

Journey towards Financial Well Being

*“It is good to have an end to journey toward, but it is the journey
that matters in the end.”*

A Financial Plan for Money Bhai & Family

(As on Sept 2013)

SAMPLE

Prepared by

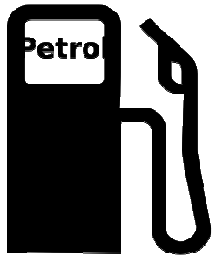
Saarthi Financial Planners

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Your Financial Rating based on your current situation and data given:

- ★ - Good
- ★ - Just Near Good
- ★ - Not Good



CASH FLOW ANALYSIS



YOUR CASH FLOW ANALYSIS

With regards to your cash flow we would like to highlight the following points:

- As per the cash flow, the net amount available per month (i.e. Income – Expense) is indicating **adequate surplus**.
- The monthly income of the family including the rental income is Rs.2,28,000/- against the monthly expense of Rs. 1,33,665/- .
- Thus, the monthly savings ratio is at **41%** i.e. Rs. 94,335/- which is above an average Indian household (Recommended Range 20% - 30 %).
- There is huge amount of committed savings in the monthly expense of the family.

The breakup of the total expenses to main classes of expenses is as follows:

	<i>Rs.</i>	<i>%</i>
Living Expenses	49,600/-	37
Insurance Expenses	13665/-	10
Leisure Expenses	21,333/-	16
Committed Savings	49,067/-	37
Total Monthly Expenses	1,33,665/-	100



CONTINGENCY FUND

"Long range planning does not deal with future decisions, but with the future of present decisions."

By Peter Drucker

YOUR CONTINGENCY FUND

It is generally recommended to have a contingency fund of approximately 3 - 6 months of your monthly expenses kept aside.

This amount is useful in case of any emergency situation, where you require funds on an immediate basis for some medical condition in the family; or any other additional expenses unexpectedly crops up. Also, **in case of a loss or slow down in professional earnings**, **this fund gives you the required buffer time before you secure an alternate.**

Working of Your Contingency Fund

To calculate your contingency fund, we would take into consideration your monthly expenses (Rs,1,33,665 /-) and funds kept aside in liquid assets. i.e. cash in hand, savings account. (Any amount that is easily accessible in next 24 hours.) **Your current liquidity ratio is very low**

Our Recommendations

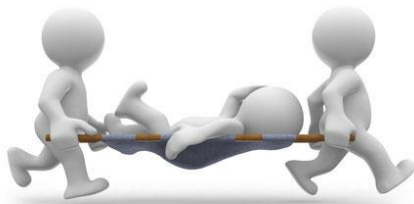
We would advise you to maintain the required liquidity fund in the following manner:

Current Asset Type	Suggested Asset Type	Amount Rs.
<i>Monthly Surplus</i>	Bank FD	2,00,000/-
<i>Monthly Surplus</i>	Liquid Mutual Funds	1,00,000/-
<i>Savings Bank</i>	Cash in hand	1,00,000/-
<i>Savings Bank</i>	Savings Bank	1,00,000/-
Total		5,00,000/-

Thus, need to maintain the above funds amount of Rs.5,00,000/- at any possible time as their contingency fund.



INSURANCE & RISK MANAGEMENT



"The fear of death is the most unjustified of all fears, for there's no risk of accident for someone who's dead."

By Albert Einstein

YOUR INSURANCE & RISK MANAGEMENT

Insurance is meant to protect the family against any financial losses, against any untimely death or any other unfortunate event. It is undertaken to cover the risk. Insurance is not an investment product but it is a safety net to secure your family and their goals in your absence.

YOUR LIFE INSURANCE PROFILE

- In your family currently **Money is the sole bread winner.**
- There is **no immediate replacement in his family to support** the family's daily expenses in case of any unfortunate event occurring with Money.
- Since, **Money still has many responsibilities to fulfill before he retires;** we recommend that it's best that we calculate his insurance needs on basis of his income.

