



# CASE STUDY

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

## SHETTYs

Shefally (39), Jagdish (43), Priya (10)

RESIDES IN	NET ANNUAL INCOME	RATING
<b>Bengaluru</b>	<b>₹6.48 lakh</b>	<b>6/10</b>

### > STATUS & GOALS

Shefally works as secretary to the MD of a mid-sized engineering firm in Bengaluru. Her husband has been bedridden for two years, after an accident. She wants to plan for her only daughter's educational and marriage expenses, followed by retirement.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household & lifestyle	22,000	2,64,000
Daughter's education	6,000	72,000
Insurance premium	2,083	25,000
Spouse's medical expenses	2,500	30,000
<b>Total</b>	<b>32,583</b>	<b>3,91,000</b>

**Monthly income: ₹54,000      Net monthly surplus: ₹21,417**

### > GOALS

PRIYA' COLLEGE & POST-GRADUATION FUNDING (2023–2027) (Inflation 9%)		PRIYA'S MARRIAGE FUNDING (2030) (Inflation 10%)	
Current value:	Future value:	Current value:	Future value:
<b>₹16 lakh</b>	<b>₹40 lakh</b>	<b>₹5 lakh</b>	<b>₹18.21 lakh</b>

**RETIREMENT PLANNING**  
(2034) (Annual inflation 7 per cent, Rate of return on corpus 9 per cent) (Life expectancy – 85 years)

Current annual retirement expenses (considering household expenses and mediclaim premia):	Future annual expenses:	Corpus required:
<b>₹2.94 lakh</b>	<b>₹10.63 lakh</b>	<b>₹2.28 crore</b>

Assets	₹	Liabilities	₹
Savings account	32,000		
Fixed deposits	8,45,000		
EPF	3,87,000		
Equity mutual funds	65,000		
Insurance cash value	1,15,000		
Self-occupied property	54,00,000		
	<b>68,44,000</b>		
<b>Net worth</b>	<b>68,44,000</b>		

### > FINDINGS

**EMERGENCY FUND:** One month of expenses maintained in savings account. Good back-up through fixed deposits

**LIFE INSURANCE:** Shefally is covered for only ₹3 lakh. She is highly underinsured. Jagdish has a small cover, of ₹5 lakh

**HEALTH INSURANCE:** Family is covered for ₹5 lakh through a family-floater policy. Employer does not provide any health cover

**INVESTMENTS:** 90 per cent of the investments are in safe and fixed return assets, considering the single-income situation in the family

**LIABILITIES:** No liabilities

### > RECOMMENDATIONS

**EMERGENCY FUND:** Savings account balance needs to be enhanced to ₹50,000. Additionally, maintain ₹1,50,000 in a flexi FD

**LIFE INSURANCE:** Shefally needs to take an insurance cover of ₹1 crore. The premium for a 20-year online term insurance will be approximately ₹18,000 p.a.

**HEALTH INSURANCE:** Shefally should take a super top-up plan of ₹10 lakh, with a deductible of ₹5 lakh. The premium will be around ₹9,000. Additionally, she should maintain ₹5 lakh separately for Jagdish's medical treatment

**HEALTH INSURANCE:** A personal accident policy of ₹25 lakh, with ₹5 lakh as temporary total disability benefit, is recommended for Shefally. The premium for this should be approximately ₹4,000 per annum.

### > PLANNING FOR GOALS

**PRIYA' COLLEGE & POST-GRADUATION FUNDING (2023–2027):** For this goal, an amount of ₹17,000 needs to be invested in balanced mutual funds for 12 years

**Annual rate of return assumed:** 11 per cent in balanced mutual funds

**PRIYA'S MARRIAGE FUNDING (2030) :** For this goal, ₹4,000 per month needs to be invested in multicap mutual funds for a period of 15 years

**Annual rate of return assumed:** 12 per cent on this portfolio for this duration

**RETIREMENT PLANNING (2034) :** Shefally's EPF will be worth ₹54 lakh at retirement. She needs to invest ₹24,000 per month in a mutual funds portfolio in 50 per cent equity and 50 per cent debt funds, not possible at the moment. A part of every incremental salary should be invested for this goal

**Annual rate of return assumed:** 8 per cent in EPF, 10.5 per cent on the mutual funds portfolio