

CASE STUDY



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

KUMARS

Manish (37), Vrinda (35), Manasi (6), Manav (3)

RESIDE IN Pune	NET ANNUAL INCOME ₹16.20 lakh	RATING 7/10
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> STATUS & GOALS

Manish works as a software engineer with an information technology company. His wife, Vrinda, works in the accounts department of a non-banking finance company. They have been diligent and handled their finances well. They want to plan for their children's education, followed by marriage, and their own retirement.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household	29,000	3,48,000
Home loan	44,068	5,28,814
Children's education	7,000	84,000
Insurance premium	8,417	1,01,000
Total	88,485	10,61,814

Monthly income: ₹1,35,000 **Net monthly surplus: ₹46,515**

> GOALS

MANASI'S COLLEGE & POST-GRADUATION

(2027-2031) (Inflation 9%)

Present cost: **₹17.50 lakh** Future value: **₹70 lakh**

MANAV'S COLLEGE & POST-GRADUATION

(2030-2034) (Inflation 9%)

Present cost: **₹17.50 lakh** Future value: **₹93 lakh**

MANASI'S & MANAV'S MARRIAGE

(2034 & 2037) (Inflation 9%)

Present cost: **₹10 lakh each** Future value: **₹51 lakh and 67 lakh, respectively**

RETIREMENT PLANNING

(2035) (Inflation 8%)

Present expenses: **₹3.59 lakh** Future annual expenses: **₹14.86 lakh** Corpus required: **₹3.19 crore**

Assets	₹	Liabilities	₹
Savings account	3,16,000	Home loan	31,00,000
Fixed deposits	4,75,000		
EPF	6,34,000		
PPF	2,46,000		
Equity mutual funds	3,87,000		
Self-occupied property	1,20,00,000		
	1,40,58,000		31,00,000
Net worth	1,09,58,000		

> FINDINGS

EMERGENCY FUND: Adequate funds maintained in savings account and fixed deposit for any emergency.

LIFE INSURANCE: Manish is covered for ₹85 lakh through term and traditional insurance, while Vrinda is covered for ₹25 lakh through term and Ulip (unit-linked insurance plan) policies. Manish is underinsured.

HEALTH INSURANCE: The family is covered by the couple's employee health insurance for ₹3 lakh each. They also have a separate health insurance floater cover of ₹5 lakh.

INVESTMENTS: Very well-diversified portfolio, with a small equity allocation.

LIABILITIES: Servicing a home loan, with a balance due of ₹28 lakh.

> RECOMMENDATIONS

EMERGENCY FUND: They need to maintain ₹1.5 lakh in a flexi fixed deposit account. The rest of the savings account balance can be maintained in liquid funds.

LIFE INSURANCE: Manish needs to take an additional cover of ₹1.2 crore for a term of 20 years. The premium will be approximately ₹20,000.

HEALTH INSURANCE: Present health cover is adequate.

> PLANNING FOR GOALS

MANASI'S & MANAV'S COLLEGE & POST-GRADUATION

(2027 - 2034): Systematic investment plans (SIPs) of ₹15,000 and ₹13,000, respectively, need to be invested in large-cap and multi-cap funds for 16 and 19 years, respectively.

Annual rate of return assumed: 12% post tax in above mutual funds portfolio

MANASI'S & MANAV'S MARRIAGE (2034 & 2037): SIPs of ₹6,000 and 5,000, respectively, need to be invested in multi-cap and mid-cap funds for 19 and 22 years, respectively.

Annual rate of return assumed: 12% on this mutual funds portfolio.

RETIREMENT PLANNING (2035): The couple's Employees' Provident Fund (EPF) and Public Provident Fund (PPF) will be worth ₹1.43 crore and ₹63 lakh, respectively, at retirement, assuming investment of ₹1 lakh in PPF every year. The present equity funds will be worth ₹42 lakh. For the shortfall, SIPs of ₹7,000 need to be invested in a ratio of 70 per cent and 30 per cent in equity and debt mutual funds portfolio, respectively.

Annual rate of return assumed: 8% in EPF and PPF, 11% on the mutual funds portfolio.