

Basic Financial Plan for you & your family

Prepared for

Mr ABC

Financial



Prepared by
etica advisory

Goals & Objectives - A Summary

<p>son's Higher Education</p> <p>Future value of funding son's HIGHER SECONDARY expenses is 2,43,000. Present value of the goal is Rs.2,00,000. To accumulate this amount you need to invest Rs.4,000/month from now till goal year.</p> <p>Future value of funding son's GRADUATION studies' expenses is Rs.9,38,000. Present value of the goal is Rs.7,00,000. To achieve this goal you need to invest Rs.9,100/month from now till goal year.</p> <p>To fund expenses for son's POST GRADUATION studies you need to target to accumulate Rs.7,76,000. Present value of the goal is Rs.5,00,000. To accumulate this amount you need to invest Rs.4,100/month from now till goal year. ASSUMPTIONS:- Rate of Inflation: 5% and Post Tax Return from new investments: 12%.</p>
<p>son's Marriage</p> <p>If I assume that son is expected to get married at age 26 and current cost for the same is Rs.10,00,000, then inflated cost would be Rs.19,80,000. To accumulate this amount you need to invest Rs.4,800/month from now till goal year. I have assumed here average annual return of 12% post tax from your investment.</p>
<p>daughter's Higher Education</p> <p>Future value of funding daughter's HIGHER SECONDARY expenses is 3,19,000. Present value of the goal is Rs.2,00,000. To accumulate this amount you need to invest Rs.1,900/month from now till goal year.</p> <p>Future value of funding daughter's GRADUATION studies' expenses is Rs.8,95,000. Present value of the goal is Rs.5,00,000. To achieve this goal you need to invest Rs.3,800/month from now till goal year.</p> <p>To fund expenses for daughter's POST GRADUATION studies you need to target to accumulate Rs.6,40,000. Present value of the goal is Rs.3,00,000. To accumulate this amount you need to invest Rs.1,700/month from now till goal year. ASSUMPTIONS:- Rate of Inflation: 6% and Post Tax Return from new investments: 13%.</p>
<p>daughter's Marriage</p> <p>If I assume that daughter is expected to get married at age 26 and current cost for the same is Rs.12,00,000, then inflated cost would be Rs.34,25,000. To accumulate this amount you need to invest Rs.4,300/month from now till goal year. I have assumed here average annual return of 13% post tax from your investment.</p>
<p>Retirement</p> <p>To continue with the current lifestyle till your age of 85, you need to have Rs.1,57,00,000 by the time when you retire i.e. at the age of 60. To accumulate this amount you need to save Rs.31,000/month in an investment product that generates post-tax 13% return for you. Or if you increase your contribution by 10% every year in monthly investment, then you can start with an investment of Rs.17,000/month from now.</p>

Summary of Investments & Insurance

Sl. No.	Goal	Lump Sum	SIP
1	son's Higher Education & Marriage		
	Higher Secondary (PV: 2.00L; FV: 2.43L)	1,54,495	3,984
	Graduation (PV: 7.00L; FV: 9.38L)	4,75,254	9,054
	Recommendation		
2	Post Graduation (PV: 5.00L; FV: 7.76L)	2,79,712	4,112
	Recommendation		
3	Marriage (PV: 10.00L; FV: 19.80L)	4,05,133	4,788
	Recommendation		
4	daughter's Higher Education & Marriage		
	Higher Secondary (PV: 2.00L; FV: 3.19L)	1,19,908	1,948
	Graduation (PV: 5.00L; FV: 8.95L)	2,63,781	3,789
	Recommendation		
5	Post Graduation (PV: 3.00L; FV: 6.40L)	1,30,640	1,663
	Recommendation		
6	Marriage (PV: 12.00L; FV: 34.25L)	3,79,555	4,325
	Recommendation		
7	Retirement (Target Corpus: 1.57 Cr)	25,15,256	30,649
	Recommendation		
	TOTAL REQUIRED	47,23,736	64,313
	TOTAL RECOMMENDED	0	0
	SURPLUS AVAILABLE		
A	Contingency Fund		
B	Health Insurance Cover	5,00,000	
	Health Insurance Premium		
C	Life Insurance Cover	1,12,20,949	
	Life Insurance Cover (Recommended)		
	Life Insurance Premium		