Calculation of amount of Life Cover for Money Rokda

<i>Money's Current Annual Income (Salary)</i>	<i>Rs.....</i>
<i>Current Age</i>	34
<i>Retirement Age</i>	60
<i>Years to retire</i>	26
Based on your age ,we recommend that you need a cover ... times your annual income as total life insurance	Rs.1,80,00,000/- to Rs2,16,00,000/-

Why do you need this cover?

- The above amount would give the family time of at **least 10 to 12 years to stand back on their feet** and also, maintain their current lifestyle.
- Also, since **Money's children are still toddlers**, this time would also help Sona, time to decide the way she manages her home on her own.
- Money & Sona have **just started to develop their assets**, so it not recommended for them to earmark it as to maintain the family expenses.

Thus, we recommend that even if we don't consider Money salary growth or annual bonus, **he needs a term cover of at least additional Rs. 1 crore to his existing term cover**

Your Current Life Insurance Portfolio

We would like to make some observations on your current insurance portfolio as follows:

- The total Sum insured for Money, the primary bread earner for the family, is Rs.1,00,76,000/- with only Rs.85,00,000/- being pure term cover and remaining being investment based policies maturing near the retirement years.
- Sona, a home maker, has an life cover for Rs.22,00,000/- and all of them being investment based policies.
- There is a huge imbalance between the premiums paid and the life cover provided.

Our Recommendations on Your Insurance Portfolio

- In principal, Insurance and Investments should NEVER be mixed. Insurance is meant to protect your life (i.e. the primary earning member) and assets at a reasonable premium and Investments should be made for growth after considering your complete Financial Profile and goals.
- We would suggest Money and Sona to surrender their existing Money Saral policies which would reduce their annual premium from Rs.1,93,729/- to Rs.1,01,183/- which gives a monthly saving of Rs.8431/- .

- The Irla Dream Enhanced Plan should be surrendered at earliest time, since the premium amount of Rs.36,070/- is very high in comparison of the life cover provided.
- Also, the Money back and Endowment Policies between Money & Sona are not currently hampering their monthly cash flow; hence we allow the same to continue.

Your Health Insurance Profile

- Money's dependents comprises of his wife, two kids and his father.
- Currently the only health insurance that the family has is the one provided by the employer. Also, the existing health insurance for his father is insufficient in line with the spiraling medical expenses.

Our Recommendations For Health Insurance

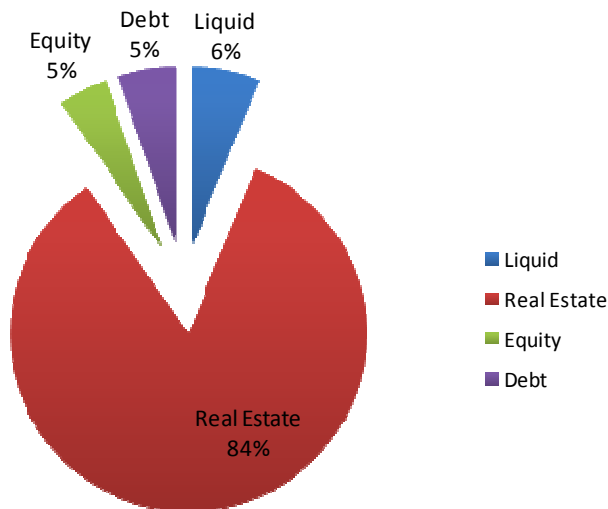
- We would recommend **Money & Sona to get an individual health cover of minimum Rs.5,00,000/- each at earliest.** (beyond the existing employer provision)
- **For Pound & Penny, a cover of Rs.2,50,000/- would be feasible at earliest.**
- At the current age, **Money's father would not get any new health cover, so we would recommend Money to maintain Rs.5,00,000/- as the required medical funds.** (Roadmap to achieve the same is given in the goal planning)
- Also, since **Money's job profile involves a lot of travelling, an personal accident cover of Rs.10,00,000/- is recommended.**

