

Case – B: (Reference Date: 1st April 2011)

Gurpreet Das, aged 43 years, having twins Roshan and Geet of age 14 years, is a software engineer in a company based in Mumbai. His spouse passed away recently. Both his children study in the 8th Standard. He has approached you, a CFP^{CM} practitioner, for preparing a financial plan for his family. He has shared the following financial information with you:

Gurpreet's Assets & Liabilities (As on 31st March, 2011 unless otherwise specified in foot notes)

<u>Assets</u>	(Rs. Lakh)
Equity MF schemes portfolio	: 26.47
Balanced MF schemes portfolio	: 9.78
Equity shares portfolio ¹	: 25.92
Gold Jewelry	: 2.17
Gold ETF ²	: 3.21
PPF A/c. ³	: 7.87
Equity linked savings scheme ⁴	: 15.75
Physical Gold (coins/bars)	: 11.25
Car	: 7.50
Liquid fund scheme	: 5.25
Corporate bonds ⁵	: 1.50
Bank account – Gurpreet ⁶	: 103.25
<u>Liabilities</u>	
Car loan ⁷	: 6.61
Credit Cards	: 0.72
Salary Income	Annual (Rs. lakh)
Basic Salary	: 34.00
Dearness Allowance	: 9.00
HRA	: 5.00
Special Allowance	: 0.90
Variable Salary (Bonus)	: 6.20
Regular Outgoings	Monthly (Rs.)
Household Expenses	: 1,40,000
Car Loan EMI	: 19,567

¹ Total cost Rs. 15 lakh. Last purchase made in May, 2009

² Invested Rs. 1.6 lakh on 17 July 2006 in the NFO of Gold ETF

³ Account maturing on 1st April, 2017

⁴ Invested Rs. 74,000 every year for 6 years from 1999 to 2004

⁵ investments are stated at their original investment amount

⁶ Received funds amounting to Rs. 99 lakh from redemption of investments in the name of his wife

⁷ Taken in August 2010 at 11.5% p.a. on reducing monthly balance basis for a term of 4 years

Other cash outflows		Annual
Term Plan Insurance premium	:	20,516 (Total Cover Rs. 80 lakh)
Endowment Insurance premium ⁸	:	80,333 (Sum assured Rs. 20 lakh)
Health Insurance Premium	:	27,631 (Annual – 2 policies/Total cover Rs. 20 lakh)

You, in consultation with Gurpreet, have crystallized the following financial goals for his family and the preliminary Roadmap to achieve them:

1. Send both the children to a Boarding School immediately – Outlay Rs. 5.15 lakh per child per annum – for 4 years – To be met year on year basis by investing a suitable corpus today.
2. Buy a house – within one year – Outlay of Rs. 75 lakh – Take a loan for 15-year term.
3. Send Roshan for Higher Education abroad. The estimated outlay is Rs. 1.3 crore then for 5 years. To send Geet for a 4-year course in fashion technology. The current cost is Rs. 1,00,000 per year.
4. Retirement Corpus – To be accumulated in 17 years – Corpus to sustain inflation adjusted annuity for 25 years post-retirement.
5. Undertake a trip abroad with both kids on his attaining 53 years of age. The current cost of his such trip is Rs. 10 Lakh.
6. To accumulate funds for Geet's marriage at her age of 25.
7. Suitable Estate Planning to cover all his physical and financial assets.

Life Parameters

Gurpreet's expected life : 85 years

Assumptions regarding long-term pre-tax returns on various asset classes

1. Equity & Equity MF schemes/ Index ETFs : 11.00% p.a.
2. Balanced MF schemes : 9.00% p.a.
3. Bonds/Govt. Securities/ Debt MF schemes : 7.00% p.a.
4. Liquid MF schemes : 5.50% p.a.
5. Gold & Gold ETF : 7.50% p.a.

Assumptions regarding economic factors:

1. Inflation : 5.50% p.a.
2. Expected return in Risk free instruments : 6.50% p.a.
3. Real Estate appreciation : 8.00% p.a.

Cost Inflation Index:

1981-82	100	1986-87	140	1991-92	199	1996-97	305	2001-02	426	2006-07	519	2011-12	785
1982-83	109	1987-88	150	1992-93	223	1997-98	331	2002-03	447	2007-08	551		
1983-84	116	1988-89	161	1993-94	244	1998-99	351	2003-04	463	2008-09	582		
1984-85	125	1989-90	172	1994-95	259	1999-00	389	2004-05	480	2009-10	632		
1985-86	133	1990-91	182	1995-96	281	2000-01	406	2005-06	497	2010-11	711		

⁸ Term of 15 years, Purchased on 15th March, 2006.