CASE STUDY

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

THE RAJGPOPALANs

Hariharan (42), Rajashree (38), Harish (10), Surekha (6)

RESIDES IN	NET ANNUAL INCOME	RATING
Bengaluru	**₹10.20 lakh**	**8/10**

STATUS & GOALS

Hariharan runs a human resource consultancy and training firm, which was started a year ago after he quit his job. His wife is a homemaker and they have two kids. Their main goals are children's educational funding and plans for retirement

Basic expenses (₹)	Per month (₹)	Annual (₹)
Household and lifestyle	32,000	3,84,000
Children education	5,000	60,000
Vacation & travel	10,000	1,20,000
Insurance premium	9,500	1,14,000
Total	**56,500**	**6,78,000**

Monthly income: **₹85,000** Net monthly surplus: **₹ 28,500**

GOALS

SON'S COLLEGE AND POSTGRADUATION FUNDING
(2024 – 2028) (Annual inflation considered at 9 per cent)

Current value: **₹32 lakh** | Future value: **₹80 lakh**

DAUGHTER'S COLLEGE AND POSTGRADUATION FUNDING
(2028 – 2032) (Annual inflation considered at 9 per cent)

Current value: **₹32 lakh** | Future value: **₹1.13 crore**

RETIREMENT PLANNING
(2029) (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 health insurance premia): **₹5.19 lakh**

Future annual expenses: **₹12. 50 lakh**

Corpus required: **₹3 crore**

Assets	₹	Liabilities	₹
Savings account	3,85,000		
Fixed deposit	7,45,000		
Capital gains bonds	7,50,000		
Equity mutual funds	15,34,000		
Insurance cash value	5,23,000		
Self-occupied property	1,45,00,000		
Row house	85,00,000		
Commercial property	42,00,000		
	3,11,37,000		
Net worth	**3,11,37,000**		

FINDINGS

EMERGENCY FUND: Surplus funds maintained in savings account and fixed deposits (FDs) for contingency purpose

LIFE INSURANCE: Hariharan is covered for ₹85 lakh through term and traditional insurance policies, while Rajashree is covered for ₹11 lakh through traditional policies

HEALTH INSURANCE: The family is covered through a family floater plan of ₹5 lakh

INVESTMENTS: Diversification is evident in the portfolio but real estate occupies 78 per cent of the portfolio. Early investments in real estate have benefitted the couple

LIABILITIES: No liabilities

RECOMMENDATIONS

EMERGENCY FUND: Considering the variable income of Hariharan, they should maintain ₹1.50 lakh in joint savings account and an additional ₹2 lakh in ultra-short term debt funds

LIFE INSURANCE: Hariharan needs to take an additional insurance cover of ₹50 lakh, which can be an online term plan for 25 years. Premium will be about ₹12,000

HEALTH INSURANCE: The family should take a ₹15 lakh super top-up policy, with a deductible of ₹5 lakh. The annual premium for this will be around ₹8,500

ACCIDENT INSURANCE: A personal accident policy of ₹50 lakh, with ₹5 lakh as Temporary Total Disability benefit, is recommended for Hariharan. The annual premium for this should be about ₹8,000

PLANNING FOR GOALS

SON'S COLLEGE AND POSTGRADUATION FUNDING (2024 – 2028): From the current FD and the capital gains bond, which will mature later this year, they need to invest ₹9.40 lakh in balance mutual funds (MFs). Additionally, Hariharan should start SIPs of ₹18,000 in the same balance funds for this goal for 12 years

Annual rate of return assumed: 12 per cent post tax in balanced funds

DAUGHTER'S COLLEGE AND POSTGRADUATION FUNDING (2028 – 2032) : From the existing equity funds, ₹10 lakh should be allocated for this goal. This will cover her college education and partially fund her postgraduation. Additionally, they need to invest ₹11,000 per month in multi-cap funds for a period of 15 years

Annual rate of return assumed: 13 per cent post tax on this portfolio

RETIREMENT (2029): The row house will be worth ₹2.3 crore at retirement. The balance corpus of equity funds will be worth ₹21.8 lakh. They have a cushion in the form of commercial property, which can be given on rent. The rental income will offset the requirement for a bigger retirement corpus. As Hariharan's income increases, he should invest the surplus in the ratio of 60 per cent equity and 40 per cent debt in MFs

Annual rate of return assumed: 8 per cent in property, 12 per cent on the MFs portfolio

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