

CASE STUDY

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



THE MAYEKARS

Charudutt (45), Swapnali (43), Esha (15)

RESIDE IN	NET ANNUAL INCOME	RATING
Bengaluru	₹27 lakh	8/10

> STATUS & GOALS

Charudutt works as a personnel manager with a pharmaceutical company; his wife is a homeopathy doctor. Their daughter is studying in the tenth standard. The couple's three main goals are funding their daughter's medical education and marriage, followed by retirement planning.

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household and lifestyle	58,000	6,96,000
Home loan	37,611	4,51,334
Insurance premium	11,167	1,34,000
Daughter's education	18,000	2,16,000
Vacation	20,000	2,40,000
Total	1,44,778	17,37,334

Monthly income: ₹2,25,000 Net monthly surplus: ₹80,222

> GOALS

FUNDING DAUGHTER'S MEDICAL EDUCATION (2019 – 2024) (Annual inflation considered 9%)		DAUGHTER'S MARRIAGE FUNDING (2026) (Annual inflation considered 10%)	
Present value:	Future value:	Present value:	Future value:
₹40 lakh	₹67.81 lakh	₹15 lakh	₹38.90 lakh

RETIREMENT AT AGE 60 (2031) (Annual inflation considered 7 per cent)		
Present annual expenses:	Future annual expenses:	Corpus required:
₹7.92 lakh	₹21.85 lakh	₹4.45 crore

Assets	₹	Liabilities	₹
Savings account	3,86,000	Home loan	32,60,000
Fixed deposit	17,21,000		
EPF	9,36,000		
PPF	6,25,000		
Insurance cash value	3,62,000		
Equity mutual funds	6,23,000		
Shares	3,17,000		
Self-occupied property	61,00,000		
Invested property	60,00,000		
	2,24,70,000		32,60,000
Net worth	1,92,10,000		

> FINDINGS

EMERGENCY FUND: Nearly three months' of expenses maintained in savings account

LIFE INSURANCE: Charudutt and Swapnali are covered for ₹60 lakh and ₹8 lakh, respectively, through combinations of term and traditional policies

HEALTH INSURANCE: The family is covered for ₹5 lakh of health cover through Charudutt's employer-provided family floater policy. They have a separate family floater policy for a ₹5 lakh cover

INVESTMENTS: Investments are very well diversified into property (60 per cent), debt (30 per cent) and equity (10 per cent)

LIABILITIES: They are currently servicing a home loan on their second property, with loan dues of ₹32.60 lakh

> RECOMMENDATIONS

EMERGENCY FUND: The couple should maintain ₹2 lakh in a joint bank account and the rest should be moved into liquid funds

LIFE INSURANCE: Charudutt needs to take a term insurance cover of ₹1 crore for a term of 15 years, while wife's cover is adequate. The approximate annual premium for this will be ₹28,000

HEALTH INSURANCE: They need to take a super top-up floater policy of ₹10 lakh with a deductible of ₹5 lakh, for which the premium will be approximately ₹8,000 per annum

ACCIDENT INSURANCE: Charudutt needs to take an accidental cover of ₹1 crore with a Temporary Total Disability of ₹15 lakh, while his wife should take a Personal Accident cover of ₹25 lakh. The annual premium for this will be approximately ₹16,000

> PLANNING FOR GOALS

FUNDING DAUGHTER'S MEDICAL EDUCATION (2019–2024) : Charudutt needs to invest ₹10.32 lakh from his FDs into accrual debt funds to fund the first two years of medical college. Additionally, he needs to start SIPs of ₹44,000 per month in balanced funds for funding the expenses for the remaining years

Annual Rate of return assumed: 8 per cent post tax in debt funds, 11 per cent in balanced funds

DAUGHTER'S MARRIAGE FUNDING (2026): They need to invest ₹17,000 per month for 10 years in a portfolio of large and multi-cap mutual funds for this goal

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

RETIREMENT AT AGE 60 (2031) : Charudutt's Employee Provident Fund and Public Provident Fund will be worth ₹90.55 lakh and ₹47 lakh at retirement, considering an annual investment of ₹1 lakh in PPF. Their invested property will be worth ₹1.9 crore. The shares and mutual funds will be worth ₹60 lakh combined. For the shortfall, they need to invest ₹12,000 per month for 15 years in balanced funds

Annual Rate of return assumed: 8 per cent on EPF/PPF/Property, 12 per cent on mutual funds portfolio, 15 per cent in shares

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