be in writing, signed by the testator and attested by two witnesses, and registration is optional.

EXAMPLE A will signed before two witnesses.

WATCH OUT Not true: registration is compulsory.

05

Revoking a will

A will can be changed or revoked any time before death, and a later will overrides the earlier one.

EXAMPLE A client writes a new will after marriage.

WATCH OUT Not true: a will cannot be changed after signing.

06

Intestate succession

If a person dies without a will, the property passes according to personal succession laws.

EXAMPLE A man dies without a will and the law decides.

WATCH OUT Not true: the state takes the property.

07

Hindu Succession Act

This Act governs intestate succession among Hindus, with equal rights for sons and daughters in coparcenary property.

EXAMPLE A daughter inherits equally.

WATCH OUT Not true: daughters have no rights under the Act.

08

Indian Succession Act

This Act governs wills and succession for Christians and others, and the rules for probate of wills.

EXAMPLE A will's probate rules.

WATCH OUT Not true: it applies only to Hindus.

09

Muslim personal law

Muslims follow personal law for succession, with defined shares, and a will is limited to a share of the estate.

EXAMPLE A Muslim testator is limited in the portion she can will away.

WATCH OUT Not true: a Muslim may will away the whole estate freely.

10

Probate

Probate is the court's certification that a will is genuine and gives the executor authority to act.

EXAMPLE An executor obtains it to transfer assets.

WATCH OUT Not true: probate is a tax on the estate.

11

Nomination

A nominee receives assets on the holder's death but may hold them for the legal heirs, depending on the law that applies.

EXAMPLE A bank pays a nominee and the nominee holds it for heirs.

WATCH OUT Not true: a nominee overrides the will in all cases.

12

Legal heirs

Legal heirs are the persons entitled under succession law or a will, and they can claim assets irrespective of nomination in many cases.

EXAMPLE Heirs may claim the share from the nominee.

WATCH OUT Not true: legal heirs have no claim if a nominee exists.

13

Succession certificate

A succession certificate lets the heirs of a person who died without a will collect debts and securities.

EXAMPLE Heirs obtain it to claim bank dues.

WATCH OUT Not true: it is required for all wills.

14

Trust

A trust holds property for the benefit of others under a trustee, allowing control, privacy and protection.

EXAMPLE A settlor creates a trust for her children.

WATCH OUT Not true: a trust is a type of will.

15

Settlor, trustee, beneficiary

The settlor creates the trust, the trustee manages it and the beneficiary gets the benefits.

EXAMPLE The trustee manages assets for the beneficiary.

WATCH OUT Not true: the beneficiary manages the trust.

16

Revocable and irrevocable trust

A revocable trust can be changed or ended by the settlor, while an irrevocable trust cannot, giving stronger separation of assets.

EXAMPLE A settlor retains the power to cancel the trust.

WATCH OUT Not true: an irrevocable trust can be withdrawn easily.

17

Private trust

A private trust may be set up for the family to hold assets, manage inheritance and protect minors or dependants.

EXAMPLE A family trust holds a business stake.

WATCH OUT Not true: a private trust must be registered as a charity.

18

Power of attorney

A power of attorney authorises another person to act for the principal during life and ends on the principal's death.

EXAMPLE An agent signs documents when the owner is abroad.

WATCH OUT Not true: a power of attorney continues after death.

19

Gifting

Gifting during life transfers ownership immediately via a gift deed, and property gifts require registration.

EXAMPLE A parent gifts a flat to a child by registered deed.

WATCH OUT Not true: an oral gift of property is valid.

20

Inheritance tax

India has no inheritance or estate tax at present, but income from inherited assets is taxable to the heir.

EXAMPLE An heir pays tax on rent from an inherited flat.

WATCH OUT Not true: india taxes the transfer on inheritance.

21

Cost of inherited assets

For capital gains, the cost of an inherited asset is the cost to the previous owner and the holding period includes the previous holder's period.

EXAMPLE An heir sells an inherited house.

WATCH OUT Not true: the cost is the value on the date of death only.

22

Joint holding

In a joint account with 'either or survivor', the surviving holder operates the account on the death of the other.

EXAMPLE A spouse continues to access the account.

WATCH OUT Not true: joint accounts are frozen on any death.

23

Guardian for minors

A will can name a guardian for minor children, and a trust can manage their assets until adulthood.

EXAMPLE A parent appoints a guardian in the will.

WATCH OUT Not true: minors can hold and sell property directly.

24

Family settlement

A family settlement is an arrangement among family members to divide property and avoid disputes.

EXAMPLE Siblings agree on the division of assets in writing.

WATCH OUT Not true: a family settlement needs no document.

25

Review of estate plan

The plan should be updated after marriage, birth, divorce, death or major changes in assets.

EXAMPLE A client updates the will after a new child.

WATCH OUT Not true: an estate plan never needs revision.

