

FOREIGN TRADE UNIVERSITY
HO CHI MINH CITY CAMPUS

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FIN 1 - Project-based learning - Midterm project
GENERAL INSURANCE

GROUP 7

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PREFACE

In personal finance, a financial advisor guides individuals like Nam and Loan towards well-being. This introduction sets the stage for analyzing their current financial situation and providing actionable recommendations. Our collaborative effort aims to empower Nam and Loan to make informed decisions aligned with their goals.

Following this section, the paper is structured as follows. Section 1 delves into the client's primary objectives and financial aspirations. Section 2 involves a close examination of the client's existing financial scenario. Section 3 pinpoints potential risks for the client and proposes effective strategies to mitigate them. Section 4 suggests the most fitting risk management plan tailored to the client's unique situation.

I. Identification of primary objectives & financial goals

1. Personal background

| Nam | Loan |
|--|---|
| 39 years old | 37 year olds |
| Self-employed butcher who employs 3 staff. Annual pre-tax income is VND 1.2 VND billion. | Works part-time helping in the butchers' shop and as a company's accountant. Annual pre-tax income from the company is VND 150 million. |
| Have 2 children aged 10 and 13. All their children should receive a university education and expect them to be dependent until they turn 21 years old. | |

2. Client's financial goal

| | |
|---|--|
| S | Prepare educational cost for 2 child Target finance freedom insure the life |
| M | 2 billions for education cost 2 billions mortgage 200 million credit card and other outstanding debt |
| A | Having Retirement Fund to deal with Earning risk, especially when older Using Life Insurance to save the budget for children University and protect their health together |
| R | Having a budget calculator to determine how much you can save monthly. Allocate the amount for saving into Retirement Fund and premium of Life Insurance. |
| T | 1. The next 5 years: Saving enough to cover the first child's education cost; |

| | |
|--|---|
| | <p>2. The next 8 years:</p> <ul style="list-style-type: none"> - Saving enough to cover the second child's education cost - Having their own fund for emergencies and retirement. |
|--|---|

II. Evaluation of the client's current financial situation

Next, we dive into assessing the client's current situation. In our Excel Workbook, we crunch numbers using primary data and key assumptions. We construct financial statements, set up a budget for the kids' university journey, and measure economic net worth based on both client info and crafted financial statements.

1. Traditional Balance Sheet analysis

The balance sheet presents a strong net worth of 5,437,400,000 ₺, largely driven by substantial tangible assets. To bolster their financial resilience, Nam and Loan are advised to diversify investments beyond the successful butcher's shop and reassess long-term liabilities, particularly the mortgage.

| Assets | |
|---|------------------------|
| Monetary assets | |
| Cash value of life insurance policies | 137,400,000 ₺ |
| Total monetary assets | 137,400,000 ₺ |
| Tangible assets | |
| Home | 5,000,000,000 ₺ |
| Butcher's shop assets | 2,000,000,000 ₺ |
| Nam's car - outstanding lease (2014 model) | 300,000,000 ₺ |
| Loan's van (2009 model) | 200,000,000 ₺ |
| Total tangible assets | 7,500,000,000 ₺ |
| Total Assets | 7,637,400,000 ₺ |
| Liabilities and Owner's Equity | |
| Short-term liabilities | |
| Personal loans, credit cards, and other debts | 200,000,000 ₺ |
| Total short-term liabilities | 200,000,000 ₺ |
| Long-Term Liabilities | |
| Mortgage | 2,000,000,000 ₺ |
| Total long-term liabilities | 2,000,000,000 ₺ |
| Total Liabilities | 2,200,000,000 ₺ |
| Net worth | 5,437,400,000 ₺ |

Table 1. Traditional Balance Sheet.

The dynamic duo can improve their financial strategy through mortgage refinancing, building a strong emergency fund, and reviewing life insurance to match their evolving family needs. Tailored investment advice offers diverse options in line with their risk tolerance and financial goals.

Examining financial ratios, a conservative Debt Ratio of 0.29 ensures stability, with positive indicators like an efficient Assets-to-Equity Ratio of 1.4 and a well-balanced Debt-to-Equity Ratio of 0.4. Their ability to meet long-term commitments is robust, evident in a Solvency Ratio of 0.71.

| Common Financial Ratios | |
|--|-------------|
| Debt Ratio (Total Liabilities / Total Assets) | 0.29 |
| Current Ratio (Current Assets / Current Liabilities) | 0.69 |
| Assets-to-Equity Ratio (Total Assets / Owner's Equity) | 1.4 |
| Debt-to-Equity Ratio (Total Liabilities / Owner's Equity) | 0.4 |
| Solvency ratio | 0.71 |

Table 2. Common Financial Ratios.

