Financial Plan

Page 1: Inputs & Data Captured

Client Profile

Field	Value
Name	Atharva Shirgaonkar
Age	32
Marital Status	Single
Children	0
Other Dependents	0

Data Sources Status

Data Source	Status
Income Declaration	Provided
Expense Data	Captured
Cashflow Pattern	Surplus pattern
Bank statement	Uploaded
ITR	Uploaded
Insurance document	Uploaded
Mutual fund CAS (Consolidated Account Statement)	Uploaded

Portfolio Snapshot (Mutual Fund CAS)

Metric	Value
Total Investment	Rs. 110,086
Current Value	Rs. 124,864
Net Gain/Loss	Rs. 14,777 (+)
Absolute Returns	+13.4%

Asset Class	Allocation
Total AUM	Rs. 124,864
Equity	100.0%
Debt	0.0%

Hybrid	0.0%
Debt-Equity Ratio	0.00:1

Active SIPs

Scheme	Amount	Date	Frequency
ICICI Prudential Banking and Financia...	Rs. 1,500	07	Monthly

Total Monthly SIP Commitment: Rs. 1,500

Goals Captured

Goal Name	Target Amount	Horizon
Goal	-	-

Page 2: Technical Assessment

Core Financial Metrics

Metric	Result	Interpretation
Surplus Level	Strong	Healthy surplus enabling acceleration of long-term goals.
Insurance Coverage	Underinsured	Protection gap exists; increase term coverage to benchmark (~10x income).
Debt Status	Healthy	Debt load within prudent limits.
Liquidity	Insufficient	Emergency reserves below 6 months; build liquid buffer.
Investment Health Score	Average	Improve allocation balance and goal alignment.

Advanced Risk Assessment

Parameter	Value
Calculated Score	3.0
Risk Appetite	Moderate
Tenure Limit	Growth
Baseline Category	Moderate
Final Category	Moderate
Recommended Equity Band	40% - 55% (mid 47.5%)

Reasoning: Score 3.00 -> Appetite Moderate | Tenure limit Growth | Baseline after adjustments Moderate | Final Moderate

Assessment Summary

Assessment	Result
Risk Profile	Moderate
Surplus Level	Strong
Insurance Status	Underinsured
Debt Position	Healthy
Liquidity	Insufficient
IHS Band	Average

Page 3: Recommendations & Actions

Attention Areas

! Underinsured: Cover Rs. 5 vs Required Rs. 384 L

! Insufficient Liquidity: Emergency fund 0.0 months vs Benchmark 6+

! Score = 40.0 -> Average: Saving 49.3% income, high equity concentration

Recommendations

Risk Profile Based Advice

- Reduce equity from 100.0% to 55% or below. Consider booking profits and rebalancing to debt.
- Your portfolio is equity-heavy; consider rebalancing towards debt/hybrid to reduce risk while aligning with your goals.

Insurance Improvement

- Buy term life insurance for 10-12x your income and add/increase health cover.
- Build a liquid buffer (cash/liquid funds) until 6 months of expenses are covered.

Investment Health

- Accelerate retirement savings and explore growth instruments.

General Planning

- You can leverage strategically if needed.

Personalized Narrative

Comprehensive Financial Strategy and Recommendations

- Net Cashflow is strong with a surplus of Rs.455,444.30.
- Maintain EMI below 30-40% of annual income and prioritize high-interest debt repayment.
- Underinsured by Rs. 33.4 lakh; no emergency fund available.
- Current equity allocation at 100% is too high; target 48% for moderate risk.
- Recommended life cover is Rs.3,840,330; health cover Rs.10-15 lakh.

The financial assessment reveals a strong net cashflow position with a surplus of Rs.455,444.30, indicating robust savings potential. However, the absence of an emergency fund and underinsurance by Rs. 33.4 lakh highlight critical areas needing attention. To optimize debt, it's advised to keep EMIs within 30-40% of annual income and focus on clearing high-interest obligations first.

Investment strategies should align with a moderate risk profile, suggesting a shift from the current 100% equity allocation to a balanced 48% to mitigate risk. Additionally, establishing a comprehensive protection plan with a recommended life cover of Rs.3,840,330 and health cover of Rs.10-15 lakh is essential for financial security. Liquidity planning should aim for coverage of at least 6 months to ensure stability.

Financial Health Assessment and Recommendations

- Underinsured by Rs. 33.4 lakh

- No emergency fund available

- 49.3% income saved, high equity exposure

- Debt stress is healthy

- EMI percentage is 0%

- Surplus band is strong

The client is currently underinsured with a coverage gap of Rs. 33.4 lakh. This poses a risk in case of unforeseen events. Additionally, the lack of an emergency fund is concerning, as it leaves the client vulnerable to financial instability.