Unit recap · one line each

Estate planning · Will · Testator and executor · Valid will · Revoking a will · Intestate succession · Hindu Succession Act · Indian Succession Act · Muslim personal law · Probate · Nomination · Legal heirs · Succession certificate · Trust · Settlor, trustee, beneficiary · Revocable and irrevocable trust · Private trust · Power of attorney · Gifting · Inheritance tax · Cost of inherited assets · Joint holding · Guardian for minors · Family settlement · Review of estate plan

UNIT 5 · 7% OF THE EXAM

Behavioural finance

10 marks. Recognising biases in clients and in oneself.

What the exam looks for

- Cognitive and emotional biases.
- Prospect theory.
- Managing client behaviour.

Biases by symptom

Symptom	Bias
Holds losers, sells winners	Disposition effect
Fixates on purchase price	Anchoring
Follows the crowd	Herding
Pain of loss > joy of gain	Loss aversion
Separates money into pots	Mental accounting

Concept cards

01

Behavioural finance

It studies how psychology influences financial decisions and markets, in contrast to the view that investors are always rational.

EXAMPLE A client panics and sells in a fall.

WATCH OUT Not true: it assumes investors always act rationally.

02

Prospect theory

Prospect theory says people value gains and losses relative to a reference point and feel losses more strongly than equal gains.

EXAMPLE A client dislikes a loss more than she likes the same gain.

WATCH OUT Not true: it says people weigh gains and losses equally.

03

Loss aversion

Loss aversion is the tendency to feel the pain of a loss more than the pleasure of an equal gain.

EXAMPLE A client refuses to sell a stock at a loss.

WATCH OUT Not true: loss aversion makes clients take more risk.

04

Disposition effect

Investors tend to sell winners too early and hold losers too long.

EXAMPLE A client books a small profit but keeps a falling stock.

WATCH OUT Not true: investors sell losers quickly.

05

Anchoring

Anchoring is relying heavily on an initial number, like the purchase price, when making decisions.

EXAMPLE A client waits for a price to return to her buying level.

WATCH OUT Not true: anchoring is making decisions using fresh information.

06

Overconfidence

Overconfident investors overestimate their knowledge and ability, trade too often and under-diversify.

EXAMPLE A client believes she can time the market.

WATCH OUT Not true: overconfidence reduces trading.

07

Herding

Herding is following the actions of the crowd rather than one's own analysis.

EXAMPLE Clients rush into a rising stock because others do.

WATCH OUT Not true: herding means making independent decisions.

08

Confirmation bias

Confirmation bias is seeking information that supports existing beliefs and ignoring contrary evidence.

EXAMPLE A client reads only positive news on her holding.

WATCH OUT Not true: it means testing views against evidence.

09

Recency bias

Recency bias gives too much weight to recent events and extrapolates them into the future.

EXAMPLE A client assumes last year's rally will continue.

WATCH OUT Not true: recency bias values long-term history.

10

Availability bias

Judging the likelihood of an event by how easily examples come to mind.

EXAMPLE A client avoids equity after hearing of a crash.

WATCH OUT Not true: it means using full statistics.

11

Mental accounting

People treat money differently depending on its source or purpose, such as treating a bonus as free money.

EXAMPLE A client spends a windfall recklessly.

WATCH OUT Not true: it treats all money as the same.

12

Endowment effect

People value what they own more than identical things they do not own.

EXAMPLE A client refuses to sell an inherited stock.

WATCH OUT Not true: it means pricing assets at market value.

13

Status quo bias

A preference to keep things as they are and avoid change.

EXAMPLE A client leaves money idle in a savings account.

WATCH OUT Not true: it drives clients to rebalance often.

14

Regret aversion

Avoiding decisions that may cause regret, leading to inaction or following the crowd.

EXAMPLE A client delays investing for fear of a fall.

WATCH OUT Not true: it makes clients eager to take bold bets.

15

Framing

The way information is presented influences the decision, even when facts are the same.

EXAMPLE A fund described as 90% success is liked more than one with 10% failure.

WATCH OUT Not true: framing has no effect on choices.

16

Cognitive and emotional biases

Cognitive biases arise from faulty reasoning and can be reduced with information, while emotional biases arise from feelings and are harder to correct, so the adviser adapts to them.

EXAMPLE An adviser accepts an emotional bias and designs around it.

WATCH OUT Not true: emotional biases are easy to remove with data.

17

Managing client behaviour

Advisers help by setting a written policy, pre-agreeing rebalancing rules and using goal-based buckets to reduce emotional decisions.

EXAMPLE A written plan guides a client during a fall.

WATCH OUT Not true: advisers should follow every client impulse.

18

Self-attribution

Crediting success to skill and failure to bad luck.

EXAMPLE An investor claims her gains came from her analysis only.

WATCH OUT Not true: self-attribution leads to learning from errors.

