

### Case-F:

(Reference Date 1<sup>st</sup> April 2011)

Sanjay aged 31 years is working in a managerial capacity with a private sector bank in Mumbai. He has been married for two years now. His wife Sherlyn is 28 years old and son Ajinkya is aged 1 year. His package is Rs. 15 lakh p.a. for the year beginning on date. The breakup of his yearly package is as follows:

| Particulars                  | Amount (Rs. per annum) |
|------------------------------|------------------------|
| Basic                        | 3,00,000               |
| H.R.A.                       | 1,44,000               |
| Petrol Allowance             | 48,000                 |
| Lunch Allowance              | 24,000                 |
| Gift Voucher                 | 18,000                 |
| EPF: Employee's contribution | 30,000                 |
| EPF: Employer's contribution | 30,000                 |
| Other Allowances             | 9,06,000               |

Monthly Expenses of the family are as below:

|                                      |            |
|--------------------------------------|------------|
| House Rent Paid                      | Rs. 10,000 |
| Household Expenses                   | Rs. 15,000 |
| Amount spent on Petrol for household | Rs. 2,000  |

Following are the details of his assets as on 31/03/ 2011:

|                                    |  |
|------------------------------------|--|
| Equity Mutual Fund Schemes         | Rs.3,95,582.83 (Five schemes of different Mutual Fund houses; one is Sector Fund, two are schemes with focus on midcap stocks, two are diversified funds with large cap focus; SIP of Rs. 2,000 started a year ago and continuing in each scheme in the beginning of every month)              |
| Balanced Mutual Fund Scheme        | Rs.1,80,379.12 (SIP of Rs. 5,000; beginning of every month); the Asset Allocation of the Scheme is equal in equities and debt.   |
| Equity Linked saving scheme (ELSS) | Started investment on 2 <sup>nd</sup> Feb., 2004 with 3,000.000 units at price of Rs. 12.68 per unit in an open-ended ELSS scheme's Growth option. Invested Rs. 50,000 at price of Rs. 33.46 per unit on 18 <sup>th</sup> Jan., 2007. NAV on 31 <sup>st</sup> March, 2011: Rs. 62.22 per unit. |
| Gold Jewelry and coins             | 100 grams; received as gift on the occasion of marriage in the financial year 2007-2008; Price of Standard Gold per 10 grams is Rs. 23,045 as on 31 <sup>st</sup> March, 2011; Sanjay would buy a 10 gram coin of pure gold every year in April from now onwards.                              |
| Car                                | Rs. 2,00,000   |
| PPF Account:                       | Rs. 1,77,440; the account was opened on 8 <sup>th</sup> July, 2006 and Sanjay has been investing Rs. 30,000 at every year end.   |
| Balance in Savings Bank Account    | Rs. 50,000   |

|                           |   |
|---------------------------|---|
| Balance in Fixed Deposit  | Rs. 1,50,000 invested with the bank on 1 <sup>st</sup> August 2009 for 24 months with accumulation option. The interest is compounded quarterly at the rate of 7.25% p.a. |
| Employees' Provident Fund | Rs. 3,17,896 (Cumulative balance);  |
| House Property            | Situated at Aurangabad, gifted on 1 <sup>st</sup> December 2010 when the market value was Rs. 25 lakh   |
| Term Insurance Plan       | Rs. 10,000 p.a. paid as premium. Sum assured Rs.50 lakh   |

He has following Financial Goals before him:

1. Buying flat in 18 months from now at Mumbai whose current cost is Rs.60 lakh. The loan to value ratio offered by home loan company is 0.80 and the rate of interest is 9.75% p.a. for 25 years' tenor.
2. Retirement at the age 62 and accumulation of retirement corpus by utilizing his existing investments in PPF and Equity Linked Savings Scheme accounts.
3. Buying a car costing Rs. 6 lakh (at then prices) in October 2011 after disposing of existing car.
4. Admission of Ajinkya to an international school when he attains 3 years of age; Rs. 4 lakh would be required (at current prices); suitably invest to meet his recurrent education expenses.
5. Ajinkya's higher education when he attains 18 years of age; Rs. 15 lakh would be required (at current prices).

#### Life Parameters

|                         |   |          |
|-------------------------|---|----------|
| Sanjay's expected life  | : | 80 years |
| Sherlyn's expected life | : | 80 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 |         |     |