Despite these gaps, the client demonstrates strong savings habits, saving 49.3% of their income. However, the high concentration in equity investments suggests a need for diversification to mitigate risk.

Actions:

- Increase insurance coverage by Rs. 33.4 lakh

- Establish an emergency fund covering 6 months of expenses

- Diversify investment portfolio beyond equities

- Review insurance needs annually

- Monitor and adjust savings strategy regularly

Protection Plan for Comprehensive Coverage

- Age: 32, Annual Income: Rs.3,84,033, No Dependents

- Life Insurance Gap: Rs.3,840,330

- Current Health Cover: Rs.0

- Recommended Life Cover: Rs.3,840,330

- Recommended Health Cover: Rs.10-15 lakh

- Estimated Term Insurance Premium: Rs.19,202/year

Given your current financial situation and the absence of dependents, it is crucial to address the insurance gaps to ensure financial security. The primary focus should be on securing a term life insurance policy to cover the identified gap of Rs.3,840,330. This will provide a safety net for any future dependents or financialobligations. The estimated annual premium for this coverage is approximately Rs.19,202, though this may varybased on specific health assessments and insurer policies.

In addition to life insurance, it is advisable to secure a health insurance policy with a coverage of Rs.10-15 lakh. This amount is recommended to cover potential medical expenses and protect against unforeseen health-related financial burdens. Currently, with no health cover in place, this is a critical gap that needs immediate attention to avoid substantial out-of-pocket expenses in case of medical emergencies.

Actions:

- Secure a term life insurance policy with a cover of Rs.3,840,330.
- Estimate and compare premiums from various insurers for the best rate.
- Purchase a health insurance policy with a coverage of Rs.10-15 lakh.
- Review and update insurance policies annually to ensure adequate coverage.
- Consider lifestyle and health factors to optimize insurance premiums.

Cashflow Overview and Savings Improvement

- Net Cashflow: Rs.455,444.30
- Total Inflows: Rs.923,043.00
- Total Outflows: Rs.467,598.70
- Surplus Band: Strong

Your financial situation is currently strong, with a net cashflow of Rs.455,444.30. This indicates that your inflows significantly exceed your outflows, providing a comfortable surplus. Maintaining this positive cashflow is crucial for building wealth and achieving financial goals.

To further enhance your savings, consider reviewing your current expenses and identifying areas where you can reduce unnecessary spending. Allocating a portion of your surplus towards investments or a high-interest savings account can also help grow your wealth over time.

Actions:

- Review monthly expenses to identify potential savings.
- Set up an automatic transfer of a portion of your surplus to a savings or investment account.
- Consider consulting with a financial advisor to explore investment opportunities that align with your financial goals.

Debt Optimization Strategy for a Healthy Financial Future

- Maintain EMI below 30-40% of your annual income.
- Prioritize paying off high-interest debts first.

- Avoid taking on new unsecured debt until EMI is manageable.

Given your current financial situation, you have no existing EMIs, which is a healthy position to be in. This allows you to strategically plan for any future debts you might incur. The key to maintaining financial health is to ensure that your EMIs do not exceed 30-40% of your annual income. With an annual income of Rs. 384,033, this means keeping your monthly EMIs below Rs. 9,601 to Rs. 12,801.

If you plan to take on any debt, prioritize paying off high-interest debts first. Credit card debts, which can have interest rates ranging from 18% to 42%, should be your first target. Next, focus on personal loans with interest rates between 12% and 20%. Car loans, with interest rates of 8% to 12%, should be your third priority. Finally, home loans, which typically have the lowest interest rates of 7% to 9%, should be your last priority.

In the event that your EMI exceeds 30% of your income, focus on prepaying the highest-interest debt first. This will help reduce the overall interest burden and free up more of your income for savings and investments.

Actions:

- Monitor your debt levels to ensure that your EMI remains below Rs. 9,601 to Rs. 12,801.

- If you incur any high-interest debt, prioritize paying it off as quickly as possible.

- Avoid taking on new unsecured debt until your EMI is comfortably below 30% of your income.

Emergency Fund Liquidity Plan

- Current Liquidity Status: Insufficient

- Current Liquidity Coverage: 0 months

- Recommended Liquidity Coverage: 6+ months

Having an emergency fund is crucial for financial stability, especially in unforeseen circumstances such as medical emergencies, job loss, or unexpected repairs. It is recommended to have a fund that covers at least 6 months of your essential expenses. This ensures you have a safety net to rely on without disrupting your financial goals.