In essence, Nam and Loan are advised to maintain a vigilant eye on available cash, balancing loans and investments for a steadfast financial foundation.

2. Income Statement analysis

In Part 2 of Nam and Loan's financial journey, the income statement reveals Nam's income leading with 929,280,000 ₺, joined by Loan's 149,700,000 ₺ and 98,400,000 ₺ from Nam's car rental, totaling 1,177,380,000 ₺. Fixed expenses, including mortgage and debt payments, amount to 414,537,023 ₺. Variable expenses contribute to a total expense of 1,206,337,621 ₺, resulting in a deficit of -28,957,621 ₺.

| Income | |
|---|------------------------|
| Nam's annual after-tax income | 929,280,000 ₺ |
| Loan's annual after-tax income | 149,700,000 ₺ |
| Rental income from Nam's car | 98,400,000 ₺ |
| Total Income | 1,177,380,000 ₺ |
| Expenses | |
| <i>Fixed expenses</i> | |
| Mortgage (Monthly payment * 12) | 164,537,023 ₺ |
| University Education Contribution | 250,000,000 ₺ |
| Debt payment (Monthly payment * 12) | 73,984,599 ₺ |
| <i>Total fixed expenses</i> | 414,537,023 ₺ |
| <i>Variable expenses</i> | |
| Yearly expenses (Monthly expenses * 12) | 791,800,599 ₺ |
| <i>Total variable expenses</i> | 791,800,599 ₺ |
| Total Expenses | 1,206,337,621 ₺ |
| Surplus (deficit) | -28,957,621 ₺ |

Table 3. Income Statement.

To refine their finances, Nam and Loan should creatively review variable expenses while maintaining essential needs. Evaluating debt terms takes center stage, and the emergency fund acts as a behind-the-scenes magician for financial security. This artistic approach, guided by professional advice, results in a comprehensive financial plan adorned with additional income streams. Regular budget reviews promise ongoing refinement for a balanced financial masterpiece. Nam and Loan emerge as virtuosos in this financial ballet.

3. Economic (Holistic) Balance Sheet analysis

The Income Statement reveals Nam and Loan's financial journey in a holistic balance sheet, considering both tangible and intangible elements. Their financial prowess is evident with 7,637,400,000 ₺ in financial capital surpassing debts of 2,200,000,000 ₺. Evaluating liquid assets and personal property alignment with ambitious financial goals is encouraged.

Human capital values for Nam (26,770,771,698 ₺) and Loan (3,014,116,855 ₺) highlight future earning potential, emphasizing continuous development. Pension values for Nam (1,666,397,351 ₺) and Loan (2,140,408,834 ₺) set the stage for thoughtful retirement planning, while inheritances valued at 763,740,000 ₺ suggest future wealth. Their commendable economic net worth of 27,003,181,746 ₺ reflects overall financial strength.

| Assets | | Liabilities | |
|-----------------------------|-------------------------|---|-------------------------|
| Financial Capital | 7,637,400,000 £ | Debts | 2,200,000,000 £ |
| Liquid assets | | Personal loans | |
| Personal property | | Credit card debt | |
| | | Others debt | |
| | | Mortgage | |
| Nam's Human Capital | 26,770,771,698 £ | Lifetime consumption needs (present value) | 11,262,172,993 £ |
| Loan's Human Capital | 3,014,116,855 £ | | |
| Nam's Pension Value | 1,666,397,351 £ | Bequests | 763,740,000 £ |
| Loan's Pension Value | 2,140,408,834 £ | | |
| Total Assets | 41,229,094,739 £ | Total Liabilities | 14,225,912,993 £ |
| | | Economic Net Worth | 27,003,181,746 £ |

Table 4. Economic (Holistic) Balance Sheet.

Guided by this narrative, recommendations include prudent debt management, exploring asset composition, continuous human capital development, regular pension planning updates, strategic bequest planning, diversified asset allocation, establishing an emergency fund, and holistic financial planning with a financial advisor. This orchestrated approach promises comprehensive wealth management for Nam and Loan.

4. Budgeting planning

As Nam and Loan step into budgeting, the surplus identified in their income statement provides a strategic avenue for allocating funds, emphasizing emergency reserves, investments, and long-term goals. This financial surplus management, connected to their economic balance sheet, underscores the need to align budgeting decisions with their overarching financial strategy, ensuring a holistic and enduring approach.