CURRENT NET WORTH AS ON 11 SEPTEMBER 2013

ASSETS Rs.			LIABILITIES Rs.		
Liquid Assets			Loans		
Cash in hand	50000		Home Loan		2400000
Cash at bank	700000		Vehicle loan		400000
		750000			
Equity					
Direct Equity	147620				
Based Mutual Funds	395048				
		542668			
Debt					
Bank FD	300000				
Government Bonds	30000				
PPF	300000				
EPF**	200000				
		830000			
Real Estate					
Bhandup	8000000				
Pune	1200000				
		9200000			
Personal Loan		1000000			
Total Assets		12322668	Total Liabilities		2800000
TOTAL NET WORTH			AS ON 11 SEPTEMBER 2013 IS		
			INR 9,522,668		

CURRENT ASSET ALLOCATION

Real Estate	Equity	Debt	Liquid	Total
84%	5%	5%	6%	100%



- The current asset allocation is **unbalanced** and has **real estate (84%)** as the **major portion of your asset class**.
- The family has **very little exposure in equity and equity based products**.
- The investments are **done randomly without any defined goals**.
- There are no **monthly SIPs ongoing for the family**.

We would rebalance the existing allocation over the time if required, in line with your listed goals.

Goal Setting.....



After understanding your current situation in cash flow and net worth, we have based our recommendations on monitoring your day-to-day financial affairs to help you do the things that bring you satisfaction, fulfill your moral responsibilities and be an architect of your family's better tomorrow.

Thus, the next step in personal financial planning is choosing and following a course towards your long-term financial goals. As with anything else in life, without financial goals and specific plans for meeting them; we drift along and leave our future to chance.

A wise man once said: "most people don't plan to fail; they just fail to plan." The end result is the same - failure to reach financial independence. Hence, in goal planning, we enlist the goals provided by you and give you a road map to achieve them. We can only show you the path but the actual implementation would be your decision. Thus, any process is incomplete without proper planning.

LIST OF ASSUMPTIONS

General Inflation	7%
Education Inflation	10%
Debt Based :	
a) Employee Provident Fund	8%
b) Bank FD	8%
c) Public Provident Fund	8%
d) Debt Based Mutual fund	8%
e) Liquid Mutual fund	7%
Equity Based :	
a) Direct Equity	10%
b) Equity based Mutual funds	10%
Real Estate	10%

Goal 1: Funds for Medical Emergencies for Money's father

The funds required for any kind of father's medical emergencies are very important because at his current age acquiring new additional health insurance could be difficult.

Goal Description	Amount Required	Time to achieve
Medical Emergency Funds for father	Rs.5,00,000/-	Immediate

Our Roadmap to achieve your Goal

Existing / Current Asset	Recommended Asset	Amount Allocated towards the goal Rs.
Bank FD	Continue with Bank FD in father's name for suitable / best tenure	3,00,000/-
Direct Equity	Bank FD	1,47,620
Total		4,47,620/-

Since the required funds are earmarked for any untimely emergencies, we would advise to allocate the easily liquidable investments. Further, they could earn them returns which are competitive in secured asset class. This would enhance your cash flow.

Goal 2a: Higher Education for Pound & Penny

Money & Sona want to plan for higher education for their children Pound (present age: 3 years) and Penny (present age: 5 months).

Goal Description	Amount Required *	Time to Achieve	Anticipated Future Cost Rs.
Pound Higher Education	10,00,000/-	15 years	41,77,248
Penny Higher Education	10,00,000/-	18 years	55,59,917

***-Note:** Although, Money & Sona have given a generalized time frame of 15 years for required funds for Pound and Penny's higher education, we have prioritized Pound's fund requirement over Penny by three years due to their age gap.

Our Road Map to achieve your Goal: Pound's Higher Education

Existing / Current Asset	Recommended Asset	Amount Allocated towards the goal Rs.	Approx future value Rs.
Current Monthly Surplus (a)	PPF (fresh to be done for next 15 years) for Pound	1,00,000 pa or Rs.8,333/- pm (preferred to be invested at beginning of financial year or every month at between 1 st or 5 th)	27,15,211/-
Current Monthly Surplus	SIP in Equity based Mutual fund (fresh to be done)	3,500 per month for next 14 years	12,83,943/-
Redeemed Corpus from Equity based Mutual Funds after 14 years (b)	Bank FD	12,83,943/-	14,97,591/-
Total (a+b)			41,01,870/-

