

Case Study - Vastujeevan

Today is 20th Sep 2009. Vastujeevan Samudrapal, aged 33 years, expected life 75 years, is a businessman in Durgapur. He is managing his family business under a proprietorship firm of his father Mr. Durgajeevan Samudrapal. His wife Mini also assists him in the same and looks after back-end operations of their family business.

Vastujeevan's family structure is as follows:

Name	S/D/W of	Today's Age	Occupation	Qualification
Durgajeevan Samudrapal	s/o Late Sh. Vishwajeevan Samudrapal	66 Years	Proprietor	10+2
Sanjeevani Samudrapal	w/o Mr. Durgajeevan Samudrapal	62 Years	House wife	10 th
Vastujeevan Samudrapal	s/o Mr. Durgajeevan Samudrapal	33 Years	CEO	B.Com
Mini Samudrapal	w/o Vastujeevan Samudrapal	31 Years	Commercial Manager	MBA
Master Vajajeevan	s/o Vastujeevan Samudrapal	03 Years	Minor	Play School
Miss. Vinanti	d/o Vastujeevan Samudrapal	01 Years	Minor	NA

Though Vastujeevan & Mini are very active and passionate about their business & financial affairs and managing their business and personal finances up to best of their capabilities yet they feel an acute need of proper compilation and rearrangement of their financial affairs. As of date they have no separate business & personal finances and their investment pattern reflects their personal choices rather than any rational allocation of funds. Family's main investment decisions are taken by Vastujeevan with assistance of his father. All insurance/banking/long term investments are finalized by Vastujeevan while Mini mainly invests her personal as well as children's surplus funds.

For AY 2009-10 they have provided their financial data as follows:

Life Insurance Policies as of 31st March 2009:

Policy Holder	Annual Premium	Sum Assured	Mode	Nominee
Mini Samudrapal	29512.00	5.00	Yearly	Vastujeevan Samudrapal
Mini Samudrapal	33446.00	10.00	Yearly	Vastujeevan Samudrapal
Vastujeevan Samudrapal	32068.00	7.50	Yearly	Mini Samudrapal
Vastujeevan Samudrapal	8551.00	2.00	Yearly	Mini Samudrapal
Vastujeevan Samudrapal	30792.00	5.00	Yearly	Mini Samudrapal
Vastujeevan Samudrapal	10000.00	7.05	Yearly	Mini Samudrapal
Vastujeevan Samudrapal	52398.00	10.00	Yearly	Durgajeevan Samudrapal
Vastujeevan Samudrapal	33737.00	10.00	Yearly	Mini Samudrapal

Vastujeevan Samudrapal	81031.00	25.00	Yearly	Mini Samudrapal
Vajayjeevan Samudrapal	26129.00	11.00	Yearly	Vastujeevan Samudrapal

Other Investments:

Bank FDRs with Vastujeevan Samudrapal	Rs. 19.69 Lakh
Bank FDRs with Mini Samudrapal	Rs. 5.00 Lakh
Bank FDR Vajayjeevan	Rs. 5.25 Lakh
Bank FDR Vinanti	Rs. 5.25 Lakh
Gold Ornaments with Mini	Rs. 16.99 lakh (present market value)
PPF Account Vastujeevan (as on 31 st March 2009)	Rs. 1,40,730
Immovable commercial properties with Vastujeevan	Rs. 350 Lakh

Taxable Incomes for AY 2009-10:

Vastujeevan Samudrapal	Rs. 7,71,990
Mini Samudrapal	Rs. 1,29,850
Vastujeevan's HUF	Rs. 61,990
Household Expenses	Rs. 50,000 per month

Goals & Aspirations:

1. Accumulation for marriage funds for at the completed age of 25 years of both children
2. Retirement Funds Accumulation at the age of 55 years
3. Ensure a smooth cash flow for their family
4. Accumulation for higher education funds for both children
5. Provide for charity after 35 years

Assumptions

Inflation:	5.00%
Risk Free Rate of Return:	7.50%
Debt Returns	9.50%
Equity Returns	14.00%
Gold Returns	11.50%

Case Study - Dr. Naveen Ranjan

Today is 31-03-2009. Dr. Naveen Ranjan, PhD. (Psychology), aged 45 years, life expectancy 75 years is a lecturer in a private college in Lucknow. He resides with his wife Vaijanti, aged 46 years, life expectancy 80 years, and is a housewife. They live in an unfurnished quarter provided by Naveen's college without paying any rental charges. The quarter is owned by the college. The couple does not have any child as on date. Naveen's parents are senior citizens enjoying good health and residing in Allahabad & totally dependent on Naveen, financially. Naveen is willing to settle down in Lucknow permanently because he still has many years of service left unto retirement. Naveen is serving the college since 11-02-1995 and was appointed as the chief warden of his college last year.

