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A Study on Client Onboarding and Risk Profiling Practices in Wealth Management: Linking Risk Profiling to Goal-Based Investment Planning

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A B S T R A C T:

Client onboarding, risk profiling and goal-based planning are often treated as separate exercises: a compliance step, a questionnaire and an advisory conversation. This paper examines how they operate as one connected workflow in a wealth management firm, based on a structured on-the-job training placement in the client-servicing function (June–July 2026). Using direct observation, participation in documentation tasks and anonymized, hypothetical examples, the study reconstructs the onboarding-to-monitoring process, the scoring logic of the risk profile, its translation into a Strategic Asset Allocation, and the use of goal worksheets and periodic Portfolio Health Checks. The findings show that the risk profile is the connective input that shapes asset allocation, product choice and review frequency; that separating stated risk appetite from calculated risk capacity is a key suitability safeguard; and that scheduled monitoring, rather than the rebalancing trade itself, sustains alignment with client goals. The paper recommends mandatory periodic re-profiling and clearer client-facing explanation of risk overrides.

Keywords: Client onboarding; Risk profiling; Goal-based investment planning; Wealth management; Suitability; Strategic asset allocation

Introduction

Wealth management in India has expanded rapidly. Mutual fund assets under management reached about ₹81.58 lakh crore in May 2026 (AMFI, 2026), and independent estimates place the wider wealth management market at roughly USD 171 billion in 2025 (Mordor Intelligence, 2026). As clients become better informed, competitive advantage is shifting from product distribution towards a disciplined, advisory-led process (Deloitte India, 2025).

Three activities sit at the center of that process. *Client onboarding* converts a prospect into a compliant client, from identity verification and Know Your Customer (KYC) documentation to mapping the client to an investment strategy. *Risk profiling* assesses how much volatility a client is willing and able to bear. *Goal-based investment planning* converts dated life goals, such as a house purchase or retirement, into a required corpus and a Systematic Investment Plan (SIP) or lump-sum commitment. In practice these are often handled as separate compliance and advisory tasks; this paper studies them as a single connected workflow.

The study draws on an on-the-job training (OJT) placement in the client-servicing function of a wealth management firm in Pune, carried out in June–July 2026. At the firm's request it is not named, and every client example is hypothetical. The scope is deliberately process-focused: it does not value the firm or use any real client's data. Section 2 states the objectives, Section 3 the theoretical framework, Section 4 the method, Section 5 the findings and learnings, and Section 6 the conclusion.

Objectives

The study aims to:

- document the onboarding and KYC process and the SEBI and KRA framework that governs it;
- examine how risk profiling is structured and how stated risk appetite is reconciled with calculated risk capacity;
- analyze how a confirmed risk profile becomes a Strategic Asset Allocation (SAA) and a goal-based plan;
- assess how periodic Portfolio Health Checks (PHC) keep holdings aligned with the risk profile and goals; and
- draw practical recommendations for strengthening the link between risk profiling and goal-based planning.

Theoretical framework

1.1. Suitability and KYC

The suitability principle allows an adviser to recommend only products appropriate to a client's risk profile, financial situation and goals. In India it is codified in the SEBI (Investment Advisers) Regulations, 2013, and SEBI's Master Circular for Investment Advisers requires risk profiling before advice

is given (SEBI, 2013; SEBI, 2023). KYC operates through KYC Registration Agencies (KRAs) under the SEBI (KYC Registration Agency) Regulations, 2011: once one intermediary verifies a client's documents, others can retrieve them without fresh submission (SEBI, 2011).

1.2. Risk tolerance, capacity and portfolio theory

Risk tolerance is a client's psychological willingness to accept volatility; *risk capacity* is the objective, cash-flow-driven ability to absorb a loss without jeopardizing a near-term goal. Modern Portfolio Theory (Markowitz, 1952) supplies the logic for mapping a risk category to an asset allocation: equity-heavy mixes are reserved for investors who have both the willingness and the capacity to bear short-term volatility.

1.3. Goal-based planning

Goal-based planning starts from specific, dated goals and works backwards, through an inflation-adjusted future-value calculation, to a required corpus and savings rate. The behavioral argument is that clients who know in advance how a market correction will affect their goal timeline are more likely to stay invested than clients sold on trailing returns.