Unit recap · one line each

Behavioural finance · Prospect theory · Loss aversion · Disposition effect · Anchoring · Overconfidence · Herding · Confirmation bias · Recency bias · Availability bias · Mental accounting · Endowment effect · Status quo bias · Regret aversion · Framing · Cognitive and emotional biases · Managing client behaviour · Self-attribution

UNIT 6 · 30% OF THE EXAM

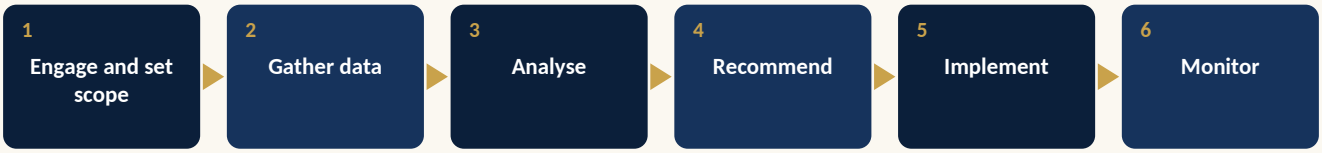
Comprehensive financial advice

45 marks, the largest module. Putting everything together: process, regulation, risk profile, allocation, plan and review. Most case studies sit here.

What the exam looks for

- Planning process.
- SEBI IA regulations.
- Risk profile and asset allocation.
- Goals, cash flow and net worth.
- Case-style problems.

Planning process



₹1.51 lakh	40%	3 to 6
FEE CAP PER FAMILY PER YEAR	EMI TO INCOME GUIDE	MONTHS OF EMERGENCY FUND

Concept cards

01

Financial planning

Financial planning is a process of meeting life goals through the proper management of finances.

EXAMPLE A plan links goals, cash flow, risk and investments.

WATCH OUT Not true: it is the same as selling products.

02

Six-step process

The steps are establishing the relationship, gathering data, analysing, recommending, implementing and monitoring.

EXAMPLE The adviser reviews the plan after it is implemented.

WATCH OUT Not true: monitoring is optional once the plan starts.

03

SEBI Investment Advisers Regulations

Anyone giving investment advice for a fee must be registered with SEBI under the 2013 regulations.

EXAMPLE A fee-charging adviser needs registration.

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

04

Qualification and certification

Individual advisers need prescribed qualification and a NISM certification such as Series X-A and X-B, as the rules specify.

EXAMPLE An adviser passes the NISM certification.

WATCH OUT Not true: no certification is required.

05

Fee structure

Advisers may charge a fixed fee or a fee linked to assets under advice, within a cap on fees from an individual or family per year, currently ₹1.51 lakh.

EXAMPLE A client pays a fixed annual fee.

WATCH OUT Not true: advisers may take commission from products they recommend.

06

Segregation

Advisory and distribution activities must be separated, and advisers cannot receive distribution commission from clients they advise.

EXAMPLE An adviser recommends direct plans.

WATCH OUT Not true: an adviser may earn commissions from the same client.

07

Risk profiling

Risk profiling assesses a client's willingness, ability and need to take risk before recommending investments.

EXAMPLE A questionnaire and cash-flow review feed the profile.

WATCH OUT Not true: risk profiling is based on age alone.

08

Risk tolerance and risk capacity

Tolerance is the willingness to bear risk, and capacity is the financial ability to bear it; the lower one governs.

EXAMPLE A willing client with little savings gets a cautious plan.

WATCH OUT Not true: tolerance always determines the plan.

09

Suitability

Advice must be suitable to the client's profile, and the adviser must document the basis for recommendations.

EXAMPLE A written rationale accompanies each recommendation.

WATCH OUT Not true: suitability is checked once a decade.

10

Conflict of interest

Advisers must disclose conflicts of interest and manage them in the client's favour.

EXAMPLE An adviser discloses a relationship with a provider.

WATCH OUT Not true: conflicts need not be disclosed.

11

Risk profile report and agreement

Advisers must keep the signed agreement, risk profile and advice records for the prescribed period.

EXAMPLE The adviser retains records for the period required.

WATCH OUT Not true: records are optional.

12

Goal-based planning

Goals are listed with amount, time horizon and priority, inflation-adjusted and matched with suitable investments.

EXAMPLE A child's education in 12 years is funded by equity-oriented funds.

WATCH OUT Not true: all goals are funded with the same asset.

13

Asset allocation

Asset allocation divides a portfolio among asset classes according to goals, horizon and risk, and drives most of the variation in returns.

EXAMPLE A balanced client holds equity and debt.

WATCH OUT Not true: asset allocation is about picking one winning stock.

14

Strategic and tactical allocation

Strategic allocation sets long-term target weights while tactical allocation makes short-term deviations to exploit views.

EXAMPLE A client's long-run mix is 60:40.

WATCH OUT Not true: tactical allocation is a fixed rule.

15

Rebalancing

Rebalancing returns the portfolio to target weights after market moves, by calendar or by threshold.

EXAMPLE A portfolio is reset when equity drifts above its band.

WATCH OUT Not true: rebalancing means adding only to winners.

16

Emergency fund

The emergency fund of three to six months of expenses is kept in liquid, safe instruments.

EXAMPLE Funds are kept in a liquid fund.

