CASE STUDY

Business Standard analyses one family's finances and suggests a way forward

THE BASUs

Nandan (41), Sushmita (38), Siddharth (9)

RESIDE IN	NET ANNUAL INCOME	RATING
Pune	₹25.56 lakh	8/10

FAMILY PROFILE

Nandan works as a branch manager for a non-banking financial company. His wife, Sushmita, is a senior officer in a public sector bank. They have settled in Pune since 2007 and have created good assets over 10 years. Their primary goal is to pay off their home loan taken on a second property and also plan for their son's foreign educational funding

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household	65,000	7,80,000
Son's education	12,000	1,44,000
Home loan EMI	49,743	5,96,915
Insurance premium	16,417	1,97,000
Total	**1,43,160**	**17,17,915**

Monthly income: **₹2,13,000** Net monthly surplus: **₹69,840**

GOALS

SON'S EDUCATIONAL FUNDING (2023-2027) (Inflation 10%) — Current value: **₹41 lakh** — Future value: **₹1.11 crore**

PAYING OFF HOME LOAN (2020) (home loan rate 10.5%) — Current dues: **₹20 lakh**

CONSTRUCTING HOLIDAY HOME (2020) (Inflation 10%) — Current value: **₹25 lakh** — Future value: **₹40.25 lakh**

SON'S MARRIAGE (2032) (Inflation: 10%) — Current value: **₹15 lakh** — Future value: **₹1.01 crore**

RETIREMENT AT AGE 60 (2034)
(Inflation: 7%) (Life expectancy: 85 years)

Current annual retirement expenses: **₹8 lakh** — Future annual expenses: **₹29 lakh** — Corpus required: **₹5.85 crore**

Assets	₹	Liabilities	₹
Savings Account	3,20,000	Home loan	42,00,000
EPF	12,34,000		
Fixed deposits	8,00,000		
Stocks/shares	9,13,000		
Mutual funds	18,34,000		
Self-occupied house	1,10,00,000		
Invested property-1	85,00,000		
NA land	17,50,000		
Total	**2,63,51,000**		**42,00,000**
Net worth	**2,21,51,000**		

FINDINGS

EMERGENCY FUND: Present savings account and fixed deposit balance can take care of eight months of expenses. Contingency arrangements are adequate

LIFE INSURANCE: Nandan is covered for ₹2.15 crore through various term, unit-linked insurance plan (Ulip) and traditional insurance plans, while Sushmita is covered for ₹20 lakh through Ulips and traditional plans. Both are adequately covered

HEALTH INSURANCE: Nandan and Sushmita have employer group health cover of ₹5 lakh and ₹3 lakh, respectively. Additionally, Nandan has taken a family floater mediclaim policy for a sum assured of ₹ 10 lakh, sufficient for now

INVESTMENTS: Portfolio is well-diversified in various asset classes

LIABILITIES: Servicing a home loan of ₹45 lakh taken two years earlier for the second property. Current dues are ₹42 lakh

RECOMMENDATIONS

EMERGENCY FUND: Nandan can maintain the present savings account balance and convert it into a flexi FD account. Additionally, ₹2 lakh from FD can be maintained for contingency

LIFE INSURANCE: The couple is adequately covered

HEALTH INSURANCE: The present health insurance cover is adequate. This cover can be reviewed after two years

ACCIDENT INSURANCE: A personal accident policy of ₹1 crore for Nandan, with ₹15 lakh as TTD benefit, is recommended. For Sushmita, ₹50-lakh accident cover, with ₹10 lakh as TTD benefit, is suggested. The annual premium for this should be ₹18,000

PLANNING FOR GOALS

SON'S EDUCATIONAL FUNDING (2023-2027) A monthly investment of ₹45,000 needs to be done. This amount can be invested in large-cap and balanced mutual funds

Rate of return on large-cap and balanced funds: 12%

PAYING OFF HOME LOAN (2020) Equated monthly instalment can be increased to ₹70,000, which will reduce the tenure to seven years. Annual bonuses can be used to pre-pay and close the loan in the next five years

CONSTRUCTING HOLIDAY HOME (2020) The existing mutual funds can be used. Additionally from the current FDs, ₹4.50 lakh will need to be invested in balanced mutual funds for this goal

Rate of return on balanced fund: 12%

SON'S MARRIAGE (2032) The existing large-cap shares portfolio can be used

Rate of return on shares: 15%

RETIREMENT AT AGE 60 (2034) The existing Employees Provident Fund will be worth ₹1.50 crore at retirement, considering a five per cent annual growth in income. The second property will be worth ₹5.20 crore. The surplus income after home loan payments are over from 2020 onwards can be used to enhance this corpus by investing in balanced mutual funds

Rate of return assumed: 8% in EPF, 12% in mutual funds, 10% in property

Plan by Steven Fernandes, certified financial planner, chief planner, Proficient Financial Planners