Shortfall: Rs.75,378/-

Penny's Higher Education

Existing / Current Asset	Recommended Asset	Amount Allocated towards the goal Rs.	Approx future value Rs.
Current Monthly Surplus	PPF (fresh to be done for next 15 years)	1,00,000 pa or Rs.8,333/- pm (preferred to be invested at beginning of financial year or every month at between 1 st or 5 th)	27,15,211/-
Redeemed PPF (as above) (a)	Bank FD (for next 3 years)	27,15,211/-	34,20,211/-
Current Monthly Surplus	SIP in Equity based Mutual fund	2,500 per month for next 17 years	13,41,746/-
Redeemed Corpus from Equity based Mutual Funds after 17 years(b)	Bank FD	13,41,746/- (for next one year)	14,49,085/-
Total (a+b)			48,69,470/-

Shortfall: Rs.6,90,447/-

Since, good education is a dream of every parent for their children; we advise that Money and Sona should start the suggested savings (as stated above) to achieve their target amount on the actual implementation year. However, if the children then don't require the amounts for higher education, then these proceeds can be used by the couple for any goal important to them then.

Goal 2b: Retirement Planning for Money & Sona

Goal Description	Corpus Required *	Time to Achieve**
Retirement Planning	Rs.4,79,31,245/-	30 years

* - Although the desired monthly corpus by Money & Sona is Rs.50,000/- (i.e. Rs.6,00,000/pa) , based on their current expenses we believe that even on retirement the couple would require Rs.61,500 per month (at current costs). However, anticipating some fluctuations in the expenses then on vacations or entertainment, we have taken the 90% of these expenses (Rs.61,500/-) adjusting the same to inflation to derive your retirement corpus.

** - Further although Money wants to continue his active working for next 30 years we have our calculations, although we would like to believe he only has another 26 years up to his age 60, which seems to be more realistic.

Assumptions

a)	No. years till retirement from now	30 years
b)	Life Expectancy (years from retirement)	11 years
c)	Inflation	7% p.a.
d)	Investment (estimated weighted rate of return)	10% p.a.
	Based on the above, the inflation / investment adjusted working, the retirement corpus required by you at the age of 64 would be - <u>Rs.4,79,31,245/- (future expenses estimated at 90% of the current amount)</u>	

Our Road Map to achieve your Goal

Existing / Current Asset	Recommended Asset	Amount Allocated towards the goal Rs.	Approx future value Rs.
EPF	Continue investing in EPF	780 pm x 2 (Employee + employer) for next 26 years) + anticipated Rs.2,00,000/- from previous job	24,56,953/-
Bank FD	Proceeds from EPF (as above)	24,56,953/- (for Next four years)	33,42,657/-
Equity Mutual Funds	Continue holding in Equity based mutual funds	3,95,048/-	68,93,351/-
PPF	Invest in PPF (Existing + Fresh Annual)	Existing : 3,00,000/- + Fresh of 50,000/- pa between Sona / Money	86,82,958
Monthly Corpus	Balanced Mutual Funds	10,000 pm till retirement	2,26,04,879/-
Total			4,15,23,846/-

Shortfall: Rs.64,07,398/-

Although the desired savings for Money and Sona to achieve their monthly savings is around Rs.13,000/- per month, we would suggest them to invest the suggested amounts over next one year, if they are comfortable after providing for their remaining goals.

Although, with every delay the amount of monthly savings would increase, we could take the decision in the coming quarterly review meet.

Goal 3: Home Purchase for improved lifestyle

Money & Sona desire to move with their family in near future to a better place to reside for an improved lifestyle.