Before moving to a budgeting plan, there is one thing that should be considered as it strongly impacts the whole process of planning, that is tax.

| | Cash flow 2023 | Taxable income | Tax rate | After Tax 2023 |
|----------------------------|------------------------|----------------|----------|------------------------|
| Income | | | | |
| Nam's wages | 1,200,000,000 £ | 902,400,000 £ | 30% | 929,280,000 £ |
| Loan's wages | 150,000,000 £ | 6,000,000 £ | 5% | 149,700,000 £ |
| Leasing | 98,400,000 £ | | | 98,400,000 £ |
| Total | 1,448,400,000 £ | | | 1,177,380,000 £ |
| Tax deduction | | | | |
| Personal deduction | 11,000,000 £ | | | |
| Dependent people deduction | 4,400,000 £ | | | |
| Charity | 4,000,000 £ | | | |
| Nam's retirement fund | 1,000,000 £ | | | |
| Loan's retirement fund | 1,000,000 £ | | | |
| Total | 21,400,000 £ | | | |

Table 5. Taxation.

Based on the Law on Personal Tax Income, Nam can deduct two dependents, personal deduction, charity fee (having evidence), retirement fund out of taxable income. Loan's taxable income also excludes personal deduction and retirement fund.

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | TOTAL |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Nam's salary (before tax) | 1,200,000,000 | 1,278,230,000 | 1,377,226,700 | 1,442,423,107 | 1,533,083,740 | 1,632,198,389 | 1,739,222,824 | 1,846,476,384 | 1,963,727,430 | 2,089,424,090 | 2,222,059,820 |
| Loan's salary (before tax) | 120,000,000 | 129,823,000 | 139,654,800 | 146,277,300 | 155,388,880 | 165,299,786 | 175,923,228 | 186,609,520 | 198,355,812 | 211,033,877 | 2,089,819,331 |
| Nam's salary (after tax) | 929,280,000 | 953,690,000 | 986,395,157 | 1,042,185,182 | 1,103,692,480 | 1,169,722,859 | 1,239,706,786 | 1,304,369,537 | 1,362,182,810 | 1,443,155,859 | 1,528,355,363 |
| Loan's salary (after tax) | 149,760,000 | 158,746,750 | 168,372,090 | 176,868,524 | 186,490,838 | 196,362,818 | 206,722,402 | 212,128,568 | 215,319,333 | 246,347,710 | 2,575,583,594 |
| Leasing income (70% of 1702 outstanding) | 88,400,000 | 95,000,000 | 100,400,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 350,800,000 |
| TOTAL YEARLY INCOME | 1,277,680,000 | 1,468,626,750 | 1,567,190,947 | 1,638,762,906 | 1,785,174,208 | 1,901,481,047 | 2,022,632,012 | 2,120,845,424 | 2,177,502,143 | 2,695,503,669 | 12,760,812,688 |
| EXPENSES | | | | | | | | | | | |
| HOUSEHOLD EXPENSES | | | | | | | | | | | |
| Food | 180,000,000 | 188,128,000 | 200,177,800 | 212,236,870 | 224,401,700 | 236,670,409 | 249,043,847 | 261,512,877 | 274,074,947 | 287,730,033 | 2,119,831,317 |
| Utilities | 40,000,000 | 40,852,000 | 41,710,400 | 42,579,210 | 43,457,820 | 44,346,537 | 45,245,244 | 46,153,942 | 47,072,640 | 48,001,338 | 412,532,779 |
| Telephone | 1,200,000 | 1,240,000 | 1,282,000 | 1,326,000 | 1,371,400 | 1,417,940 | 1,465,600 | 1,514,380 | 1,564,280 | 1,615,300 | 13,215,880 |
| Auto expenses | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 240,000,000 |
| Medical | 40,000,000 | 40,852,000 | 41,710,400 | 42,579,210 | 43,457,820 | 44,346,537 | 45,245,244 | 46,153,942 | 47,072,640 | 48,001,338 | 412,532,779 |
| Clothing | 80,000,000 | 80,284,000 | 80,578,000 | 80,872,000 | 81,166,000 | 81,460,000 | 81,754,000 | 82,048,000 | 82,342,000 | 82,636,000 | 826,460,000 |
| Charity | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 400,000,000 |