WATCH OUT Not true: the emergency fund should be in small-cap equity.

17

Cash flow statement

A cash flow statement lists inflows and outflows in a period to find the surplus available for goals.

EXAMPLE A planner finds a monthly surplus.

WATCH OUT Not true: it shows the client's net worth.

18

Net worth statement

Net worth is the difference between assets and liabilities at a date.

EXAMPLE Assets of ₹1 crore less loans of ₹30 lakh give ₹70 lakh.

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

19

Debt ratios

A common guide is that EMIs should not exceed about 40% of income and total debt service should be sustainable.

EXAMPLE A client with EMIs of 55% of income is over-leveraged.

WATCH OUT Not true: there is no useful guide on borrowing.

20

Savings ratio

The savings ratio is savings as a share of income and shows the client's capacity to fund goals.

EXAMPLE A saver putting away 25% of income.

WATCH OUT Not true: savings ratio is expenses divided by income.

21

Liquidity ratio

The liquidity ratio is liquid assets divided by monthly expenses and shows how many months the client can cope without income.

EXAMPLE Liquid assets of ₹3 lakh with expenses of ₹50,000 give 6 months.

WATCH OUT Not true: it measures the share of equity in the portfolio.

22

Time value of money

A rupee today is worth more than a rupee in the future because it can earn a return.

EXAMPLE Planning uses present and future values.

WATCH OUT Not true: money has the same value at all times.

23

Future value

Future value is the amount an investment grows to at a given rate over a period.

EXAMPLE ₹1 lakh at 10% for 2 years becomes ₹1.21 lakh.

WATCH OUT Not true: future value is calculated by dividing by growth.

24

Present value

Present value discounts a future amount to today's equivalent at a given rate.

EXAMPLE ₹1.21 lakh in 2 years at 10% is worth ₹1 lakh today.

WATCH OUT Not true: present value is greater than future value for positive rates.

25

SIP for a goal

The monthly investment required for a goal is found from the future value of an annuity, given the expected return and time.

EXAMPLE A planner sets the SIP for a target corpus.

WATCH OUT Not true: a SIP amount does not depend on time horizon.

26

CAGR

The compound annual growth rate expresses the annualised growth between two values over a period.

EXAMPLE ₹100 growing to ₹200 in 5 years is about 14.9% a year.

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

27

Time-weighted return

Time-weighted return removes the effect of cash flows to measure the manager's performance.

EXAMPLE A fund's return is compared over a period fairly.

WATCH OUT Not true: it depends on the timing of the client's deposits.

28

Sharpe ratio

The Sharpe ratio is excess return over the risk-free rate divided by standard deviation and measures return per unit of total risk.

EXAMPLE A higher Sharpe ratio is better for equal risk.

WATCH OUT Not true: the Sharpe ratio uses beta as the risk measure.

29

CAPM

CAPM gives the required return as the risk-free rate plus beta times the market risk premium.

EXAMPLE Risk-free 7%, market premium 6%, beta 1.2 gives 14.2%.

WATCH OUT Not true: cAPM uses standard deviation as the risk.

30

Diversification

Spreading investments across assets with low correlation reduces risk without proportionally lowering return.

EXAMPLE A portfolio holds equity, debt and gold.

WATCH OUT Not true: diversification removes market risk entirely.

31

Mutual fund selection

Selection looks at risk-adjusted returns, consistency, cost, portfolio quality and the manager, and prefers direct plans for advisers.

EXAMPLE An adviser compares expense ratios and Sharpe ratios.

WATCH OUT Not true: last year's top return is the only criterion.

32

Direct versus regular plans

Direct plans have lower expense ratios because no distributor commission is paid, which matters for fee-only advisers.

EXAMPLE A client's returns improve by choosing direct plans.

WATCH OUT Not true: direct plans carry higher costs.

33

Client communication

Communication should be clear, in the client's language, honest about risks and avoiding jargon and promises.

EXAMPLE An adviser explains the plan's assumptions.

WATCH OUT Not true: guaranteeing returns builds trust.

34

Plan monitoring

The plan is reviewed at least annually and when life events, markets or goals change.

EXAMPLE A marriage triggers a review.

WATCH OUT Not true: reviews are only needed on request.

35

Insurance and debt in the plan

A good plan first secures protection and removes costly debt before building long-term wealth.

EXAMPLE A client repays a high-interest loan before investing more.

WATCH OUT Not true: costly debt should be kept while investing.

36 Special situations

Advisers adapt plans for business owners, senior citizens, NRIs and clients with irregular income.

EXAMPLE A seasonal earner holds a larger buffer.

WATCH OUT Not true: one standard plan fits every client.

37 Ethics and fiduciary duty

The adviser acts in the client's best interest, with integrity, confidentiality and care.

EXAMPLE An adviser puts the client's interest above her own.

WATCH OUT Not true: the adviser's duty is to maximise her fee.

38 Grievance redressal

Clients can complain to the adviser, then SEBI through its portal, and the adviser must act on complaints promptly.

EXAMPLE A client files on SCORES.