son's Higher Education & Marriage

Assumed rate of return	12%
Inflation of Education & Marriage	5%
son's Age (+)	12

GOAL	Age	Current Cost	Future Value	Lump-Sum	SIP
Class 11	16	2,00,000	2,43,101	1,54,495	3,984
Class 12	17		0	0	0
Graduation	18	7,00,000	9,38,067	4,75,254	9,054
	19		0	0	0
	20		0	0	0
Post Graduation	21	5,00,000	7,75,664	2,79,712	4,112
	22	0	0	0	0
Marriage	23		0	0	0
	24		0	0	0
	25		0	0	0
	26	10,00,000	19,79,932	4,05,133	4,788
	27		0	0	0
	28		0	0	0
	29		0	0	0
	30		0	0	0
TOTAL				13,14,595	21,939

daughter's Higher Education & Marriage

Assumed rate of return	13%
Inflation of Education & Marriage	6%
daughter's Age (+)	8

GOAL	Age	Current Cost	Future Value	Lump-Sum	SIP
Class 11	16	2,00,000	3,18,770	1,19,908	1,948
Class 12	17		0	0	0
Graduation	18	5,00,000	8,95,424	2,63,781	3,789
	19		0	0	0
	20		0	0	0
Post Graduation	21	3,00,000	6,39,878	1,30,640	1,663
	22	0	0	0	0
Marriage	23		0	0	0
	24		0	0	0
	25		0	0	0
	26	12,00,000	34,25,207	3,79,555	4,325
	27		0	0	0
	28		0	0	0
	29		0	0	0
	30		0	0	0
TOTAL				8,93,885	11,726

Insurance

Contingency



I strongly recommend you to keep sufficient amount (generally amount equivalent to 3 to 6 months' of your all regular expenses) in investment instruments where your money remains liquid (i.e. any time you can withdraw money) and safe.

Health



To safeguard your financial assets and future goals against any medical emergency I recommend you to take family floater health cover of amount:

5,00,000

Life



To make sure your children's higher education and marriage goals are achieved, your spouse will need this amount now

22,08,480

To be able to continue with current lifestyle & household expenses till life expectancy, your spouse will need this amount now

90,12,469

Total Life Insurance Cover Required

1,12,20,949

RETIREMENT PLANNING

DATA INPUT & ASSUMPTIONS

Current Age	45
Retirement Age	60
Life expectancy	85

Household & Lifestyle Expenses (Today's value)	45,000
Inflation per annum	4%
Tax slab you will be falling into post retirement	10%

Expected return on investments (from now till retirement age)	13%
Expected return on investments (from retirement age till life expectancy)	10%

OUTPUT / RESULTS

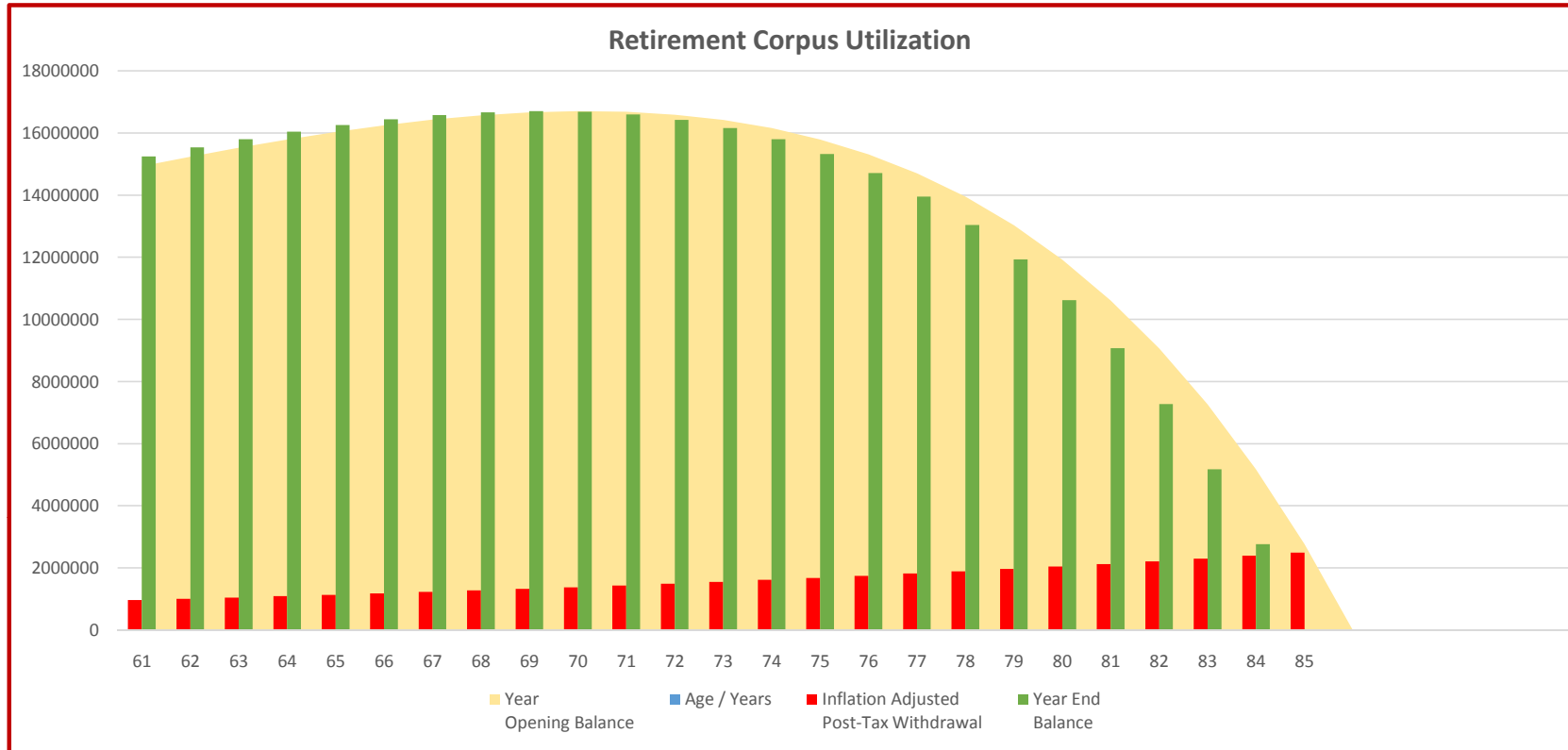
No of years left for retirement	15
Years after retirement	25