| Golf swing | 12,000,000 | 12,408,000 | 12,826,800 | 13,246,800 | 13,668,000 | 14,090,400 | 14,513,200 | 14,936,400 | 15,360,000 | 15,784,000 | 131,536,784 |
| Public transportation | 7,200,000 | 7,444,800 | 7,697,600 | 7,950,800 | 8,204,600 | 8,458,960 | 8,713,840 | 8,969,272 | 9,225,264 | 9,481,808 | 84,852,512 |
| Personal allowances | 6,000,000 | 6,204,000 | 6,414,800 | 6,632,400 | 6,857,200 | 7,088,700 | 7,326,400 | 7,570,800 | 7,821,600 | 8,079,200 | 68,778,880 |
| Tuition fee | 7,200,000 | 7,444,800 | 7,697,600 | 7,950,800 | 8,204,600 | 8,458,960 | 8,713,840 | 8,969,272 | 9,225,264 | 9,481,808 | 84,852,512 |
| Foreign transportation | 60,000,000 | 62,040,000 | 64,184,000 | 66,334,000 | 68,489,600 | 70,650,400 | 72,816,800 | 74,989,200 | 77,167,600 | 79,351,200 | 677,783,880 |
| Social security | 3,600,000 | 3,722,400 | 3,846,400 | 3,972,000 | 4,100,000 | 4,230,400 | 4,362,400 | 4,496,000 | 4,631,200 | 4,768,000 | 39,467,200 |
| Entertainment meals | 36,000,000 | 37,224,000 | 38,468,800 | 39,734,400 | 41,020,800 | 42,338,400 | 43,678,400 | 45,040,000 | 46,423,200 | 47,827,200 | 429,185,760 |
| Vacation (Nam's) | 36,000,000 | 37,224,000 | 38,468,800 | 39,734,400 | 41,020,800 | 42,338,400 | 43,678,400 | 45,040,000 | 46,423,200 | 47,827,200 | 429,185,760 |
| Annual away party | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 24,000,000 | 240,000,000 |
| Personal loan, credit cards and others debt | 70,000,000 | 70,000,000 | 70,000,000 | 70,000,000 | 70,000,000 | 70,000,000 | 70,000,000 | 70,000,000 | 70,000,000 | 70,000,000 | 700,000,000 |
| Subtotal payment | 184,517,220 | 184,517,220 | 184,517,220 | 184,517,220 | 184,517,220 | 184,517,220 | 184,517,220 | 184,517,220 | 184,517,220 | 184,517,220 | 1,845,172,220 |
| TOTAL HOUSEHOLD EXPENSES | 873,236,000 | 883,616,000 | 894,276,000 | 905,126,000 | 916,176,000 | 927,426,000 | 938,876,000 | 950,526,000 | 962,376,000 | 974,426,000 | 8,012,426,000 |
| INSURANCE EXPENSES | | | | | | | | | | | |
| Life insurance | 21,580,000 | 21,580,000 | 21,580,000 | 21,580,000 | 21,580,000 | 21,580,000 | 21,580,000 | 21,580,000 | 21,580,000 | 21,580,000 | 215,800,000 |
| Automobile insurance | 18,076,000 | 18,076,000 | 18,076,000 | 18,076,000 | 18,076,000 | 18,076,000 | 18,076,000 | 18,076,000 | 18,076,000 | 18,076,000 | 180,760,000 |
| TOTAL INSURANCE EXPENSES | 39,656,000 | 39,656,000 | 39,656,000 | 39,656,000 | 39,656,000 | 39,656,000 | 39,656,000 | 39,656,000 | 39,656,000 | 39,656,000 | 396,560,000 |
| TOTAL EXPENSES | 912,892,000 | 923,272,000 | 933,932,000 | 944,782,000 | 955,832,000 | 967,082,000 | 978,532,000 | 990,182,000 | 1,002,032,000 | 1,014,082,000 | 8,408,886,000 |
| RETIREMENT FUNDS | | | | | | | | | | | |
| Nam's retirement plan | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 127,800,000 |
| Loan's retirement plan | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 12,780,000 | 127,800,000 |
| TOTAL RETIREMENT FUNDS | 25,560,000 | 25,560,000 | 25,560,000 | 25,560,000 | 25,560,000 | 25,560,000 | 25,560,000 | 25,560,000 | 25,560,000 | 25,560,000 | 255,600,000 |
| INVESTMENT FUNDS | | | | | | | | | | | |
| Emergency Savings | 270,000,000 | 270,000,000 | 270,000,000 | 270,000,000 | 270,000,000 | 270,000,000 | 270,000,000 | 270,000,000 | 270,000,000 | 270,000,000 | 2,700,000,000 |
| Living Expense (Overage @ 50%) | 2,807,620 | 2,807,620 | 2,807,620 | 2,807,620 | 2,807,620 | 2,807,620 | 2,807,620 | 2,807,620 | 2,807,620 | 2,807,620 | 28,076,200 |

Table 6. Budgeting (2023-2032).