WATCH OUT Not true: advisers are not subject to complaints.

39 Cases: reading the facts

In case questions, extract the client's goals, income, assets, liabilities, risk profile and assumptions into a table before answering.

EXAMPLE A candidate tabulates the case before solving.

WATCH OUT Not true: case answers can be guessed without the data.

Unit recap · one line each

Financial planning · Six-step process · SEBI Investment Advisers Regulations · Qualification and certification · Fee structure · Segregation · Risk profiling · Risk tolerance and risk capacity · Suitability · Conflict of interest · Risk profile report and agreement · Goal-based planning · Asset allocation · Strategic and tactical allocation · Rebalancing · Emergency fund · Cash flow statement · Net worth statement · Debt ratios · Savings ratio · Liquidity ratio · Time value of money · Future value · Present value · SIP for a goal · CAGR · Time-weighted return · Sharpe ratio · CAPM · Diversification · Mutual fund selection · Direct versus regular plans · Client communication · Plan monitoring · Insurance and debt in the plan · Special situations · Ethics and fiduciary duty · Grievance redressal · Cases: reading the facts

QUICK REFERENCE

Numbers and formulas.

Planning process

Step	What happens
1	Establish the relationship and scope
2	Gather data and goals
3	Analyse the position
4	Recommend a plan
5	Implement
6	Monitor and review

Module marks

Module	Marks
Risk management and insurance	25
Retirement planning	30
Taxation	20
Estate planning	20
Behavioural finance	10
Comprehensive advice	45

GLOSSARY

Every term, A to Z.

Term	Meaning	Unit
Advance tax	Taxpayers expecting liability above a threshold pay advance tax in instalments through the year.	3
Anchoring	Anchoring is relying heavily on an initial number, like the purchase price, when making decisions.	5
Annuity	An annuity converts a corpus into a regular income, for life or a fixed period, in exchange for a lump sum.	2
Annuity with return of purchase price	This option pays income for life and returns the purchase price to the nominee on death, with a lower payout.	2
Asset allocation	Asset allocation divides a portfolio among asset classes according to goals, horizon and risk, and drives most of the variation in returns.	6
Atal Pension Yojana	APY gives a guaranteed pension of ₹1,000 to ₹5,000 a month at 60 for contributors in the unorganised sector.	2
Availability bias	Judging the likelihood of an event by how easily examples come to mind.	5
Behavioural finance	It studies how psychology influences financial decisions and markets, in contrast to the view that investors are always rational.	5
Beneficiary nominee under MWP Act	A policy under the Married Women's Property Act creates a trust for the spouse and children, protecting proceeds from creditors.	1
Bucket strategy	The bucket approach holds near-term needs in safe assets and long-term money in growth assets.	2
CAGR	The compound annual growth rate expresses the annualised growth between two values over a period.	6
CAPM	CAPM gives the required return as the risk-free rate plus beta times the market risk premium.	6
Cases: reading the facts	In case questions, extract the client's goals, income, assets, liabilities, risk profile and assumptions into a table before answering.	6
Cash flow statement	A cash flow statement lists inflows and outflows in a period to find the surplus available for goals.	6
Claim settlement ratio	The ratio of claims settled to claims received indicates an insurer's claims record, among other factors for choosing an insurer.	1
Client communication	Communication should be clear, in the client's language, honest about risks and avoiding jargon and promises.	6
Clubbing of income	Income from assets transferred to a spouse or minor child without adequate consideration is clubbed with the transferor's income.	3
Cognitive and emotional biases	Cognitive biases arise from faulty reasoning and can be reduced with information, while emotional biases arise from feelings and are harder to correct, so the adviser adapts to them.	5
Confirmation bias	Confirmation bias is seeking information that supports existing beliefs and ignoring contrary evidence.	5
Conflict of interest	Advisers must disclose conflicts of interest and manage them in the client's favour.	6