Goal Description	Amount desired Rs.	Time to achieve	Future Cost
Home Purchase	1,50,00,000	2 years	1,81,50,000/-

Our Road Map to achieve your desired goal

Existing / Current Asset	Recommended Asset	Amount Allocated towards the goal Rs.	Approx future value Rs.
Bhandup Property	Hold the property till you finalize the new home	80,00,000/-	96,80,000/-
Pune Plot	Sell it at earliest best opportunity	12,00,000/-	14,52,000/-
Total			1,11,32,000/-

Shortfall:Rs.70,18,000/-

*Although, there is a shortfall in your goal achievement, you could still achieve the goal by taking a loan, which has an EMI of **Rs.20,000/-**. However, which means you will have to trim down your home value expectation to Rs. 1,29,57,132/- from the required Rs.1,81,00,000/-.*

But before you decide to take this loan, the following condition needs to be verified and satisfied:

- The existing loans are paid off with the annual bonuses received by you.
- The EMI amounts are not more than 20% of your monthly income (since its your home to reside)

Goal 4: Foreign Vacations

Money and Sona have listed traveling abroad as one of their desire, one they have planned for their secured retirement and children's education, with a new home of their dreams.

Goal Description	Amount desired	Years to achieve	Future Cost
Foreign trip	Rs.8,00,000/-	3	Rs,9,80,000/-

Our recommendations

- Since this goal is a discretionary goal with low priority attached to it, we would suggest to the family, to currently not allocate any funds /assets to it. If during the next one year, the family has substantial increase in income or any windfall gain, the same can be planned and considered. (But only after fulfilling the home purchase goal).

Goal 5: Additional Property Purchase

Our recommendations

We don't recommend any additional property purchase even for investment of small amount to the family, since they already have too much dependency on the real estate currently in their portfolio. We would suggest them to explore other asset class, which will help him amass huge wealth in long run.

NET UTILIZATION OF YOUR EXISTING ASSETS

<u>ASSET TYPE</u>	<u>AMOUNT ASSIGNED TO GOALS Rs.</u>	<u>BALANCE OF AMOUNT IF ANY AFTER ASSIGNMENT Rs.</u>	<u>GOALS DESCRIPTION</u>
Cash in bank & Hand	6,00,000	1,50,000/-	Contingency funds
Bank FD	3,00,000/-	-----	Contingency for Father's Health
Equity Mutual Funds	3,95,048/-	-----	Retirement Planning
Direct Equity	1,47,620/-	-----	Contingency for Father's Health
Government Bonds	-----	30,000/-	Subject to next quarter review
PPF	3,00,000/-	-----	Retirement Planning
Personal Receivable	-----	10,00,000/-	Subject to next quarter review
EPF	2,00,000/-	-----	Retirement Planning
Bhandup Property	80,00,000/-	-----	Home Purchase
Pune Plot	12,00,000/-	-----	Home Purchase
Total	1,11,42,668/-	11,80,000/-	

CASH FLOW SURPLUS UTILIZATION

<u>CASH FLOW</u>	<u>AMOUNT ASSIGNED TO GOALS Rs.</u>	<u>GOALS DESCRIPTION</u>
Current Cash Flow Surplus	41,648 pm	
Less: Recommended SIPs		
PPF	8333 pm	for Pound education
SIP in Equity MF	3500 pm	for Pound education
PPF	8333 pm	For Penny Education
SIP in Equity MF	2500 pm	For Penny Education
SIP in MF	10000 pm	For your Retirement
PPF (Sona)	4167 pm	For your Retirement
Total Additional Outflow	36,883/- pm	
New cash flow surplus	4,765/- pm	
Add : If suggested life policy surrendered	8431/- pm	
Less: If additional medical cover taken as recommended (approx)	3,000/- pm	
New cash flow Surplus (approx)	10,196/- pm	

OUR NOTES

- We hope that now as you have understood the Financial Plan in its entirety, the actual success or feasibility depends on the implementation of the suggestions provided.
- We are there to guide and hand hold you in case you require our assistance for certain aspects of implementation of the financial products mentioned in the plan. Please feel free to let us know regarding the same and we will be glad to offer our services.
- In our forthcoming quarterly review meeting, we will discuss the following points :
 - INVESTMENT PLANNING REVIEW.
 - INSURANCE PORTFOLIO REVIEW.

We wish you all the best in your journey of ‘ FINANCIAL FREEDOM ‘ and hope all your dreams and aspirations come true now that you have set up the road map through this Financial Plan.

Your family means a lot to you and as your life financial planner, your family happiness is what we seek.

“As it’s your Family; we help you plan their happiness!!”

Regards and Best Wishes!

Ami Shah

Saarthi Financial Planners