Nam's 2023 net salary: 929,280,000 VND. Loan's: 149,700,000 VND. Leasing income: 30,000,000 VND annually until 2025, totaling 98,400,000 VND, 95,000,000 VND, and 106,600,000 VND. Projected incomes: 1,529,355,363 VND and 257,585,396 VND by 2032, considering wage growth, inflation, and income adjustments.

It is important to note that a monthly expenditure of 80,000,000 VND is budgeted based on the client's personal data. Household expenses, including food, utilities, entertainment, and clothing, account for a significant portion of the budget, fluctuating between 3.4% and 27.7% over the years. Additionally, insurance expenses, encompassing Whole Life and Automobile insurance, amount to an annual total of 19,056,000 VND, cumulatively reaching 44,161,000 VND.

In 2023 and 2024, negative Savings/Investment results from monthly contributions of 20,833,333 VND to a life insurance policy with an investment fund for a child's education. Redirecting savings to this fund reduces Emergency Savings to 2,477,248 VND, resulting in deficits of -28,957,621 VND and -39,339,671 VND.

Initially strained, a positive turn in 2025 to 13,423,042 VND in Savings/Investment due to leasing income. Post-leasing, a deficit of -4,404,007 VND. Over time, improved incomes and debt payments lead to a reversal, reaching 634,445,123 VND by 2032.

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| Nam's salary (before tax) | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 194,819,281 | 2,242,374,900 |
| Loan's salary (before tax) | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 24,819,940 | 287,219,275 |
| Nam's salary (after tax) | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 155,444,739 | 1,845,155,740 |
| Loan's salary (after tax) | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 22,114,238 | 260,401,812 |
| Earning income (300d USD outstanding) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL MONTHLY INCOME | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 1,845,155,740 |
| HOUSEHOLD EXPENSES | | | | | | | | | | | | | |
| Food | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 144,000,000 |
| Utilities | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 36,000,000 |
| Transportation | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 1,200,000 |
| Leisure expenses | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 24,000,000 |
| Medical | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 60,000,000 |
| Childcare | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 120,000,000 |
| Charity | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 120,000,000 |
| Gifts on fest | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 24,000,000 |
| Public transportation | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 2,400,000 |
| Personal allowance | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 171,281 | 8,559,570 |
| Household expenses | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 120,000,000 |
| Medical security | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 342,829 | 4,113,947 |
| Development funds | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 120,000,000 |
| Vacation (Domestic) | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 120,000,000 |
| Vacation (Foreign) | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 120,000,000 |
| Anniversary party | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 120,000,000 |
| Household funds | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 60,000,000 |
| Personal loan, credit cards and others debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal personal | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 121,712,429 | 1,461,377,323 |
| TOTAL HOUSEHOLD EXPENSES | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 181,819,000 | 1,845,155,740 |
| Life insurance | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 2,130,000 | 25,560,000 |
| Automobile insurance | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 1,788,000 | 19,056,000 |
| TOTAL INSURANCE EXPENSES | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 3,918,000 | 44,616,000 |
| TOTAL EXPENSES | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 185,737,000 | 1,889,771,740 |
| Retirement funds | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 12,969,000 |
| Loan's retirement plan | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 1,081,000 | 12,969,000 |
| TOTAL RETIREMENT FUNDS | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 2,162,000 | 25,938,000 |
| Insurance Premium | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 22,811,111 | 273,693,333 |
| Earning Interest (Shareholder Offset) | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 14,210,477 | 170,525,723 |

Table 7: Budgeting (2024).

In the 2024 budget table, with both children having reached adulthood, a significant reduction in household expenses is anticipated. A notable example is the projected decrease in food expenses to 144,000,000 VND, representing a reduction of over 25% compared to previous years. Despite this decrease in certain categories, the overall household expenses are expected to rise to 103,925,629 VND, surpassing the previous average of 71,489,970 VND in earlier months. This increase is explained by a rise in spending on leisure and entertainment such as vacations, charitable donations, and anniversary celebrations, aimed at enjoying middle age as the children have become financially independent.

