

# CASE STUDY

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



## THE KAMATS

Shalini (39), Pragati (10), Harsh (7)

RESIDES IN <b>Bengaluru</b>	NET ANNUAL INCOME <b>Nil</b> (Shalini lost her husband recently and has no income. But, has received claim and employer's final settlement, including EPF)	RATING <b>4/10</b>
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### > STATUS & GOALS

Shalini is a homemaker and her husband died of cardiac arrest. She has two schoolgoing kids and has received a large amount towards her husband's insurance claim and employer benefits.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household & lifestyle	23,000	2,76,000
Children's education	6,000	72,000
Insurance premium	1,500	18,000
<b>Total</b>	<b>30,500</b>	<b>3,66,000</b>

Monthly income: ₹0

### > GOALS

<b>DAUGHTER'S COLLEGE &amp; POSTGRADUATION FUNDING</b> (2023 - 2027) (Annual inflation considered 9%)	<b>SON'S COLLEGE &amp; POSTGRADUATION FUNDING</b> (2026 - 2030) (Annual inflation considered 9%)
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Current value: ₹12 lakh	Future value: ₹29.25 lakh	Current value: ₹12 lakh	Future value: ₹38 lakh
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### CORPUS FUND FOR TAKING CARE OF EXPENSES TILL 85 YEARS

(Annual return expected 9%, annual inflation 7%)

Current annual expenses: ₹3.66 lakh	Corpus required: ₹1.14 crore
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Assets	₹	Liabilities	₹
Savings account	27,00,000		
Fixed deposits	54,00,000		
Equity mutual funds	2,76,000		
Insurance cash value	1,65,000		
Self-occupied Property	62,00,000		
	<b>1,47,41,000</b>		
<b>Net worth</b>	<b>1,47,41,000</b>		

### > FINDINGS

**EMERGENCY FUND:** Claim money and employee benefits have been maintained in savings account and fixed deposits (FDs). Need to segregate these for various goals

**LIFE INSURANCE:** Shalini has a life cover of ₹3 lakh through a traditional insurance policy. She is underinsured

**HEALTH INSURANCE:** The family relied on employer-provided health insurance benefits, not available now. They don't have any health cover

**INVESTMENTS:** Due to lack of knowledge on investments, the entire proceeds received on spouse's death has been deployed in savings account and FDs. Very small equity allocation

**LIABILITIES:** They don't have any liabilities

### > RECOMMENDATIONS

**EMERGENCY FUND:** Around ₹2 lakh can be maintained in a flexi FD savings account for emergency requirements

**LIFE INSURANCE:** Shalini cannot go for term insurance cover since she doesn't have any income. Can evaluate cover once she starts working and filing her returns

**HEALTH INSURANCE:** She should take a ₹5-lakh family floater health insurance, along with a super top-up cover of ₹10 lakh. The total premium for this will be approximately ₹16,000

### > PLANNING FOR GOALS

**DAUGHTER'S COLLEGE & POSTGRADUATION FUNDING (2023-2027):** From the savings account balance, an amount of ₹10 lakh needs to be invested in balanced mutual funds (MFs)

**Annual rate of return assumed:** 11 per cent in balance MFs

**SON'S COLLEGE & POSTGRADUATION FUNDING (2026 - 2030):** An amount of ₹9.5 lakh from the savings account needs to be invested in balanced MFs

**Annual rate of return assumed:** 11% in balance MFs

**CORPUS FUND FOR TAKING CARE OF EXPENSES TILL 85 YEARS:**

After allocating funds for children's goal, the amount remaining to be invested is around ₹60 lakh. From which, ₹25 lakh can be invested in FDs, with monthly income payout option, ₹4.5 lakh in Post office monthly income scheme (MIS) and ₹20 lakh in MF monthly income plans (MIPs) with monthly income payout option. The remaining ₹10 lakh can be invested in balanced mutual funds in growth option. Shalini will have to start working to build up the shortfall in the corpus, as with inflation, the existing investments might not be able to provide enough income to cover her expenses after a few years

**Annual rate of return assumed:** 8 per cent post-tax on FDs, 7.5 per cent post-tax on Postal MIS, 7 per cent post-tax on MF MIP, and 11 per cent in balanced MFs

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