CASE STUDY

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

THE SWARUPs

Ankit (41), Rukmini (37), Ayesha (13)

RESIDE IN	NET ANNUAL INCOME	RATING
Mumbai	**₹20.64 lakh**	**8/10**

STATUS & GOALS

Ankit works as marketing manager with an electrical products manufacturer, while his wife is a homemaker. Their primary goal is to fund their daughter's education and marriage, followed by retirement.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household and lifestyle	54,000	6,48,000
Daugther's education	8,000	96,000
Home loan	30,089	3,61,067
Insurance premium	11,833	1,42,000
Annual vacation	15,000	1,80,000
Total	**1,18,922**	**14,27,067**

Monthly income: **₹1,72,000** Net monthly surplus: **₹53,078**

GOALS

DAUGHTER'S COLLEGE & POSTGRADUATION FUNDING
(2021– 2025) (Inflation considered 9 per cent))

Current Value: **₹51 lakh** Future value: **₹1.01 crore**

DAUGHTER'S MARRIAGE
(2027) (Inflation considered 9 per cent)

Current Value: **₹30 lakh** Future value: **₹77.41 lakh**

RETIREMENT (2035)
(Inflation 7 per cent, Rate of return on corpus 9 per cent)
(Life expectancy – 85 years)

Current annual expenses: **₹8.28 lakh** Future annual expenses: **₹30 lakh** Corpus required: **₹6.05 crore**

Assets	₹	Liabilities	₹
Savings account	4,32,000	Home loan	11,00,000
Fixed deposit	27,64,000		
EPF	16,20,000		
PPF	15,32,000		
Equity mutual funds	7,21,000		
Self-occupied Property	1,24,00,000		
Invested property	85,00,000		
	2,79,69,000		**11,00,000**
Net worth	**2,68,69,000**		

FINDINGS

EMERGENCY FUND: A little over three months of expenses maintained in savings account. Additional backup provided through fixed deposits

LIFE INSURANCE: Ankit has a total life cover of ₹1.20 crore, while his wife is covered for ₹7 lakh through a combination of term insurance and traditional policies

HEALTH INSURANCE: The family is covered for ₹5 lakh through family floater policy provided by employer. Additionally, they have a separate ₹10-lakh health policy

INVESTMENTS: Very well diversified portfolio in property, debt and equity. Equity exposure is low in the overall asset allocation

LIABILITIES: They are servicing a home loan taken seven years back to buy the second property. The outstanding is only ₹11 lakh

RECOMMENDATIONS

EMERGENCY FUND: Ankit should convert his savings account into flexi fixed deposit account and maintain ₹2 lakh in that account. The rest he needs to maintain in liquid-plus fund for any short-term emergency

ACCIDENT INSURANCE: Ankit needs to take a ₹1-crore accident policy, with a ₹15-lakh temporary total disability benefit. The premium for this will be ₹13,000 approximately

LIFE INSURANCE: Ankit should take an additional term insurance cover of ₹1 crore for a 15-years term. The premium for this will be approximately ₹22,000. Rukmini doesn't need additional insurance cover

HEALTH INSURANCE: The present health cover is adequate

PLANNING FOR GOALS

DAUGHTER'S COLLEGE & POSTGRADUATION FUNDING (2021–2025) : Her first two years of senior college education will be taken care of by the child insurance policy maturity proceeds. For the rest, ₹20 lakh from fixed deposit can be invested in balance mutual funds and additionally, SIPs of ₹22,000 per month needs to be invested in large-cap mutual funds for nine years

Annual rate of return assumed: 11 per cent in balance mutual fund and 12 per cent in large cap funds

DAUGHTER'S MARRIAGE (2027): For this goal, ₹28,000 needs to be invested per month for 11 years in large and multi-cap mutual funds

Annual rate of return assumed: 12 per cent in large and multi-cap funds

RETIREMENT (2035): Ankit's rental income from the second property will provide an income of ₹9.25 lakh per annum in 2035. Therefore, to earn the balance income at retirement, he needs to have a corpus of ₹4.10 crore. Ankit's Employee Provident Fund will fetch ₹1.88 crore at retirement, provided he doesn't withdraw his EPF in between. His PPF will fetch him ₹1.28 crore, considering a yearly investment of ₹1.50 lakh. For the shortfall, he needs to invest ₹8,000 per month in multi-cap mutual funds for a period of 19 years

Annual rate of return assumed: 8 per cent on EPF & PPF, 12 per cent on mutual funds portfolio

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