III. Risk management analysis

1. Identified risks based on the background of Nam and Loan

Nam and Loan confront multiple financial risks impacting their overall well-being. Earning risk arises from the fluctuating income in Nam's butcher business and Loan's part-time jobs. Premature death risk looms, posing a threat to family financial support. Property risk involves potential damage to their home, a crucial asset. Longevity risk highlights the uncertainty of their lifespan, necessitating careful financial planning. Liability risk involves potential legal obligations, while health risk considers the impact of illness or injury on their ability to work and manage medical expenses. Addressing each risk with a comprehensive financial strategy is vital for their security.

2. Methods for dealing with each identified risk

To tackle Nam and Loan's financial risks effectively, a multifaceted strategy is key. To diversify income and mitigate earning risk, Nam can expand the butcher's shop or explore other income avenues, while Loan can leverage her accounting skills for freelance work. Establishing a 3-6 months' living expenses emergency fund is crucial for financial stability during income disruptions.

To address premature death risk, a thorough review of life insurance policies is advised. Evaluating term life insurance for higher coverage at a lower cost and calculating coverage based on financial obligations ensures appropriate protection.

Managing property risk involves obtaining comprehensive home insurance and regular maintenance to minimize potential damage and enhance security measures.

Longevity risk is mitigated through retirement planning, utilizing instruments like pensions and IRAs. Contribution levels should align with their financial goals and risk tolerance.

For liability risk, a detailed review of insurance coverage, including general liability or umbrella insurance, provides enhanced protection beyond standard policies.

To address health risk, optimizing health insurance policies and setting aside emergency funds for healthcare expenses contribute to a well-rounded financial strategy.

3. Comparison between the three insurances in Vietnam

| | VITA-Cho con (Generali) | PRU-An tâm trọn đời (Prudential) | Trộn vện cân bằng (AIA) |
|---------------------------|--|---|--|
| Contractual interest rate | Year 1-6: 5% per year Year 7-9: 5% per year Year 10-12: 7% per year Year 13-15: 9% per year Year 16-18: 11% per year | Year 1: 4.5% per year Year 2-10: 3% per year Year 11-15: 2.5% per year Year 16+: 0.5% per year | Year 1: 3.5% per year Year 2-3: 3% per year Year 4-5: 2.0% per year Year 6-10: 1.5% per year Year 11+: 1% per year |
| Policy duration | Age of participation: From 18 to 65 years old. Maximum age at contract termination: | Age of participation: From 0 to 65 years old. Maximum age at contract termination: | Age of participation: From 30 years old to 65 years old. Maximum age at contract termination: |

| | | | |
|--------------|---|--|---|
| | <p>Up to 99 years old.</p> <p>Contract duration: 99 minus age of participation</p> <p>Premium payment term.</p> <ul style="list-style-type: none"> • Mandatory premium payment term for the first 4 years of the contract. • Flexible premium payments starting from the 5th contract year." | <p>Up to 100 years old.</p> <p>Contract duration: Up to a maximum of 100 years.</p> <p>Premium payment term:</p> <ul style="list-style-type: none"> • Equal to the contract duration. • Flexible premium payments starting from the 6th year of the contract | <p>Up to 100 years old.</p> <p>Contract duration: Up to a maximum of 100 years.</p> <p>Premium payment term.</p> <ul style="list-style-type: none"> • Equal to the contract duration. • Flexible premium payments starting from the 5th year of the contract |
| Related fees | <p>a. Initial fee</p> <p>- Basic Insurance Premium decreases from 85% in the first year to 0% from the fifth year onwards.</p> <p>- Supplementary Insurance Premium decreases from 60% in the first year to 0% from the fifth year onwards.</p> <p>- Additional Premium remains constant at 2% for the first four years and becomes 0% from the fifth year onwards.</p> <p>b. Risk insurance fee:</p> <p>These are costs related to ensuring payment of</p> | <p>a. Initial fee</p> <p>Basic insurance premium decreases from 65% in the first year to 2% from the sixth year onwards.</p> <p>Additional accumulated account value remains constant at 2%</p> <p>b. Risk insurance fee: The fee deducted monthly from the Contract Account Value to cover the risk insurance benefits as committed in the insurance contract</p> <p>c. Contract management fee: 40,000 VND per month</p> | <p>a. Initial fee</p> <p>- Basic insurance premium</p> <ul style="list-style-type: none"> • In the first year, 85% of the basic insurance premium is considered. • In the second year, it decreases to 80%. • By the third year, there's a significant drop to 35%. • From the fourth year, there's no allocation of the basic insurance premium <p>- No percentage charged on the additional accumulated</p> |

