

NAME: SANDEEP (45) & PRAJAKTA GUPTA (42)

RESIDES IN: KUWAIT

PROFESSION: SENIOR EXECUTIVE (OIL INDUSTRY)

OTHER DETAILS: Prajakta is a home-maker. Ira, their daughter, will soon be completing her Higher Secondary.

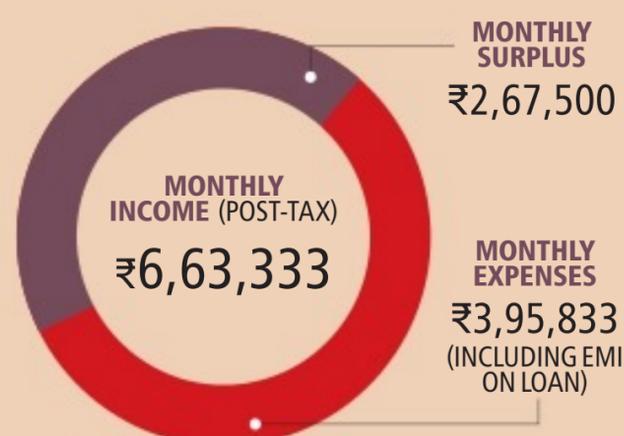
STATUS & GOALS

Sandeep Gupta started working in Kuwait five years ago. Before that he was working in Delhi. Sandeep left Delhi with the following goals in mind. We look at how he is placed as regards to his goals.

1. Will he be able to fully fund his daughter's university and post-graduation education?
2. Would he be able to maintain the same lifestyle after retirement?
3. In the absence of a medical cover, should he go for a medical insurance policy or build a medical corpus?
4. How much can he afford to spend on his daughter's marriage?

NET WORTH

₹4.56 cr (excluding primary residential home)



GOALS IN ORDER OF PRIORITY

IRA'S EDUCATION (Inflation at 12% p.a.)

| | |
|---------------------|--------------|
| Current value | Rs 40 lakh |
| Future value (2019) | Rs 1.1 crore |

IRA'S MARRIAGE

| | |
|---------------|------------|
| Current value | Rs 30 lakh |
|---------------|------------|

Sandeep and Prajakta would like to keep aside a corpus of Rs 30 lakh for Ira's marriage, which they assume will be at least 8 years from now.

(Marriage corpus assumed inflation 8%)

RETIREMENT PLANNING (2024)

(Life expectancy 55 years, Post-retirement inflation 8%, growth of corpus at the rate of 8%).

| | |
|-------------------------|--------------|
| Present annual expenses | Rs 45 lakh |
| Future annual expenses | Rs 19.6 lakh |

| | |
|-----------------|--------------|
| Corpus required | Rs 8.2 crore |
|-----------------|--------------|

MEDICAL CORPUS (2014)

(Medical inflation usually assumed 12%, not applicable in this case as need is immediate)

| | |
|--------------------------|------------|
| Suggested cover (each) | Rs 10 lakh |
| Suggested cover (family) | Rs 20 lakh |

CURRENT INVESTMENTS

Primary House in Mumbai
Rs 2 crore

Bank FDs (invested)
Rs 1,07 crore

Savings Accounts
Rs 5 lakh

Gold & ULIP Policy value
Rs 30 lakh & 19 lakh

Real Estate Investments
Rs 2.95 crore

FINDINGS

BASIC EXPENSES

Rs. 47.5 lakh per annum of which EMI on loans is at Rs 3.3 lakh per annum

NET WORTH: Rs 4.56 crore (excluding value of primary residential home)

LIFE INSURANCE

SANDEEP: Rs 24 lakh and PRAJAKTA: Nil

HEALTH INSURANCE

All medical expenses for the entire family currently covered by the employer.

RECOMMENDATIONS

EMERGENCY FUND



There is adequate liquidity, in the form of savings bank account and bank FDs, to take care of any abrupt monetary needs. In this specific case, as these fixed deposits are for Ira's education goals, a contingency fund should be created by Sandeep and Prajakta from monthly surpluses. While they do accumulate an appropriate contingency corpus, the current FDs are available as a temporary cushion. As their current expenses are at Rs 45 lakh, at least Rs 11 lakh (3 months of expenses) are suggested as a contingency corpus in this case. This is bearing in mind the stable nature of Sandeep's job and the cushion of FDs available.

LIFE INSURANCE



Sandeep would need an additional life insurance cover of Rs 1.85 crore for the family to maintain the current lifestyle. For this, he should consider a term insurance policy. The need for insurance is arrived at after considering the net worth, liabilities as well as corpus required for Ira's goals. As the family is not dependent financially on Prajakta, there is no need of life cover for her. Without Sandeep, the family will move back to India and would therefore not need the kind of annual expenses they incur today. In such a scenario, their expenses would reduce to Rs 14.7 lakh.

HEALTH INSURANCE



As Sandeep and his family plan to live in India after retirement, they have two options to consider for health/medical covers:

1. They could create a medical corpus of Rs. 20 lakhs which should be invested in fixed income investments to be used as and when necessary, in the post retirement years. This accumulation of corpus is possible from the current monthly surpluses.
2. They could buy a family floater health cover today and keep it in continuance at least for the retirement stage. As medical covers are difficult to get as one gets closer to retirement age, they may have to examine this option to buy the health cover today, even though it may not be of use whilst they are overseas.

LIABILITIES



Current car loan, whose monthly EMI is Rs. 27000 pm is not a concern as there are monthly surpluses generated by the family after accounting for these EMI payments. There are no other liabilities.

PLAN CONSTRUCTED BY:

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INVESTMENTS



Overall, Sandeep and Prajakta generate a monthly surplus of Rs 2.67 lakh a month. This surplus can help them start investments linked to retirement, medical as well as contingency goals.

As mentioned earlier most of their retirement linked expenses are in real estate, which is one of the highest growth asset class. This retirement corpus portfolio has to be diversified by investing in other defensive asset classes to the tune of Rs 86,000 per month. If possible, one of the real estate assets could also be moved to another high-growth category of assets such as equities to diversify the retirement corpus portfolio.

In addition, the other surpluses (Rs 1.8 lakh per month) have to go towards generating contingency corpus of Rs 11 lakh as well as a medical corpus of Rs 20 lakh. This would be possible in 18 months timeframe.

It is recommended to move some portion from fixed deposits to debt oriented mutual funds to increase tax efficiency in the portfolio.

EDUCATION



The savings that the Guptas have made in bank FDs to the tune of Rs 1.07 crore and the insurance-based investments are sufficient to fund Ira's education.

RETIREMENT



Now that Sandeep understands that he has enough for Ira's education, the next thing on Sandeep's mind is retirement funding. Over his lifetime, Sandeep has invested

in 2 residential apartments, with a view that these will help him live his retirement life in the same way as his current lifestyle. At the current level of investments, his Real Estate would definitely be of use towards his retirement goal, but is clearly not enough. Sandeep will have to look at investing Rs.86000 every month for the next ten years. This would help the corpus grow to meet his retirement goal. This is possible as long as he has a monthly surplus generated from salary income, which is the case today. One more point that has to be borne in mind by Sandeep, is that his retirement corpus today is dependent on only one type of asset class i.e. Real Estate, which can be tricky, as this asset class can be highly illiquid.

CONCLUSION

Sandeep and Prajakta have accumulated enough investments to fund their daughter's university education. For retirement and other goals, the family will have to prudently invest current surpluses as well as cover major risks with life insurance. If they are able to do that, they are set for a comfortable financial future.