

Case – C:

(Reference Date: 1st April, 2017)

Ms. Sahanubhuti, aged 34 years, is working in Mumbai. She is the sole guardian of her only daughter Shambhavi, aged 12 years, pursuant to the death of her husband Manohar, who died intestate, had no siblings and whose parents had predeceased. She is currently residing in a rented house. Her daughter is studying in the 6th Standard. She has approached you, a CFP^{CM} practitioner, for preparing her Financial Plan. She has shared the following financial information with you:

Salary Income (2017-2018):	Annual (Rs. lakh)
Basic Salary	: 12.00
HRA	: 7.20
Conveyance Allowance	: 3.00
Special Pay	: 8.98
Variable Salary	: 8.00
Employee's Provident Fund	: 1.44
Employer's Provident Fund	: 1.44

Regular Outgoings	Monthly (Rs.)
Basic Household Expenses	: 40,000
Services availed	: 12,500
School Fees	: 12,500
House Rent	: 35,000
Power, Telecom & Fuel	: 12,500
Car Loan EMI	: 25,585

Other Monthly & Annual cash outflows	
SIP – Equity Mutual Fund (Index Fund)	: 15,000 (Monthly)
SIP – Balanced Mutual Fund	: 10,000 (Monthly)
Life Insurance Premium ¹	: 54,324
Health Insurance Premium ²	: 27,631

Assets	Market Value (Rs. lakh) as on 31st March, 2017
Equity Mutual Fund portfolio	: 32.45
Balanced MF scheme investment	: 12.79
Debt MF portfolio	: 5.98
Demat Account - Shares	: 21.92
Provident Fund	: 9.93
Public Provident Fund (PPF) A/c. ³	: 6.59
Gold & Diamond Jewellery	: 15.75
Car ⁴	: 7.50
Bank (Salary Account)	: 2.82
Savings Bank account – Sahanubhuti ⁵	: 33.26

¹ (Annual – 2 policies/ Total Cover Rs. 55 lakh)

² (Annual – 2 policies/ Total cover Rs. 20 lakh)

³ Account matures on 1st April, 2023

⁴ Car purchased out of a loan availed of Rs. 14 lakh on 1st March 2014, interest being charged on reducing monthly balance for a term of 6 years.

⁵ Includes Rs. 20 lakh received towards life insurance claim of Manohar.

Deposit with House Owner	:	3.00
Money Back Insurance Plan ⁶	:	5.00

Liabilities		(Rs. lakh)	As on 31st March, 2017
Car loan	:	7.99	

Goals:

You, in consultation with Sahanubhuti, have identified the following financial goals for her family and the preliminary Roadmap to achieve them:

1. Send her daughter to a Boarding School – Immediately – Outlay Rs. 2.40 lakh p.a. (present cost) – for 6 years – To be met on year to year basis – education costs are escalating at 10% p.a.
2. Buy a house – Outlay of Rs. 1.20 crore – Look for a ready-to-occupy house immediately by availing a loan at 60% of value of house.
3. Invest suitably for the Higher Education of Shambhavi – for 5 years - higher education starts after 6 years – present cost Rs. 8 lakh p.a. – such costs are escalating at 10% p.a.
4. To invest monthly for Shambhavi's wedding when she completes 25 years of age. The estimated present cost of marriage is Rs. 25 lakh, and cost escalation for marriage is 7% p.a.
5. Retirement Corpus at age 60 years – Corpus to sustain an inflation-linked income stream for a post-retirement life of 25 years.
6. A World Tour – after 11 years – Outlay of Rs. 12 lakh at current prices, cost escalation of 8% p.a. is expected.
7. A suitable Estate Planning to cover all her physical and financial assets.

Assumptions regarding pre-tax returns in various asset classes:

1) Equity & Equity MF schemes/ Index ETFs	:	11.00% p.a.
2) Balanced MF schemes	:	9.50% p.a.
3) Bonds/Govt. Securities/ Debt MF schemes	:	7.50% p.a.
4) Liquid MF schemes	:	6.00% p.a.
5) Gold and linked investments	:	6.00% p.a.
6) Real Estate appreciation	:	6.50% p.a.
7) Bank/Post Office Term Deposits (> 1 year)	:	7.25% p.a.
8) Public Provident Fund/EPFO	:	7.75% p.a.

⁶ Sum Assured of Rs. 5 lakh, Term of 15 years, Annual Premium of Rs. 45,565, Purchased on 18th September, 2012, terms of money back: 15% of SA at the end of 3rd/6th/9th & 12th year and 40% at maturity

Assumptions regarding economic factors:

- 1) Inflation : 5.00% p.a.
- 2) Expected return in Risk free instruments : 5.50% p.a.

Cost Inflation Index:

FY	CII	FY	CII	FY	CII	FY	CII	FY	CII
2001-02	100	2005-06	117	2009-10	148	2013-14	220	2017-18	272
2002-03	105	2006-07	122	2010-11	167	2014-15	240		
2003-04	109	2007-08	129	2011-12	184	2015-16	254		
2004-05	113	2008-09	137	2012-13	200	2016-17	264		