

CASE STUDY

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



THE PANTS

Anirudhha (32), Father (61)

RESIDE IN Mumbai	NET ANNUAL INCOME ₹6.48 lakh	RATING 3/10
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> STATUS & GOALS

Anirudhha is single and works as an assistant manager in a business process outsourcing firm in Mumbai. His father is retired and independent, while his mother expired last year. Being the only son, he stays in his father's flat in Mira Road, Mumbai. Anirudhha wants to plan for his marriage and retirement.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household & lifestyle	21,000	2,52,000
Car loan	11,122	1,33,464
Insurance premium	4,792	57,500
Total	36,914	4,42,964

Monthly income: ₹54,000 Net monthly surplus: ₹17,086

> GOALS

ANIRUDHHA'S MARRIAGE

(2016) (annual inflation 9%)

Current value: **₹3 lakh** Future value: **₹3.27 lakh**

RETIREMENT PLANNING

(2033 onwards) (annual inflation 7 per cent, annual rate of return on corpus 9 per cent) (Life expectancy – 85 years)

Current annual retirement expenses (considering household expenses and mediclaim premiums): ₹2.52 lakh	Future annual expenses: ₹8.51 lakh	Corpus required: ₹2.21 crore
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Assets	₹	Liabilities	₹
Savings Account	23,000	Car loan	2,65,000
EPF	1,39,000		
Equity mutual funds	5,25,000		
Insurance cash value	1,26,000		
	8,13,000		2,65,000
Net worth	5,48,000		

> FINDINGS

EMERGENCY FUND: No arrangements made to tackle contingency situations

LIFE INSURANCE: Anirudhha is covered for ₹8 lakh through traditional and unit-linked insurance plan (Ulip)

HEALTH INSURANCE: He is covered through employer group health insurance for ₹3 lakh and his father has his own separate cover of ₹2 lakh

INVESTMENTS: Considering the number of years in employment, the investment assets are less. Major allocation is in equity, through equity-linked savings scheme funds

LIABILITIES: Servicing a car loan, with balance dues of ₹2.65 lakh

> RECOMMENDATIONS

EMERGENCY FUND: Anirudhha should move ₹1 lakh from equity funds to liquid funds, with ATM card facility, for contingency requirements

LIFE INSURANCE: Since his father is completely independent and enjoys a good amount of pension income, Anirudhha doesn't need any additional insurance at this stage. After marriage, he needs to review his life cover requirement

HEALTH INSURANCE: He should take a ₹3-lakh cover for himself and enhance his father's health cover to ₹5 lakh. The total premium for this will be approximately ₹25,000

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

> PLANNING FOR GOALS

ANIRUDHHA'S MARRIAGE (2016) : Anirudhha needs to move ₹1.27 lakh from equity funds to ultra-short bond funds for marriage expenses. Additionally, he needs to invest ₹16,000 per month for 12 months into recurring deposits (RDs) to meet this goal

Annual rate of return assumed: 6.5 per cent post tax in ultra-short bond and RDs

RETIREMENT PLANNING (2026) : At retirement, his Employees' Provident Fund (EPF) will fetch ₹50 lakh at retirement, provided he doesn't withdraw his EPF even with any change of employment. To achieve the balance retirement corpus, he needs to invest ₹25,500 per month for 18 years in a 60 per cent equity and 40 per cent debt mutual funds portfolio, presently not possible due to allocation of surplus for marriage goal. If he delays the investment by two years, he needs to invest ₹33,000 per month for 16 years in the same portfolio

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