CASE STUDY

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

THE DESAIs

Parag (65), Seema (61)

RESIDE IN	NET ANNUAL INCOME	RATING
Mumbai	₹**1.80** lakh	**8/10**

STATUS & GOALS

Parag retired recently and has received funds related to his retirement benefits. His wife is a homemaker and his two sons are independent and settled abroad. His priority is to deploy the funds for regular income, and take care of medical emergencies.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household	38,000	4,56,000
Annual vacation	10,000	1,20,000
Total	**48,000**	**5,76,000**

Monthly income: **₹15,000** (Through rent)
Monthly shortfall: **₹ 33,000**

GOALS

CREATING MEDICAL EMERGENCY FUND
(2016) (Inflation 10%)

Approximate value:
₹10 lakh

REGULAR INCOME FOR RETIREMENT (2016)
(Annual inflation 7 per cent) (Life expectancy – 85 years)

Current annual retirement expenses (considering household expenses and vacation costs):
₹5. 76 lakh

Assets	₹
Savings account	2,93,000
Fixed deposit	53,75,000
Equity mutual funds	31,00,000
Shares	7,24,000
Self-occupied property	1,10,00,000
Invested property	64,00,000
	2,68,92,000
Net worth	**2,68,92,000**

FINDINGS

EMERGENCY FUND: Adequate amount of funds maintained in liquid form, mainly in savings account and fixed deposits

LIFE INSURANCE: Both Parag and wife don't have any life cover

HEALTH INSURANCE: The couple doesn't have any health cover. They were dependent on the employer-provided ones

INVESTMENTS: Very well diversified portfolio, across debt, equity and property

LIABILITIES: No liabilities

RECOMMENDATIONS

EMERGENCY FUND: They can maintain at least ₹2 lakh in a joint bank account for emergency and move the rest from savings account into liquid funds

LIFE INSURANCE: No life insurance cover required for Parag, considering his age and present assets

HEALTH INSURANCE: Considering their good health status, they need to buy a floater health insurance for a sum assured of ₹5 lakh. This will cost approximately ₹24,000

PLANNING FOR GOALS

CREATING MEDICAL EMERGENCY FUND (2016): Parag needs to use ₹10 lakh from his fixed deposits and invest the same in short-term debt funds, earmarked as a medical fund.

Annual rate of return assumed: 8 per cent in short-term debt funds

REGULAR INCOME FOR RETIREMENT (2016): Parag needs to allocate ₹15 lakh to Senior Citizens Saving Scheme and ₹9 lakh in Post Monthly Income Scheme. Additionally, ₹30 lakh can be invested in mutual funds MIP (monthly income plan) schemes to collectively fetch him ₹33,000 per month. The balance corpus of equity mutual funds worth ₹24 lakh can be reallocated in a aratio of 50 per cent in debt and 50 per cent equity in mutual funds.

Annual rate of return assumed: 9 per cent in senior citizens scheme, 8.2 per cent in postal MIS, 6 per cent dividend in Mutual Fund MIS, 8 per cent in debt funds, 12 per cent in equity funds

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