

How three Sinha generations meet financial goals

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Rajesh Sinha, his mother Shakuntala (75) and his elder son Divij Sinha (25) have their own separate financial goals. Three generations of the Sinha family relate how their financial advisors have helped set and realize their goals.

"We don't interfere in each other's investments. I want my mother to have complete freedom in deciding how she wants to invest. And, I also want my son to learn how to manage his own finances," said Rajesh Sinha, a 53-year-old Bengaluru-based engineer working with an automobile company.

All three of them— Rajesh, his mother Shakuntala Sinha (75) and his elder son Divij Sinha (25)—have their own separate financial goals. They have been taking financial advice from Shalini Dhawan and Vishal Dhawan, co-founders of Plan Ahead Wealth Advisors, a Sebi-registered investment adviser.

It is interesting to note that Shakuntala, who depends on pension and fixed deposit income, maintains an aggressive portfolio with almost 70% exposure to equity, and Divij, who has a high-risk taking ability, maintains a balanced portfolio of equity and debt instruments.

Shakuntala's investment objective is to grow her wealth and transfer it to her grandchildren some years from now. This long-term horizon explains her aggressive approach to asset allocation. Divij, who is accumulating funds for his higher education, did not go overboard on equity because he couldn't afford to let his portfolio get impacted by the vagaries of the stock market. Both their investment strategies emphasize the importance of investing as per one's needs. Here, we look at the personal finance journey of three individuals from different generations of the same family.

SHAKUNTALA SINHA AGE: 75	RAJESH SINHA AGE: 53	DIVIJ SINHA AGE: 25
EDUCATION/WORK BACKGROUND		
MA Psychology	Engineer working in auto industry	Interest in Urban Policy Research
INCOME		
Pension and FD Income	Salary	Studying after working for 2 years
INVESTMENT OBJECTIVE		
Growing wealth; portfolio intended for grandchildren, succession planning	Wealth accumulation and growth to meet children's education, marriage and retirement goals	Saving for higher education
PORTFOLIO CONSTRUCTION AND CURRENT ASSET MIX		
Aggressive Equity 68% Debt 30% Gold 2%	Moderately Aggressive Equity 55% Debt 40% Gold 5%	Balanced Equity 50% Debt 50%
PORTFOLIO CONSISTS OF		
Mutual funds, FDs, giant/large cap stocks, Relts, InvITs	Equity and debt mutual funds, Gold funds, PMS, Relts, InvITs, taxable bonds, NPS, EPF, PPF	Debt and equity mutual funds
GOALS MET		
Contributed significant amount for one grandchild's foreign education	Children's graduation education goal, foreign trips with family, purchase of car	Partly funded his higher education cost
NUMBER OF YEARS SINCE TAKING FINANCIAL ADVICE		
9 years	11 years	2 years
Do you have any financial goals for yourself? I get sufficient pension income. I take satisfaction in giving some amount to my grandchildren	Do you have insurance Yes, both life and health insurance	Were you ever tempted to invest in bitcoin? No, I don't want to invest in something I don't understand
Do you have a separate medical corpus? I am covered under the state health scheme in Delhi. Further, I have some amount in my PPF account and debt MFs for emergencies.	Did the stock market crash in 2020 bother you? It did, to an extent. I talked to my advisor if I should redeem my investments. I was suggested to stay invested.	Any plans of investing in the US? I will work there until I can earn enough to repay the money borrowed from my parents

GRAPHIC: PARAS JAIN/MINT

Rajesh Sinha, 53

Portfolio: Moderately aggressive

At the beginning of his investing journey, Rajesh just focussed on saving enough money for a rainy day. So, he and his wife invested in fixed deposits, a few post office schemes and an LIC policy after spending on their children's education and meeting other expenses. "We bought a home to save on rent during the real estate boom of the mid-2000s. My wife and I thought we did a great job financially and only looked at the loan liability against that asset from a tax-planning perspective," said Rajesh.

Only when Rajesh talked to his financial advisor in 2011 did he realize that his savings would not be enough to meet his financial goals, including the education requirements of his three children and his retirement.

Talking about the family's first financial plan, Shalini from Plan Ahead said, "It seemed like a daunting task for Rajesh as it demanded a commitment to save about 60% of his monthly income." Soon though, Rajesh realized the power of compounding as he saw his corpus grow in size. He also added new milestones gradually like the post-graduation education goals for his children and their marriage expenses.

Rajesh said he was concerned by the stock market crash of 2020 amid the Covid pandemic: "I asked Vishal and Shalini if I should redeem my investments. But they suggested I shouldn't, as there was no fund requirement then. There was a 30% salary cut effected by my company. I took advantage of the loan deferment option given by the government at that point, but my investments continued." Shalini, in hindsight, thinks that Rajesh's portfolio would have performed better had they suggested international investments much earlier to ensure lower volatility and better geographical diversification to his portfolio.

Nevertheless, Rajesh believes the financial advice helped him avoid taking any rash decisions in life. "If I were to continue investing the way I did, I would have jumped two to three jobs by now for a pay hike to generate more funds. Now, I think, I am better off staying in one place."

Rajesh has a plan to inculcate the saving habit in his younger son, who just landed a job: He has promised to fund his higher education if the latter saved at least 50% of his income.

Shakuntala Sinha, 75

Portfolio: Moved from conservative to aggressive

Shakuntala recounted to Mint the days following her marriage when the financial situation at home pushed her to take up a job, which is now providing her pension. Over the years, while her financial situation improved, Shakuntala felt that she was not managing her wealth (her personal savings plus the retirement funds received after her husband's demise) efficiently. This feeling was reinforced later when she lost the money invested in a corporate fixed deposit of Unitech Ltd. She had invested in a couple of income-generating fixed-income products and a few stocks back then.

"When she started with us in 2013, we suggested a conservative portfolio based on her risk profile. But it has slowly transitioned to an aggressive one with higher equity exposure (70%)," Shalini said. "I am comfortable with my pension income. I intend to pass on my wealth to my grandchildren. Both my sons are doing very well financially. But still, I love to give to my grandchildren. That gives me some satisfaction," said Shakuntala. She added that she is stress-free about her financial planning now and seeks help from her daughter-in-law who has a degree in MBA finance, in case of any doubts.

Shakuntala couldn't get a health insurance policy because of a medical condition that makes her ineligible for it. So, maintaining a medical corpus becomes a crucial part of her financial planning. She said, "I am covered under the Delhi Government Employee Health Scheme for medical facilities. Further, I have some amount in my PPF account and debt mutual funds which can cover any emergencies."

Divij Sinha, 25

Portfolio: Balanced

Divij understood the importance of seeking financial advice very early. "Because of my decision to join a non-profit organization, I had to join my first job at a much lower pay than my friends. But, by taking financial advice early on, I could save more than my friends who earned twice than I did 2-3 years back," he said.

He doesn't believe in being too closely involved with financial planning. "This is one thing in my life I would like to offload to a trustworthy person. I talk to my advisors once every few months because there are discussions about rejigging the portfolio, where to invest my money, when I need it back, etc. But I never really bothered about scrutinizing any of their decisions," he added. "If you really don't know what you're doing, and you don't have the energy to deal with it, let someone else handle it, it's worth the cost."

Divij, who is now flying to the US to pursue a master's degree in computational analysis and public policy, partly funded his education costs using his savings and the money lent by his parents. He wants to return to India for work but only after earning enough abroad to repay his parents. On asking what his long-term financial goal is, he said "I want to achieve some level of comfort where if I ever decide not to work for a couple of years, I should be able to sustain myself without feeling the pressure of having to get back into the workforce".