Recently, Vaijanti's grandfather gifted him a sum of Rs. 10 lakh. Having got this money, he wants to plan his affairs properly and does not want to waste it on consumer durables. Upon getting a reference about you, a CERTIFIED FINANCIAL PLANNER^{CM} practitioner, from one of his friends, he has contacted you to prepare a Financial Plan for him. He has submitted the following information of his financials to you.

Income/Expenditures (01-04-2008 to 31-03-2009)

Salary from College (Increasing 4% annually)	Rs. 4,80,000
Warden-ship allowance	Rs. 50,000
Leave Salary Encashment	Rs. 31,110
Living Expenditure (Including Car/House Hold properties Insurance premium Rs. 8,450 & health Insurance premium Rs. 6,000)	Rs. 2,75,800

Assets / Liabilities (As on 31-03-2009)

Cash In hand/saving account balance	Rs. 3,42,800
PPF (Opened on 31-03-2004)	Rs. 2,12,650
Car (Purchased on 30-05-2004)	Rs. 3,50,000 (Purchase Value)
House-hold consumer durables	Rs. 2,20,000
Credit Card Liability	Rs. 30,500
ELSS Investment	Rs. 1,82,560

Goals:

1. Naveen wants to fulfill his parent's desire of their going on a foreign trip 3 years from now & present cost is around Rs. 8 lakh.
2. Naveen wants to shift from his quarter as soon as possible because it is located too far from the city. He has identified a flat for which the owner is quoting a price of Rs. 16 lakh.
3. Naveen wants to establish a retirement fund to cope up with his post retirement needs, in a well-planned manner.

Current economic figures:

Inflation	6.00% p.a.
Bank FDR Interest Rate	7.00% p.a.
Debt Fund rate of return	8.50% p.a.
Equity Fund rate of return	13.00% p.a.
Balance Fund rate of return	10.00% p.a.
Risk Free rate	5.50% p.a.

Case Study- Avinash Waghle

Today is 26th September 2009. Avinash Waghle, aged 37 years, is employed with a multi-national firm. His wife Reema, aged 36 years, is also working. The couple has two children - daughter Alisha aged 11 years and son Rutvik aged 5 years. The family lives in a rented apartment in Aurangabad.

Avinash has a current annual package of Rs. 14 lakh p.a. with a basic salary of Rs. 62,000 p.m. He has accumulated EPF benefits of Rs. 12.25 lakh in his account. Avinash's basic salary increases by 10% effecting in April every year.

Reema has been working in a bank for over a decade and has an all-inclusive package of Rs. 6 lakh p.a. with increment of 6% effecting in January every year. She is neither covered under EPF Act nor under any Pension scheme by her employer. She plans to work till her daughter gets married. Thereafter, she may join some NGO for social work.

Their current household expenses are Rs. 9.00 lakh p.a. Avinash bought a 15-year endowment life insurance policy for Rs. 20 lakh Sum Assured five years ago, the premium being Rs. 85,750, paid annually. Avinash has also take a mediclaim family floater policy of 5 lakh sum assured apart from coverage of group mediclaim policy of employer.

Avinash has not taken any loan but has recently invested in an upcoming housing project in Aurangabad for a flat worth Rs. 44 lakh of which Rs. 4 lakh down payment has already been made. He has to pay 20% of the remaining amount on 1st October, 2009 and another 20% six months thereafter. The 3rd installment of 30% shall be due on 1st January, 2011 and the final 30% one year thereafter, pursuant to which the possession would be obtained. Avinash has a self-driven car of 2005 make which is in good condition. The couple has following investments:

Avinash: Current Value of outstanding units in the following schemes of a Mutual Fund:

1. Rs. 7,20,000 (NAV Rs. 13.60) in the Money Market Mutual Fund (MMMMF);
2. Rs. 3,08,870 (NAV Rs. 40.38) in a diversified equity scheme of a Mutual Fund;
3. Rs. 1,97,925 (NAV Rs. 15.24) in the designated pension scheme of a Mutual Fund.

Avinash has given standing instructions to the Mutual Fund for switch-out to the extent of Rs. 30,000 by redeeming equivalent units from MMMF and switch-in to the extent of Rs. 15,000 each in diversified equity scheme and pension scheme of the same mutual fund w.e.f. 1st October 2009 for 2 years. The switch-out and switch-in are being affected on the 1st of every month.

Reema: Current Value of outstanding units in the following schemes of a Mutual Fund:

1. Rs. 3,65,000 in balance mutual fund scheme

She had also purchased a Unit Linked Insurance Plan with ten lakh sum assured of 10 year term in which she had invested Rs 1 lakh p.a. regularly for 3 years, having paid the third installment one year ago from now.