| | | | |
|--|--|--|--|
| | <p>protection benefits commitment in the Contract.</p> <p>c. Contract management fee In 2022, Contract management cost is 39,000 VND per month. This cost automatically increases by 2,000 VND each calendar year after 2022, but will not exceed 60,000 VND per month</p> <p>d. Withdrawal fee</p> <ul style="list-style-type: none"> - Basic account: Free at all times. - Additional account: <ul style="list-style-type: none"> • The first 4 contract years: A withdrawal fee of 5% of the requested withdrawal amount is applicable • From the 5th contract year: No withdrawal fee <p>e. Fund conversion cost</p> <ul style="list-style-type: none"> - First 05 conversions: free. - From the 6th time onwards: 100,000 VND for each conversion. <p>f. Fund management fee</p> | <p>d. Withdrawal fee</p> <ul style="list-style-type: none"> - Basic Account Value: <ul style="list-style-type: none"> • Not applicable in the first and second year., 3% in the next 3 years. • Free of charge from the sixth year onwards. - Additional Accumulated Account Value: <ul style="list-style-type: none"> • 5% in the first and second year, 3% in the next three years. • Free of charge from the sixth year onwards. <p>e. Termination</p> <p>1/ Basic Insurance Premium Percentage:</p> <ul style="list-style-type: none"> - Years 1, 2, 3: 100% for each year. - Year 4: 90% - Year 5: 80% - Year 6: 70% - Year 7: 60% - Year 8: 40% - Year 9: 20% - Year 10 onwards: Free of charge <p>2/ Additional Accumulated Account Value Percentage:</p> | <p>account value</p> <p>b. Risk insurance fee: It depends on the age, gender of the insured, the sum assured, and the chosen insurance benefits.</p> <p>c. Contract management fee The fee is automatically adjusted, starting at 10,000 VND, for each 5-year period but will not exceed 60,000 VND per month</p> <p>d. Fund management fee: The maximum fund management fee is 2% per year, calculated on the investment value of the Linked Fund.</p> <p>- No Withdrawal fee and Termination fee</p> |
|--|--|--|--|

| | | | |
|----------|--|---|---|
| | <ul style="list-style-type: none"> - Strategic Accumulation Fund/ Dynamic Accumulation Fund: Fund management cost of 1.5% per year based on total fund assets. based on total fund assets. - Strategic Growth Fund: Fund/ Dynamic Growth Fund: management cost of 2.5% per year based on total fund assets. <p>g. Termination fee</p> <ul style="list-style-type: none"> - Basic account: <ul style="list-style-type: none"> ● First 4 years of the contract: Specifically 30%. ● From the 5th year: The termination cost for the basic account becomes 0%. - Additional account: <ul style="list-style-type: none"> ● During the first 4 years of the contract: Specifically 5%. ● From the 5th year: 0% | <ul style="list-style-type: none"> - Years 1-2: 5% for each year - Year 3,4,5: 3% - Year 6 onwards: Free of charge | |
| Benefits | <ul style="list-style-type: none"> - High flexibility, allowing customers to proactively determine insurance premiums, insurance | <ul style="list-style-type: none"> - Safe and effective investment with guaranteed interest from the Common Link Fund. - Receive contract | <ul style="list-style-type: none"> - High flexibility, allowing customers to proactively determine insurance premiums, insurance |

| | | | |
|---------------|--|---|--|
| | <p>amounts, and flexibly allocate investment amounts into stock and bond funds according to their “investment preferences” and can completely flexibly change investment plans (switch funds, withdraw money, invest more, temporarily suspend premium payments, etc.) when needed.</p> <ul style="list-style-type: none"> - Comprehensive family protection and guarantee issuance of new contracts for children without appraisal. - Encourage children’s development & increase asset opportunities for children with attractive periodic bonuses and special program “Accompanying with your child”. | <p>maintenance bonuses from 50% - 150% of the basic insurance fee for 1 year.</p> <ul style="list-style-type: none"> - Get a non-interest-bearing advance of up to 50% of the contract account value | <p>amounts, and flexibly allocate investment amounts into stock and bond funds according to their “investment preferences” and can flexibly change investment plans (switch funds, withdraw money, invest more, temporarily suspend premium payments, etc.) when needed.</p> <ul style="list-style-type: none"> - Get a non-interest-bearing advance of up to 50% of the contract account value. - Contract maintenance bonuses from 50% - 150%. |
| Disadvantages | <ul style="list-style-type: none"> - No contract maintenance bonuses in the first year of the contract. - More related fees | <ul style="list-style-type: none"> - Higher basic insurance fee for 1 year compared to other products. - No special bonuses upon contract termination. | <ul style="list-style-type: none"> - No special bonuses upon contract termination. |