Methodology

The study is qualitative and observational. During the placement the author supported the client-servicing team by checking KYC document sets for completeness, observing risk-profiling sessions and PHC meetings, and reviewing anonymized client reports, using the firm's internal client-management platform and public research tools. Under the confidentiality obligations agreed with the firm, no client name, holding or account details are used. The workflow, scoring bands, allocation ranges and worked examples below were reconstructed in Microsoft Excel from the author's observations using hypothetical figures; they are representative and are not the firm's proprietary model.

Data analysis, findings and learnings

1.4. Onboarding and KYC

Every relationship follows the sequence in Fig. 1. After an initial meeting, identity, address, income, bank, tax-residency (FATCA/CRS) and nomination documents are collected and verified through the KRA framework rather than re-verified from scratch, which shortens onboarding for clients who already hold validated KYC status (Table 1). Checking document sets for completeness showed how much downstream advisory work depends on this stage being accurate the first time.

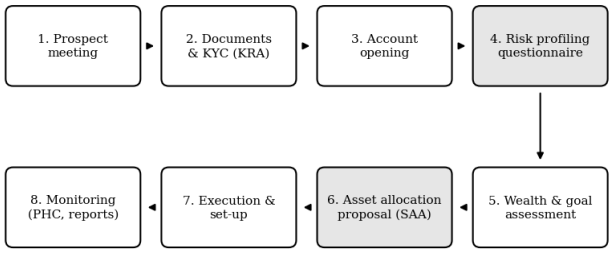


Fig. 1 - Client onboarding-to-monitoring workflow observed during the placement (shaded: risk profiling and asset allocation).

Table 1 - Documents typically collected at the KYC stage.

Category	Typical requirement
Identity proof	PAN card (mandatory); Aadhaar
Address proof	Aadhaar, passport, utility bill or bank statement (KRA-permitted list)
Income proof	Salary slips / Form 16, ITR acknowledgement or bank statements
Bank details	Cancelled cheque or bank statement for mandate set-up
Declarations	Photograph and signature; FATCA / CRS self-declaration; nominee details

1.5. Risk profiling and asset allocation

A structured questionnaire covers investment horizon, income stability, liquid reserves, reaction to hypothetical losses, prior experience, dependents and obligations, and return expectations. Scores map to one of three categories, and each category maps to a model SAA (Table 2). Because the firm uses a small set of house model portfolios rather than bespoke allocations, advisers place clients into these models, which keeps advice consistent and auditable at scale.

Table 2 - Illustrative score bands and model allocation by risk category (representative ranges, not the firm's proprietary model).

Risk category	Score	Equity	Debt	Structured / PMS	Gold / alt.
Conservative	< 30	20–30%	45–55%	10–15%	8–12%
Moderate	30–60	45–60%	20–30%	12–18%	5–8%
Aggressive	> 60	70–85%	5–10%	10–15%	3–5%

The most notable practice was the separation of stated appetite from calculated capacity. Clients often described themselves as "Aggressive" while holding a goal, such as a house purchase two to three years away, that could not absorb equity volatility. In such cases capacity overrides the stated preference for the portion of the portfolio earmarked for that goal, a longer-horizon goal can still carry a higher equity share, and a written client acknowledgement is required.

1.6. Goal-based planning

Each goal is converted into a future cost using an inflation assumption (Table 3), then into a required SIP or lump sum. For a hypothetical ₹10 lakh goal five years away at a representative 12 per cent annualized return, the requirement is about ₹5.67 lakh as a lump sum today or roughly ₹12,100 a month as a SIP. Clients were usually shown a blended route: a sustainable SIP topped up by whatever lump sum could be deployed without disturbing the liquidity buffer.

Table 3 - Illustrative goal-planning worksheet (hypothetical figures; inflation assumed at 8% a year).

Goal	Target year	Current cost (₹ Cr)	Future cost (₹ Cr)
Emergency / cash reserve	2028	0.15	0.17
Car purchase	2028	0.30	0.35
House purchase	2031	1.50	2.20

1.7. Ongoing monitoring

The Portfolio Health Check reviews each portfolio against its benchmark, target allocation and goals through an eight-step cycle (Fig. 2), from wealth evaluation and risk-capacity checks to gap identification, rebalancing and goal tracking. Its main purpose is to catch *drift*: a hypothetical equity allocation set at 45 per cent can quietly rise to 56 per cent through market gains alone, leaving the client with more risk than the profile supports (Table 4). The remedy is to trim equity and redeploy to debt and gold, selling long-term-qualifying units first to limit capital-gains tax. Monthly reports close the loop by showing value against goal corpus, allocation against target and a tax summary, with adviser commentary.