Avinash & Reema: D-Mat Accounts have the following investments:

1. 2000 units of an Exchange Traded Fund (ETF) tracking NSE Nifty Index (bought at Rs. 294.25 per unit a year ago). The said ETF last traded at Rs. 417.75 per unit when the Nifty Index closed at 4527.25.
2. Equity shares portfolio of 12 large cap companies aggregate value of Rs. 6.76 lakh (at current valuation).
3. 100 units of Gold Exchange Traded Fund (bought at Rs. 875.60 per unit on 2nd Feb 2008, currently trading at Rs. 1,429.55 per unit).

The couple has planned for Alisha's and Rutvik's higher education 10 years and 15 years, from now respectively. The lump-sum requirement at the current prices is estimated to the extent of Rs. 25 lakh for each of Alisha and Rutvik. The outgoings are to be met from the family's investments. Avinash and Reema have approached you to scrutinize their finances and advise a roadmap to meet their chosen financial goals.

Assumptions:

Inflation rate: 6.00% p.a.

Risk free rate: 7.00% p.a.

Return from Equity Shares Portfolio & Diversified Equity MF schemes: 20.00% p.a. in the next two years and 11.00% p.a. thereafter

Return on balance Mutual fund scheme 9.00% p.a.

Return from Gold ETF units: 10.00% p.a.

Return from Money Market Mutual fund/Liquid Schemes: 6.00% p.a.

Case Study – Dr. Vijay Mohan

Back ground

Today is 26th September 2009, Dr. Vijay Mohan aged 57 years, life expectancy 75 Years, has made a visit to meet you, a practicing CFP^{CM} certificant. Dr Vijay Mohan is looking forward for a critical evaluation of his finances and wants you to explore ways and means to sustain it in his post retirement tenure. During your discussion with him, he has disclosed factors which would help you in restructuring his current portfolio and recommending a change in course, if required.

Dr Vijay Mohan has been working in a Private Hospital as a senior surgeon in Chandigarh for the last 27 years and plans to retire on 31/03/2010. His wife Dr. Ananya aged 52 years, life expectancy 75 years, is a practicing Gynecologist, runs her own clinic. Dr. Ananya expects to practice till her age of 55 years. They stay in their own house in Chandigarh which is worth Rs. 80 Lakh. Their monthly household expenses are Rs. 35,000.

The couple has three children, one son and two daughters. Eldest daughter, Tina, is a doctor, married to a CA and well settled in Pune. Second daughter, Pooja, is studying in Final year MBBS at Delhi. Their son, Praveen, is studying in First year MBBS, in Bangalore.

Present monthly cash flow

Vijay Mohan's salary structure

1. Basic Salary	Rs. 25,000
2. DA	Rs. 15,000*
3. HRA	Rs. 8,000
4. Conveyance Allowance	Rs. 800
5. Reimbursement of Medical Expenses	Rs. 1,200
Total Monthly Salary	Rs. 50,000
Ananya's net monthly Income	Rs. 55,000

* 100% eligible for retirement benefits.

Current Assets & Liabilities of Dr. Vijay & Dr. Ananya Mohan

Car	Rs. 2,25,000
Bank Fixed Deposits	Rs. 5,00,000
Post Office MIS (Joint with wife, opened on 31/03/2006)	Rs. 6,00,000
RBI Bonds 6.50% (Tax Free)	Rs. 1,50,000
Balance in PPF A/c (A/c opened in 5th April 2002)	Rs. 4,85,000
500 Equity Shares of Rawson Limited	Rs. 3,55,000
Cash/Saving Bank Account	Rs. 1,50,000
Life Insurance endowment plan (Vijay Mohan)	Rs. 6,40,000#
Gold Jewelry	Rs. 6,50,000
Commercial Unit (Clinic)	Rs. 25,00,000
# Surrender Value	

Dr. Vijay's expected Retirement Benefits :- Gratuity- Rs. 8,00,000, Provident Fund- Rs. 20 lakh, Leave encashment- Rs. 4 lakh, Pension- Rs. 15,000 p.m. w.e.f. 01/04/2010. This pension will be after 50% pension commutation and Rs.4.5 Lakh as lump sum payment.

Financial Goals:

1. Rs. 5 lakh p.a. for Pooja's Education in next two years
2. Rs. 4 lakh p.a. for Parveen's studies for next four years
3. Rs. 30 lakh for Pooja's marriage expenses after four years
4. Rs. 20 lakh for Parveen's marriage expenses after seven years
5. Purchase a holiday resort of approx. value of Rs. 20 lakh in Shimla after two years
6. Make a Will for proper distribution of their assets

Assumptions:

1. Inflation 6.30% p.a.
2. Risk/Tax free rate of return 6.50 % p.a.
3. Equity returns 15.00% p.a.
4. Returns on debt funds 9.00% p.a.
5. Bank FD and Bond return 8.00% p.a.
6. Gold ETF returns 10.00% p.a.