

Fin plan for woman entrepreneur

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Mumbai-based Tanuja (56) is an entrepreneur and mother of two sons, Mayank (10) and Madhav (16). She runs her own design firm. Her husband, Tarun, is a senior corporate executive (all names changed).

LIFE GOALS

Tanuja has always nurtured a dream of sending her children overseas. At the same time, she is very clear that she does not want to compromise on her retirement.

ASSETS & LIABILITIES

- > Residence: Rs 5 crore (owned jointly)
- > Bank FDs: Rs 25 lakh (as maturity)
- > Equity MFs: Rs 25 lakh
- > Life Insurance: Coverage of Rs 25 lakh
- > PPF: Rs 12 lakh
- > Savings accounts: Rs 5 lakh
- > Overall Net Worth: Rs 3.17 crore (considering half value of their residence)

INCOME & EXPENSES

- > Tanuja's income: Rs 1.25 lakh/month (net)
- > Tarun's (her husband) income: Rs 2.75 lakh per month (net)
- > Expenses: Rs 1.46 lakh per month

CHILDREN'S EDUCATION

For Mayank and Madhav's postgraduate education overseas, Tanuja wants a corpus of Rs 40 lakh each. For Mayank, the target year is three years away while for Madhav the target date is six years away. At education cost inflation of 12% per annum, including potential currency depreciation, it means the Rs 40 lakh that Tanuja needs today, will be Rs 56.20 lakh for Mayank and Rs 78.95 lakh for Madhav.

> For Mayank: Tanuja has bank FDs and mutual funds which would fund this goal. One of the suggestions for Tanuja is to look at more tax-efficient solutions, that is debt mutual funds. As FDs do not enjoy indexation benefits, for long-term horizon, she

would be better off in debt mutual funds. In addition, the current Indian interest rate scenario is favourable for investment in debt funds. So for Mayank, the goal would be funded through a combination of FDs and mutual funds.

> For Madhav: This goal requires Rs 78.95 lakh after six years. Currently the only asset new-asset part of the mutual funds and Tanuja's PPF account. This PPF has a current balance of Rs 12 lakh and Tanuja currently invests Rs 11akh every year in it and should continue doing so. A combination of this PPF and some mutual funds would part fund Madhav's education. In addition, Tanuja needs to invest Rs 35,000 per month, considering an aggressive rate of return. As this goal is six years away, Tanuja is supposed to invest in a mix of domestic and international equity mutual funds.

RETIREMENT CORPUS

Tanuja would like to retire after 15 years. At monthly expenses of Rs 1.1 lakh (including children's expenses), the corpus they require is Rs 4.14 crore when she is 65 (assum-

ing inflation at 8% per annum, life expectancy up to 80 years, post-retirement inflation and investment returns on retirement corpus assumed at 6% per annum).

As we found, most of Tanuja's investments will be used up, and she has no assets to bank upon. Tanuja has some life insurance policies which will contribute towards retirement. She will have to consider investing every month from their monthly income towards retirement. The monthly investment target is at Rs 1.56 lakh per month. Considering both their current incomes, it is possible for them to invest this much every month jointly.

SWATANTRA INITIATIVE ON ETNOW

Util MF Swatantra initiative is on ETNow as well. In the next few weeks, the following topics will be covered over several episodes: senior students joining workspace, young working professionals, single working professionals (female) and married professionals without children. If you belong to any of these groups and have queries related to financial planning, you could post them on www.swatantra.com and some of the most relevant ones would be answered by experts and professionals from the field.

LIFE INSURANCE

Currently Tanuja has two life insurance policies which together provide Rs 15 lakh cover. Tarun's salary adequately covers living expenses currently in her uniformed demise, she would leave behind a sizeable net worth. Hence Tanuja does not need any further insurance. However, she needs to ensure that Tarun is adequately covered.

HEALTH INSURANCE

Tanuja is not covered adequately at Rs 3 lakh cover. Hence, it is suggested she purchase a top-up health cover, to the tune of Rs 5 lakh.

The writer is a financial planner and co-founder, Plan Ahead Wealth Advisors

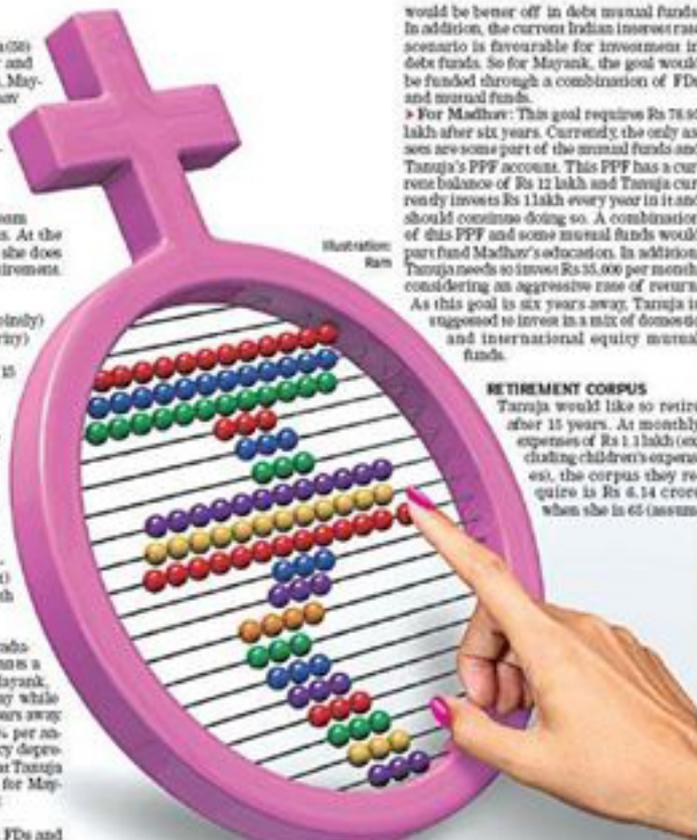


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