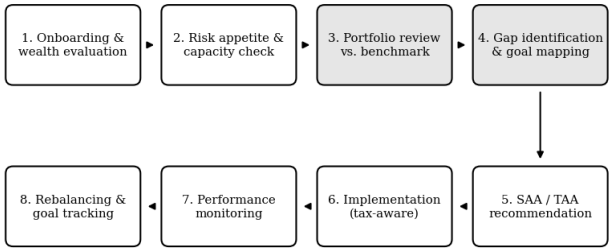


Fig. 2 - Eight-step Portfolio Health Check (PHC) cycle (shaded: the steps that detect drift and map gaps to goals).

Table 4 - Illustrative portfolio drift and the rebalancing action it triggers (hypothetical figures).

Asset class	Target	Actual	Action triggered
Equity mutual funds	45%	56%	Trim; redeploy to debt / gold
Debt mutual funds	30%	22%	Top up from redirected proceeds
Structured products	15%	14%	No action required
Gold / alternatives	10%	8%	Minor top-up

1.8. Key findings

- Onboarding speed depends on document quality at first submission, even where KRA verification shortens the process.
- Risk profiling works as an enforceable suitability safeguard rather than a formality: the capacity override, backed by written acknowledgement, protects near-term goals from over-allocation to equity.
- Standardized model portfolios trade some personalization for consistency, auditability and scale; this is a deliberate design choice.
- Goal worksheets make trade-offs concrete and kept client conversations grounded during the volatile markets of early 2026.

- Scheduled monitoring, not the rebalancing trade itself, sustains alignment with the original plan, and reporting adds most value through proactive delivery with adviser commentary.

1.9. Challenges encountered

Three difficulties stood out. First, the product shelf (mutual funds, PMS, AIFs, bonds, structured products and insurance) carries different suitability rules, ticket sizes and tax treatment, so knowing when one is preferable to another took time. Second, onboarding involves several regulatory touchpoints (KRA verification, FATCA/CRS, nomination) that coursework rarely covers in operational detail. Third, explaining why a stated risk appetite is overridden by capacity became intuitive only after repeated exposure to client scenarios. Product training sessions, shadowing several client files and observing PHC meetings back-to-back were the most effective remedies.

1.10. Learnings

The placement gave a practical understanding of KYC through the KRA framework and of risk profiling as a suitability safeguard, and showed how goal-based planning turns abstract ideas such as inflation, compounding and asset allocation into decisions a client can act on. Skills gained include reading client portfolio reports, careful documentation, and asking specific questions early when learning an unfamiliar regulated process. The most instructive lesson was how advisers balanced empathetic listening with firm, numbers-based guidance when markets were volatile.

Conclusion

Risk profiling is not a one-time compliance step but the connective input from which asset allocation, product selection and the cadence of review follow. Where it was done carefully and revisited, portfolios stayed aligned with client needs as markets moved; where it was rushed, the gap between goals and holdings tended to surface in a downturn. Technology speeds up documentation and tracking but cannot replace the adviser's judgement in reading a client's answers: the questionnaire gives structure, and the conversation gives accuracy.

Three recommendations follow. Firms should (i) trigger mandatory re-profiling at fixed intervals and after major life events; (ii) record every capacity-over-appetite override in a standard client-facing acknowledgement, supported by a plain-language explainer; and (iii) show risk-adjusted metrics such as the Sharpe and Sortino ratios in client reports, so that prudent risk management is not mistaken for underperformance. Practically, the acknowledgement can be built into the existing digital client-agreement workflow, the explainer piloted as a one-page leave-behind with a small group of new clients, and a short risk-adjusted-return summary added to the existing monthly report template rather than redesigning it. These steps would make the process's value visible to clients at the moments it matters most.

The study is limited by its short duration, its observational role and its reliance on hypothetical examples, so it cannot test long-run outcomes. Future work using anonymized, aggregated client data, and comparing several firms, could test whether the capacity override improves goal-completion rates.

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