Given the current status of your liquidity, it is important to start building your emergency fund immediately. This will provide you with the necessary financial cushion and peace of mind.

Actions:

- Calculate your monthly essential expenses, including rent, utilities, groceries, and loan repayments.

- Set a target amount for your emergency fund, ideally covering 6 months of these expenses.

- Begin by saving a small, manageable amount each month, and gradually increase it as your financial situation allows.

- Consider setting up a dedicated savings account for your emergency fund to avoid using it for non-emergencies.

- Review and adjust your budget to prioritize building your emergency fund.

Understanding Your Risk Profile and Asset Allocation

- Your risk appetite is categorized as Moderate.

- The final risk category for your investment is also Moderate.

- The recommended equity allocation for you is between 40% and 55%, with a midpoint of 47.5%.

- Your investment tenure supports a Growth strategy.

Based on your risk profile, you have a Moderate appetite for risk. This means you are comfortable with some level of risk in your investments, but you also prefer a balanced approach to protect your capital. Your final risk category remains Moderate, indicating that your overall investment strategy should align with this balanced approach.

For your asset allocation, it is recommended to invest between 40% and 55% of your portfolio in equities. Equities can offer higher returns over the long term, but they also come with higher volatility. By keeping your equity allocation within this range, you can aim for growth while managing risk effectively.

The midpoint of your recommended equity allocation is 47.5%. This suggests a balanced approach, allowing you to benefit from potential growth opportunities while maintaining a level of stability in your investments.

Goal Strategy: Prioritized Action Plan

- Goal 1: To achieve your target, you need to invest Rs.[ideal_sip]/month. However, you can currently afford Rs.[affordable_sip]/month. Expected return: 7.4% p.a.

Given your current financial situation, it is crucial to focus on managing your expenses and increasing your income to create a surplus for future investments. As of now, your monthly income is less than your expenses, leaving no room for new investments. Calculations use expected returns of 7.4%-14% p.a. (based on risk category) and 6.0% inflation.

For the long-term goal, since there is no immediate capacity to invest, consider extending the timeline or reducing the target amount. Alternatively, increasing your savings rate by reducing discretionary expenses or finding additional income sources could help bridge the gap.

Equity allocations for individual goals are theoretical and should be aligned with the overall recommended equity band of 40%-55% to ensure a balanced portfolio. This approach will help manage risks while aiming for growth.

Actions:

- Year 1-2: Focus on building an emergency fund and securing adequate insurance coverage.

- Year 3-5: Begin investing for short-term goals as financial capacity improves.

- Year 5+: Accelerate investments towards long-term goals once a surplus is achieved.

- Increase savings rate by cutting down on non-essential expenses.

- Explore opportunities to increase income, such as part-time work or skill enhancement.

Portfolio Rebalancing Strategy for Moderate Risk Profile

- Current equity allocation is at 100%, which is significantly higher than the recommended range of 40-55%.

- Target equity allocation is approximately 48% to align with a moderate risk profile.

- Introduce debt instruments to balance the portfolio and reduce overall risk.

Given your moderate risk profile, it's crucial to reduce the current equity exposure from 100% to approximately 48%. This will involve a strategic shift towards debt instruments and other asset classes to ensure a balanced portfolio. The recommended approach is to move approximately 52.5% of your portfolio from equity to debt and other diversified assets.

To effectively reduce equity exposure, consider booking profits in small and mid-cap equities and reallocating these funds into short-duration debt funds or corporate bond funds. These options provide stability and lower risk compared to equities. For any near-term liquidity needs, liquid funds can be a suitable choice.

For maintaining a moderate equity exposure, focus on large-cap index funds or flexi-cap funds. These categories offer a balanced approach to equity investment with relatively lower volatility. Implementing a Systematic Investment Plan (SIP) can help in gradually building this equity exposure.

Actions:

- Reduce equity exposure by 52.5% of the total portfolio.

- Allocate 40% of the portfolio to short-duration debt funds or corporate bond funds.

- Allocate 5-10% of the portfolio to international equity via US/global index funds.

- Allocate 5-10% of the portfolio to gold through sovereign gold bonds or gold ETFs.

Goal Strategy Mapping

Goal	Horizon	Suggested Strategy
Goal	-	Clarify horizon; then assign blend of equity/debt.

Disclaimers

- Indicative plan; not a legally binding advisory document.

- Market and regulatory changes can impact recommendations.

- Revisit annually or after major life events.