

CASE STUDY

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



THE SRIVASTAVS

Rajesh (43), Hemali (41), Shraddha (13), Harsh (10)

RESIDE IN Thane	NET ANNUAL INCOME ₹15.60 lakh	RATING 7/10
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> STATUS & GOALS

Rajesh and wife Hemali run an interior designer consultancy in Thane. Though they have been diligent in saving and investing their income regularly, wrong priorities have made them seek professional advice.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household and lifestyle	30,000	3,60,000
Home loan	26,865	3,22,380
Car loan	10,624	1,27,488
Children's education	5,000	60,000
Insurance premium	4,250	51,000
Annual vacation	5,000	60,000
Total	81,739	9,80,868

Monthly income: ₹1,30,000 Net monthly surplus: ₹48,261

> GOALS

DAUGHTER'S COLLEGE & POSTGRADUATION

(2020-2024) (Annual inflation 10%)

Present cost: **₹14 lakh** Future value: **₹27 lakh**

SON'S COLLEGE & POSTGRADUATION

(2023-2027) (Annual inflation 9%)

Present cost: **₹14 lakh** Future value: **₹35 lakh**

BUYING A TWO-BEDROOM HALL KITCHEN FLAT

(2016) (Annual inflation 9%)

Current Value: **₹1.05 crore** Future value: **₹1.15 crore**

RETIREMENT PLANNING (2032)

(Annual return expected 9%, inflation 7%) (Life expectancy - 85 years)

Present expenses: **₹4.20 lakh** Future annual expenses: **₹13.26 lakh** Corpus required: **₹2.68 crore**

Assets	₹	Liabilities	₹
Savings account	1,12,000	Home loan	2,35,00,00
Fixed deposit	1,15,000	Car loan	4,90,000
PPF	1,65,000		
Equity mutual funds	7,13,000		
Shares	1,55,000		
Self-occupied property	73,00,000		
Invested property	41,00,000		
	1,26,60,000		28,40,000
Net worth	98,20,000		

> FINDINGS

EMERGENCY FUND: Adequate amounts maintained in savings account and fixed deposits to take care of any short-term emergency

LIFE INSURANCE: Rajesh is covered for ₹1.15 crore and Hemali for ₹15 lakh. Both through term insurance plans

HEALTH INSURANCE: Rajesh is covered for ₹3 lakh separately, while the rest of the family is covered for ₹5 lakh through family floater health policy

INVESTMENTS: Very high exposure to property and equity assets. Debt exposure is very less, indicating aggressive risk profile

LIABILITIES: They are presently servicing two loans, a home loan on their invested property in Pune and a car loan

> RECOMMENDATIONS

EMERGENCY FUND: The present savings bank and fixed deposit amounts are sufficient for short-term contingency

LIFE INSURANCE: Considering the expense replacement method, Rajesh and Hemali both need an additional cover of ₹25 lakh. The total premium for a 15-year online term plan will be ₹12,000 approximately

HEALTH INSURANCE: The family should take a super top-up plan of ₹10 lakh, with a ₹3 lakh deductible. The premium for this will be ₹7,500, approximately

ACCIDENT INSURANCE: A personal accident policy of ₹50 lakh, with ₹5 lakh as temporary total disability (TTD) benefit, is recommended for Rajesh and ₹25 lakh, with ₹5 lakh TTD benefit, for Hemali. The total premium for this will be around ₹12,000 per annum

> PLANNING FOR GOALS

DAUGHTER'S & SON'S COLLEGE & POSTGRADUATION : An amount of ₹20,000 and ₹14,000 (total ₹34,000) needs to be invested every month for nine years and 12 years, respectively, in balanced mutual funds and large-cap funds

Annual rate of return assumed: 11 per cent post tax in balanced mutual funds and 12 per cent on large-cap funds

BUYING A 2BHK FLAT (2016): The couple needs to sell both their self-occupied property and invested property to buy a 2BHK. The loan component of the invested property can be taken on the new property. No additional investments required

RETIREMENT PLANNING (2035) : Their Public Provident Fund (PPF), mutual funds and shares will be worth ₹23 lakh, ₹49 lakh and ₹16.7 lakh, respectively, considering they invest ₹50,000 every year in PPF. For the shortfall, an amount of ₹30,000 needs to be invested every month for 17 years in a 70 per cent equity multi-cap funds and 30 per cent debt fund's portfolio, presently not possible. All future incremental income to be utilised to invest for retirement

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