Kshitij 2015

Techno-management Fest

30th jan-2nd feb

PAYCHECK

PROBLEM STATEMENT

DEVISE A FINANCIAL PLAN FOR

A REAL LIFE SUTATION

Kunal and Sridevi are working couple, where Kunal is a doctor (Chest specialist) attached to private hospital and Sridevi works in accounts department in an IT firm. The family comprises of 5 members, but Kunal and Sridevi have 1 school going kid and Kunal's parents are staying with them. The family details:

S. No.	Name	Age	Relationship	Health History
1.	Kunal Sebastian	36	Self	Normal
2.	Sridevi	30	wife	Normal
3.	Sunil	68	Father	Hypertension (BP High)
4.	Maya	60	mother	Thyroid + High BP
5.	Shreya	8	daughter	Normal

Their cash flows& net worth are given below:

	Monthly	Yearly
Inflows	4, 00,000	48, 00,000
Outflows	60,000	7, 20,000
Household & lifestyle expenditure	1, 38,000	16, 56,000
Insurance Premium (Life only Kunal)	4,583	55,000
Car Insurance	1,333	16,000
House Insurance (Fire -flat)	250	3,000
EMI for car loan	27,304	3, 27,644
EMI for House loan	53,538	6, 42,456
Investments		
PPF (both husband & wife)	16,667	2,00,000
MF Investment (both husband & wife)	20,000	2, 40,000
Bank Recurring Deposit (wife)	5,000	60,000

Surplus:

Assets (Personal)	
Flat	Rs. 92, 25,000
Car	Rs. 10, 00,000
Jewellery	Rs. 5, 50,000
Asset (Financial & investable)	
PPF (Both husband & wife)	Rs. 20, 28,000
EPF (wife)	Rs. 3, 50,000
Bank FD (both husband & wife)	Rs. 12, 00,000
Savings Bank A/c (both husband & wife)	Rs. 4, 50,000
Mutual Fund (both husband & wife)	Rs. 9, 20,000
O/s liabilities:	
Car	Rs. 10, 00, 00
Flat	Rs. 43, 21,727

Family's financial goals are given below:

Q.1. They had taken a loan of Rs. 48, 00,000 in July 2011 at a floating rate of interest of 10% p.a. for tenure of 20 years from a housing finance company. The company sent a notice raising the interest rate to 10.75% p.a. effective January 2014 thereby increasing EMI. He decides to refinance the loan at 10.25% from a bank which charges a processing fee of 1% of loan sanctioned. What absolute amount he stands to save in the remaining tenure if the outstanding loan amount as at the end of March 2014 is refinanced so that the new loan terminates as per original tenure. If Kunal refinances the loan then how he'll be financially benefited?

Q, 2. Contingency planning. Including Parents Medical emergency fund. How much provision they need & logic?

Q. 3 Insurance: Although Kunal pays Rs. 55,000 yearly life insurance premium he has coverage of 10 lakhs only. Sridevi has no life insurance coverage. Kunal's Employer provides group floater mediclaim cover of Rs. 5, 00,000 for the family of 3, excluding the parents. Parents are not covered by any form of medical insurance. Do you consider both husband & wife need life insurance? If yes, then how much life insurance coverage do they require? Can they take Mediclaim coverage for their parents? As the employer of Kunal provides family floater mediclaim policy, do you think Kunal should take additional mediclaim coverage for him and his family?

Q.4. Education provision for Shreya: Kunal & Sridevi has the need to provide for their daughter engineering college education costs. They envisage that 4 annual payments of Rs. 3, 50,000 including hostel facilities in India, in current money terms, would be needed beginning 10 years from now. What will the future cost due to inflation & you make investment strategy to achieve the goal?

Q.5. Marriage funding of Shreya at 26 years needs Rs. 5, 00,000, in current money term. So what will be the inflated amount & make strategy?

Q.6 .Retirement of Kunal & Sridevi in 2036, when Kunal attains the age of 58 & Sridevi attains 52. Sridevi may extend another 6 years after Kunal retires. But they are unanimously agreed they want to retire in 2036. Retirement provision: Kunal & Sridevi wants to maintain the same life style immediate after their retirement. They currently spends 1, 40,000 per month. What would the inflated cost? Can you make a provision? If yes then draw a plan for them.

Q.7.After retirement they may go for a world trap, which costs Rs. 5, 00,000, in current money term. Just tell the future cost & make a strategy so that they can fulfill their world trip?

Assumptions:

General inflation (post & preretirement – 7.5%
Education & Marriage inflation – 10%
Expected annual increase in salary – 8%
Returns on Equity Mutual Funds – 12%
Returns on Debt Mutual Funds – 8%
FD return – 9%
Returns on PPF – 8.7%
Return on EPF – 8.7%
Income tax: as per income slab.

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