IV. Recommendations & Conclusion

The current insurance setup is a non-participating Whole Life policy with a 500 million coverage, requiring a 12.78 million annual premium. However, it limits fund withdrawals, and if converted to Term Life after 15 years, the cash value remains at 137.4 million—posing a significant disadvantage.

A recommended action is to terminate this policy and switch to two new products: Life Insurance with Investment for child education savings and Voluntary Social Insurance per state regulations. This strategic shift better aligns with educational and financial goals, ensuring a more effective approach to evolving needs.

Table: Summary of recommended products

| Cover | Life, TPD, Trauma and Investment | Retirement | | | | | | | | | | | | | | | |
|--------------------------------|--|--|-----------|----------|----------------------|-------|---|---------------------------|-------|--|--------------------------------|-------|--|------------------------------|-------|--|---|
| Insurer | Generali - VITA for children (VITA cho con) | Viet Nam Social Security (VSS) | | | | | | | | | | | | | | | |
| Amount of cover | <p>1. Protection against total and permanent disability (TPD)/death with the benefits of the main product</p> <p>2. Enhance comprehensive protection for the entire family with a diverse range of supplementary insurance options.</p> <table> <tr> <th>Insurance Product</th><th>Age Range</th><th>Benefits</th></tr> <tr> <td>VITA – Golden Health</td><td>15-60</td><td>Supports medical care and treatment costs</td></tr> <tr> <td>Health Insurance for Poor</td><td>30-60</td><td>Pays up to 600% for 111 critical illnesses</td></tr> <tr> <td>Premium Waiver Insurance - V.2</td><td>18-65</td><td>Waives premiums for disability or critical illness</td></tr> <tr> <td>Premium Waiver Insurance for</td><td>30-65</td><td>Waives premiums for disability due to critical</td></tr> </table> | Insurance Product | Age Range | Benefits | VITA – Golden Health | 15-60 | Supports medical care and treatment costs | Health Insurance for Poor | 30-60 | Pays up to 600% for 111 critical illnesses | Premium Waiver Insurance - V.2 | 18-65 | Waives premiums for disability or critical illness | Premium Waiver Insurance for | 30-65 | Waives premiums for disability due to critical | <p>Receive monthly income when retire:</p> <p>Nam: 2,856,136 VND</p> <p>Loan: 2,468,864 VND</p> |
| Insurance Product | Age Range | Benefits | | | | | | | | | | | | | | | |
| VITA – Golden Health | 15-60 | Supports medical care and treatment costs | | | | | | | | | | | | | | | |
| Health Insurance for Poor | 30-60 | Pays up to 600% for 111 critical illnesses | | | | | | | | | | | | | | | |
| Premium Waiver Insurance - V.2 | 18-65 | Waives premiums for disability or critical illness | | | | | | | | | | | | | | | |
| Premium Waiver Insurance for | 30-65 | Waives premiums for disability due to critical | | | | | | | | | | | | | | | |

| | | | | | |
|------------------------|---|---|--|---------|--|
| | <table><tr><td>Critical Illness - V.2</td><td></td><td>illness</td></tr></table> | Critical Illness - V.2 | | illness | |
| Critical Illness - V.2 | | illness | | | |
| Key features | <ul style="list-style-type: none">- A product that combines protection for parents and the creation of a fund for their child's university education.- Flexible premium payments after sufficient savings for the child's education.- Withdrawals can be made without fees starting from the 5th year (the time when funds are needed for the child's education). | Receive monthly income when retired, which can eliminate earning risk and longevity risk. | | | |
| Premium | <p>First year premium:</p> <ul style="list-style-type: none">- Nam's contract: 162,000,000 VND- Loan's contract: 88,000,000 VND | <p>Nam: 1,065,000 VND (monthly)</p> <p>Loan: 1,065,000 VND (monthly)</p> | | | |

Based on current rules, the monthly contribution to your VSS account is partly tax deductible. From that, you could save 2 millions of VND per month in your taxable income account.

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