

# CASE STUDY

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



## SHARMAS

Rishi (44), Neha (44), Nupur (14), Richa (9)

RESIDE IN	NET ANNUAL INCOME	RATING
Thane	₹24 lakh	4/10

### > STATUS & GOALS

Rishi works as technology head with a biotechnology firm, while his wife, Neha, is a homemaker. Their disciplined financial life has enabled them to create good assets. They have been early movers in real estate, which has enabled them to benefit from the real estate price rise over the past decade. Their primary aim is to fund their daughters' educational and marriage, followed by retirement.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household & lifestyle	53,000	6,36,000
Daughters' education	15,000	1,80,000
Insurance premium	4,042	48,500
Annual vacation	10,417	1,25,000
<b>Total</b>	<b>82,458</b>	<b>9,89,500</b>

Monthly income: ₹2,00,000 Net monthly surplus: ₹1,17,542

### > GOALS

#### NUPUR'S COLLEGE & POST-GRADUATION FUNDING

(2019–2023) – Inflation 9%

Current value: ₹20 lakh Future value: ₹34 lakh

#### RICHA'S COLLEGE & POST-GRADUATION FUNDING

(2024–2028) – Inflation 9%

Current value: ₹20 lakh Future value: ₹52.51 lakh

#### NUPUR'S MARRIAGE FUNDING

(2026) – Inflation 10%

Current value: ₹55 lakh Future value: ₹28.50 lakh

#### RICHA'S MARRIAGE FUNDING

(2031) – Inflation 10%

Current value: ₹10 lakh Future value: ₹46 lakh

#### RETIREMENT PLANNING

(2026) (inflation 7%, Rate of return on corpus 9%)  
(Life expectancy – 85 years)

Current annual retirement expenses (considering household expenses and mediclaim premia): ₹7.75 lakh

Future annual expenses: ₹16.30 lakh

Corpus required: ₹3.78 crore

Assets	₹	Liabilities	₹
Savings account	4,32,000		
EPF	6,45,000		
PPF	7,12,000		
Fixed deposits	8,15,000		
Equity mutual funds	12,45,000		
Insurance cash value	3,27,000		
Self-occupied property	1,60,00,000		
Invested residential property	1,25,00,000		
	3,26,76,000		
<b>Net worth</b>	<b>3,26,76,000</b>		

### > FINDINGS

**EMERGENCY FUND:** Adequate amounts maintained in savings account and bank fixed deposits to take care of any short-or –medium–term contingency.

**LIFE INSURANCE:** Rishi and Neha are covered for ₹20 lakh and ₹9 lakh, respectively, through a combination of term and traditional policies. Rishi is underinsured.

**HEALTH INSURANCE:** Family is covered for ₹5 lakh through a family floater provided by Rishi's employer. Additionally they also have a separate ₹6 lakh floater policy.

**INVESTMENTS:** Good investments and very well diversified.

**LIABILITIES:** No liabilities.

### > RECOMMENDATIONS

**EMERGENCY FUND:** An amount of ₹2.50 lakh can be maintained in a flexi fixed deposit (FD) account and the rest from the savings accounts can be moved into liquid-plus funds.

**LIFE INSURANCE:** Rishi needs an additional life cover of ₹1 crore. Neha's cover is adequate. A suitable term plan for 15 years can be taken and the premium will be around ₹21,000.

**HEALTH INSURANCE:** Need to take a super top-up floater plan of ₹10 lakh, with a deductible of ₹5 lakh. The premium for this will be around ₹7,000 per month.

**ACCIDENT INSURANCE:** A personal accident policy of ₹1 crore, with ₹15 lakh as total temporary disability benefit, is recommended for Rishi. The premium for this should be approximately ₹12,000 per annum.

### > PLANNING FOR GOALS

**NUPUR'S COLLEGE & POST-GRADUATION FUNDING (2019–2023):** Need to invest ₹35,000 for eight years in mutual funds (MFs) with 50 per cent allocation each in equity and debt.

**Rate of return assumed:** 10.5% on this portfolio

**RICHA'S COLLEGE & POST-GRADUATION FUNDING (2024–2028):** Systematic investment plans (SIPs) of ₹19,000 need to be invested for 13 years in balanced MFs.

**Rate of return assumed:** 12% on this portfolio

**MARRIAGE OF NUPUR & RICHA (2026 & 2031) :** For Nupur's marriage, SIPs of ₹11,000 need to be invested in multi-cap MFs for 11 years, while for Richa's, ₹7.5 lakh needs to be invested now from the existing FD and MFs in multi-cap funds.

**Rate of return assumed:** 12% on this portfolio

**RETIREMENT PLANNING (2026):** At retirement, Rishi's Employees' Provident Fund and Public Provident Fund (PPF) will fetch him ₹62.30 lakh and ₹25 lakh, respectively, assuming he invests ₹50,000 every year in PPF. His invested property will be worth ₹3.22 crore. After allocating surplus to various goals, he can invest the net surplus in the ratio of 60 per cent in equity and 40 per cent in debt funds, which will help him create a much bigger corpus for his retirement.

**Rate of return assumed:** 8% in EPF & PPF, 9% on property, 11% on the mutual funds portfolio.