Term	Meaning	Unit
Cost of inherited assets	For capital gains, the cost of an inherited asset is the cost to the previous owner and the holding period includes the previous holder's period.	4
Critical illness cover	A critical illness plan pays a lump sum on diagnosis of a listed illness, regardless of the actual bills.	1
Debt mutual funds	Debt funds bought after April 2023 are taxed on gains at the investor's slab rate, whatever the holding period.	3
Debt ratios	A common guide is that EMIs should not exceed about 40% of income and total debt service should be sustainable.	6
Deductible and co-payment	In co-payment the insured bears a fixed share of each claim; a deductible is an amount borne before the insurer pays.	1
Direct versus regular plans	Direct plans have lower expense ratios because no distributor commission is paid, which matters for fee-only advisers.	6
Disability cover	Income protection or disability cover replaces part of earnings if the person cannot work.	1
Disposition effect	Investors tend to sell winners too early and hold losers too long.	5
Diversification	Spreading investments across assets with low correlation reduces risk without proportionally lowering return.	6
Dividend taxation	Dividends are taxed in the hands of the recipient at the slab rate.	3
Early retirement	Retiring earlier increases the corpus needed because there are fewer saving years and more years to fund.	2
ELSS	Equity Linked Savings Schemes are tax-saving mutual funds with a three-year lock-in.	3
Emergency fund	The emergency fund of three to six months of expenses is kept in liquid, safe instruments.	6
Emergency fund and risk	An emergency fund of three to six months of expenses is the first line of defence before insurance.	1
Employees' Provident Fund	The EPF is a mandatory retirement scheme where employee and employer both contribute 12% of basic pay, with a rate declared annually.	2
Endowment effect	People value what they own more than identical things they do not own.	5
Estate planning	Estate planning arranges how assets will pass to the next generation, minimising disputes, delay and cost.	4
Ethics and fiduciary duty	The adviser acts in the client's best interest, with integrity, confidentiality and care.	6
Family floater and individual	A floater shares one sum insured among members, while individual policies give each person a separate sum.	1
Family settlement	A family settlement is an arrangement among family members to divide property and avoid disputes.	4
Fee structure	Advisers may charge a fixed fee or a fee linked to assets under advice, within a cap on fees from an individual or family per year, currently ₹1.51 lakh.	6
Financial planning	Financial planning is a process of meeting life goals through the proper management of finances.	6
Framing	The way information is presented influences the decision, even when facts are the same.	5
Free-look period	A new life policy can be returned within the free-look period for a refund subject to deductions.	1
Future value	Future value is the amount an investment grows to at a given rate over a period.	6

Term	Meaning	Unit
Gifting	Gifting during life transfers ownership immediately via a gift deed, and property gifts require registration.	4
Gifts	Gifts from specified relatives are exempt, while gifts from others above a threshold are taxed as income of the recipient.	3
Glide path	As retirement nears, the equity share is reduced gradually to protect the corpus.	2
Goal-based planning	Goals are listed with amount, time horizon and priority, inflation-adjusted and matched with suitable investments.	6
Gold	Gold is long term after 24 months, with gains taxed at 12.5% under current rules, while gold funds follow their own rules.	3
Grievance redressal	Clients can complain to the adviser, then SEBI through its portal, and the adviser must act on complaints promptly.	6
Guardian for minors	A will can name a guardian for minor children, and a trust can manage their assets until adulthood.	4
Heads of income	Income is classified as salary, house property, business or profession, capital gains and other sources.	3
Health insurance	Health policies are indemnity contracts that cover hospital costs up to the sum insured, with waiting periods for pre-existing conditions.	1
Healthcare in retirement	Medical costs rise faster than general inflation, so health cover and a medical reserve are part of the plan.	2
Herding	Herding is following the actions of the crowd rather than one's own analysis.	5
Hindu Succession Act	This Act governs intestate succession among Hindus, with equal rights for sons and daughters in coparcenary property.	4
Holding period for other assets	Unlisted shares and immovable property need two years to be long term, and long-term gains are taxed at 12.5% without indexation under current rules.	3
Home loan benefits	Interest on a home loan is deductible within limits for a self-occupied house, with principal repayment qualifying under 80C in the old regime.	3
HUF	A Hindu Undivided Family is taxed as a separate entity, which allows another set of exemptions and slabs.	3
Human life value	The human life value approach sets cover as the present value of the future earnings that the family would lose.	1
Immediate versus deferred annuity	An immediate annuity starts paying soon after purchase, while a deferred annuity starts after an accumulation phase.	2
Income multiple rule	A rough rule suggests cover of ten to fifteen times annual income, to be refined by a needs analysis.	1
Indemnity	General and health insurance restore the insured to the position before the loss without allowing profit.	1
Indian Succession Act	This Act governs wills and succession for Christians and others, and the rules for probate of wills.	4
Inflation impact	Inflation raises future expenses, so the corpus must be based on inflated expenses, not today's.	2
Inheritance tax	India has no inheritance or estate tax at present, but income from inherited assets is taxable to the heir.	4
Insurable interest	The policyholder must stand to suffer a financial loss if the insured event occurs.	1

