

Case-E:

(Reference Date 1st April 2017)

Sanjay aged 31 years is working in a managerial capacity with a private sector bank in Mumbai. He is married for over two years now. His wife Sherlyn is 28 years old. They have a son Ajinkya who has completed one year. They stay in a rented flat. Sanjay expects to work till 62 years of age. His salary details for the year beginning on date and current expenses are as follows:

<u>Particulars</u>	<u>Amount (Rs. per annum)</u>
Basic	6,60,000
H.R.A.	1,98,000
Executive Allowance	9,60,000
Medical Reimbursement	15,000
EPF: Employee's contribution	79,200
EPF: Employer's contribution	79,200

Monthly Expenses

House Rent	Rs. 25,000
Household Expenses	Rs. 60,000

Following are the details of his assets as on 31st March 2017

Equity Mutual Fund Schemes	Rs.8.25 lakh (Five schemes; one is sector fund, two are midcap funds, two are diversified funds with large cap focus; monthly SIP of Rs. 5,000 started 3 years ago and continuing in each scheme 1 st day of month)
Balanced Mutual Fund Scheme	Rs. 3.2 lakh (Invested 15,000 units at Rs. 10 per unit in NFO on 28-Mar-2014; continued monthly SIP of Rs. 5,000 for a year from 1-Jan-2015; Scheme's Asset Allocation in equities/ debt is 50:50; dividend reinvestment option, net dividends of Rs. 1.5 per unit reinvested at NAV Rs. 10.323 on 4-Feb-2016 and Rs. 2.5 per unit reinvested at NAV Rs. 11.269 on 5-Mar-2017)
Equity Linked saving scheme (ELSS)	Invested in 5,000.000 units at price of Rs. 11.62 per unit on 2nd Feb. 2011; further invested Rs. 1,50,000 at price of Rs. 13.47 per unit on 18th Jan., 2014; open-ended scheme; growth option. NAV on 31st March, 2017: Rs. 22.893 per unit.
Gold Jewelry and coins	100 grams; received as gift on the occasion of marriage in the financial year 2014-2015; Current Price of Standard Gold (22K) Rs. 2,771 per gram
Car	Rs. 3,00,000 (depreciated value)
PPF Account:	Rs. 3,77,440; the account was opened on 8th July, 2012
Balance in Savings Bank Account	Rs. 1,50,000
Balance in Bank Fixed Deposit	Rs. 3,00,000 invested on 1st August 2015 for 24 months; cumulative option, interest is compounded quarterly @ 9% p.a.
Employees' Provident Fund	Rs. 8,27,325 (Cumulative balance)

House Property	Situated at Aurangabad, inherited on 1st December 2016 when the market value was Rs. 40 lakh
Term Insurance Plan	Sum assured Rs.50 lakh; Rs. 10,000 p.a. premium.

He has following Financial Goals

1. Possessing a new flat in 18 months from now at Mumbai; Cost negotiated Rs. 1.20 crore; availed a loan at 80% 'loan to value; interest pre-possession 9% p.a.; 25 year loan tenure after possession of flat.
2. Retirement at the age 62; retirement corpus to yield inflation adjusted expenses till Sherlyn's lifetime
3. Buying a car costing Rs. 10 lakh (then price) in October 2017 after disposing of the existing car.
4. Admission of Ajinkya to an international school at age 4; Admission fee Rs. 4 lakh; Rs. 2 lakh p.a. in first 6 years, Rs. 3 lakh p.a. in the next 9 years (all at current prices, cost escalation 8% p.a.)
5. Ajinkya's higher education when he attains 19 years of age; Rs. 25 lakh would be required (at current prices, Higher Education expenses escalating at 8% p.a.).
6. Create a corpus till age 50 for annual excursion at Rs. 1 lakh (current costs), annual withdrawals begin at age 50 and continue till Sanjay survives. Such expenses escalate at 8% p.a.
7. Ajinkya's marriage expenses Rs. 15 lakh current costs, escalating at 6% p.a., marriage at age 27
8. A lump sum for his venture 10 years prior to his proposed retirement

Life Parameters

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

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.

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		