Term	Meaning	Unit
Insurance and debt in the plan	A good plan first secures protection and removes costly debt before building long-term wealth.	6
Insurance as part of the plan	Insurance is for protection; mixing it with investment often leads to poor outcomes in both, so advisers usually separate them.	1
Interest income	Interest from bank deposits is taxable at slab rates, with TDS above specified limits.	3
Intestate succession	If a person dies without a will, the property passes according to personal succession laws.	4
Joint holding	In a joint account with 'either or survivor', the surviving holder operates the account on the death of the other.	4
Legal heirs	Legal heirs are the persons entitled under succession law or a will, and they can claim assets irrespective of nomination in many cases.	4
Liquidity ratio	The liquidity ratio is liquid assets divided by monthly expenses and shows how many months the client can cope without income.	6
Long-term capital gains on equity	Gains on listed equity held for more than 12 months are taxed at 12.5% on the amount above the annual exemption of ₹1.25 lakh.	3
Longevity risk	Longevity risk is the risk of outliving one's savings, addressed by planning for a long life and using annuities.	2
Loss aversion	Loss aversion is the tendency to feel the pain of a loss more than the pleasure of an equal gain.	5
Managing client behaviour	Advisers help by setting a written policy, pre-agreeing rebalancing rules and using goal-based buckets to reduce emotional decisions.	5
Mental accounting	People treat money differently depending on its source or purpose, such as treating a bonus as free money.	5
Motor and home insurance	Third-party motor cover is mandatory; home policies cover structure and contents against listed perils.	1
Muslim personal law	Muslims follow personal law for succession, with defined shares, and a will is limited to a share of the estate.	4
Mutual fund selection	Selection looks at risk-adjusted returns, consistency, cost, portfolio quality and the manager, and prefers direct plans for advisers.	6
National Pension System	The NPS is a market-linked pension scheme; the Tier I account has restricted withdrawals, and at 60 up to 60% may be taken as a lump sum with the rest used to buy an annuity.	2
Needs-based approach	The needs approach adds the family's future needs and liabilities and subtracts existing assets to find the cover.	1
Net worth statement	Net worth is the difference between assets and liabilities at a date.	6
Nomination	A nominee receives assets on the holder's death but may hold them for the legal heirs, depending on the law that applies.	4
Nomination and assignment	A nominee receives the proceeds as a trustee in many cases, while assignment transfers rights in the policy.	1
NPS asset choices	NPS subscribers choose between active choice and auto choice, with different limits for equity exposure.	2
Old and new regime	Individuals can choose between the old regime with deductions and the new regime with lower slab rates and few deductions.	3
Overconfidence	Overconfident investors overestimate their knowledge and ability, trade too often and under-diversify.	5

Term	Meaning	Unit
Personal accident cover	Personal accident cover pays for death or disability caused by accident.	1
Plan monitoring	The plan is reviewed at least annually and when life events, markets or goals change.	6
Power of attorney	A power of attorney authorises another person to act for the principal during life and ends on the principal's death.	4
Present value	Present value discounts a future amount to today's equivalent at a given rate.	6
Private trust	A private trust may be set up for the family to hold assets, manage inheritance and protect minors or dependants.	4
Probate	Probate is the court's certification that a will is genuine and gives the executor authority to act.	4
Prospect theory	Prospect theory says people value gains and losses relative to a reference point and feel losses more strongly than equal gains.	5
Proximate cause	The claim is payable only if the loss arises from the insured peril as the nearest effective cause.	1
Public Provident Fund	The PPF has a 15-year tenure, an annual limit of ₹1.5 lakh and a government-set rate, with tax-free interest and maturity under current rules.	2
Qualification and certification	Individual advisers need prescribed qualification and a NISM certification such as Series X-A and X-B, as the rules specify.	6
Real rate of return	The real return is the return after adjusting for inflation, roughly nominal less inflation.	2
Rebalancing	Rebalancing returns the portfolio to target weights after market moves, by calendar or by threshold.	6
Recency bias	Recency bias gives too much weight to recent events and extrapolates them into the future.	5
Regret aversion	Avoiding decisions that may cause regret, leading to inaction or following the crowd.	5
Rental income	Rent is taxed under house property after a standard deduction of 30% of net annual value, plus home loan interest deduction subject to limits.	3
Replacement ratio	The replacement ratio is post-retirement income as a share of pre-retirement income, often taken at 60 to 80%.	2
Residential status	Tax liability depends on residential status; residents are taxed on global income and non-residents on India-sourced income.	3
Retirement and tax	Pension and annuity income are taxed as income, and tax on withdrawals depends on the product and the rules in force.	2
Retirement corpus	The corpus is the amount that, invested at an assumed return, can fund inflation-adjusted expenses for the expected life.	2
Retirement income sources	Sources include pension, rental income, interest, dividends and annuities, and the adviser should map them against expenses.	2
Retirement planning	It estimates the corpus needed to sustain the client's lifestyle after income stops, and the saving needed to reach it.	2
Reverse mortgage	A reverse mortgage lets a senior citizen borrow against the home and receive regular payments with no repayment during life.	2
Review and rebalancing	A retirement plan is reviewed every year for changes in expenses, returns, health and goals.	2

Term	Meaning	Unit
Review of estate plan	The plan should be updated after marriage, birth, divorce, death or major changes in assets.	4
Revocable and irrevocable trust	A revocable trust can be changed or ended by the settlor, while an irrevocable trust cannot, giving stronger separation of assets.	4
Revoking a will	A will can be changed or revoked any time before death, and a later will overrides the earlier one.	4
Riders	Riders add benefits such as accidental death or waiver of premium for an extra cost.	1
Risk management process	The process is to identify risks, measure them, choose a treatment and monitor.	1
Risk profile report and agreement	Advisers must keep the signed agreement, risk profile and advice records for the prescribed period.	6
Risk profiling	Risk profiling assesses a client's willingness, ability and need to take risk before recommending investments.	6
Risk tolerance and risk capacity	Tolerance is the willingness to bear risk, and capacity is the financial ability to bear it; the lower one governs.	6
Risk treatment options	Risks can be avoided, reduced, retained or transferred; insurance is a way of transferring risk.	1
Safe withdrawal rate	A safe rate such as around 4% of the initial corpus, adjusted for inflation, is used as a rule to avoid depletion.	2
Savings needed per month	The monthly saving is found by working out the future value of a series of investments needed to reach the corpus.	2
Savings ratio	The savings ratio is savings as a share of income and shows the client's capacity to fund goals.	6
SEBI Investment Advisers Regulations	Anyone giving investment advice for a fee must be registered with SEBI under the 2013 regulations.	6
Section 80C	Section 80C allows a deduction up to ₹1.5 lakh for items such as PPF, ELSS, life insurance premiums and EPF in the old regime.	3
Section 80CCD(1B)	An additional deduction of up to ₹50,000 is available for NPS contributions, over and above 80C, in the old regime.	3
Section 80D	Section 80D allows a deduction for health insurance premiums, with higher limits for senior citizens, in the old regime.	3
Segregation	Advisory and distribution activities must be separated, and advisers cannot receive distribution commission from clients they advise.	6
Self-attribution	Crediting success to skill and failure to bad luck.	5
Senior Citizens' Savings Scheme	SCSS is a government scheme for those aged 60 and above with a 5-year tenure, a quarterly interest payout and an investment cap.	2
Sequence of returns risk	Poor returns in the early years of retirement hurt more because withdrawals deplete the corpus.	2
Set-off and carry forward	Capital losses can be set off against capital gains and carried forward for eight years, but long-term losses only against long-term gains.	3
Settlor, trustee, beneficiary	The settlor creates the trust, the trustee manages it and the beneficiary gets the benefits.	4
Sharpe ratio	The Sharpe ratio is excess return over the risk-free rate divided by standard deviation and measures return per unit of total risk.	6

Term	Meaning	Unit
Short-term capital gains on equity	Gains on listed equity shares and equity funds held up to 12 months are short term and taxed at a flat rate, currently 20%.	3
SIP for a goal	The monthly investment required for a goal is found from the future value of an annuity, given the expected return and time.	6
Six-step process	The steps are establishing the relationship, gathering data, analysing, recommending, implementing and monitoring.	6
Special situations	Advisers adapt plans for business owners, senior citizens, NRIs and clients with irregular income.	6
Standard deduction	Salaried individuals get a flat standard deduction from salary income, and the amount differs by regime.	3
Status quo bias	A preference to keep things as they are and avoid change.	5
Strategic and tactical allocation	Strategic allocation sets long-term target weights while tactical allocation makes short-term deviations to exploit views.	6
Succession certificate	A succession certificate lets the heirs of a person who died without a will collect debts and securities.	4
Suitability	Advice must be suitable to the client's profile, and the adviser must document the basis for recommendations.	6
Systematic withdrawal plan	An SWP withdraws a fixed amount from a mutual fund regularly, providing income while the balance stays invested.	2
Tax harvesting	Booking long-term gains up to the exemption limit each year and re-investing can reduce future tax.	3
Tax planning versus evasion	Planning uses legal provisions to reduce tax, while evasion hides income or misreports and is illegal.	3
TDS	Tax deducted at source is a prepayment of tax by the payer and can be adjusted in the return.	3
Term insurance	Term insurance pays the sum assured on death during the term and nothing on survival, so premiums are low.	1
Testator and executor	The testator makes the will and the executor is the person appointed to carry it out.	4
Time value of money	A rupee today is worth more than a rupee in the future because it can earn a return.	6
Time-weighted return	Time-weighted return removes the effect of cash flows to measure the manager's performance.	6
Trust	A trust holds property for the benefit of others under a trustee, allowing control, privacy and protection.	4
ULIP	A unit linked plan invests premiums in market funds after charges, with a life cover; it has a five-year lock-in.	1
Utmost good faith	Both parties must disclose all material facts honestly, and non-disclosure can void the claim.	1
Valid will	A will must be in writing, signed by the testator and attested by two witnesses, and registration is optional.	4
Whole life and endowment	These combine cover with savings and are costlier per rupee of cover than term plans.	1
Will	A will is a legal declaration of how a person wants her property distributed after death, and it takes effect only on death.	4

FINAL STRETCH

The last seven days.

Revision checklist

Practise retirement corpus and goal-funding sums until they are quick.

Learn the insurance principles and product differences.

Revise current tax rates, holding periods and key deductions, and check them against the latest law.

Learn the six-step planning process and the adviser regulations.

Take Mock 5 in one 3-hour sitting.

Exam-day tips

- Two-mark case questions need the numbers: build a quick table from the case first.
- Always match the product to the client's need before the return.
- Read assumptions in case questions: inflation, return, tenure.
- Tax questions: check the date and the regime stated in the question.
- In behaviour questions, name the bias by the symptom.

Disclaimer

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