1st Month Expense Post Retirement	81,042
1st Year Expense Post Retirement (Inflation adjusted post-tax value)	9,72,509
1st Year Expense Post Retirement (Inflation adjusted pre-tax value)	10,80,566

Retirement Corpus required	1,49,36,114
Fund you must set aside at retirement age to get your capital back	7,94,978

Total Retirement Corpus required	1,57,31,091
Lump-Sum Savings required	25,15,256
Monthly Savings required (Fixed SIP)	30,649
Monthly Savings required (Growing SIP @10%)	16,756

Post Retirement Cashflows					
Age / Years	Year Opening Balance	Inflation Adjusted Pre-Tax Withdrawal	Inflation Adjusted Post-Tax Withdrawal	Year End Balance	Capital Protection Amount
61	1,49,36,114	10,80,566	9,72,509	1,52,41,102	7,94,978
62	1,52,41,102	11,23,789	10,11,410	1,55,29,045	8,98,325
63	1,55,29,045	11,68,740	10,51,866	1,57,96,335	10,15,107
64	1,57,96,335	12,15,490	10,93,941	1,60,38,930	11,47,071
65	1,60,38,930	12,64,110	11,37,699	1,62,52,302	12,96,190
66	1,62,52,302	13,14,674	11,83,206	1,64,31,391	14,64,695
67	1,64,31,391	13,67,261	12,30,535	1,65,70,543	16,55,105
68	1,65,70,543	14,21,951	12,79,756	1,66,63,451	18,70,269
69	1,66,63,451	14,78,829	13,30,946	1,67,03,084	21,13,404
70	1,67,03,084	15,37,982	13,84,184	1,66,81,612	23,88,146
71	1,66,81,612	15,99,502	14,39,552	1,65,90,321	26,98,605
72	1,65,90,321	16,63,482	14,97,134	1,64,19,523	30,49,424
73	1,64,19,523	17,30,021	15,57,019	1,61,58,452	34,45,849
74	1,61,58,452	17,99,222	16,19,300	1,57,95,153	38,93,810
75	1,57,95,153	18,71,191	16,84,072	1,53,16,358	44,00,005
76	1,53,16,358	19,46,039	17,51,435	1,47,07,352	49,72,006
77	1,47,07,352	20,23,880	18,21,492	1,39,51,819	56,18,366
78	1,39,51,819	21,04,835	18,94,352	1,30,31,682	63,48,754
79	1,30,31,682	21,89,029	19,70,126	1,19,26,919	71,74,092
80	1,19,26,919	22,76,590	20,48,931	1,06,15,362	81,06,724
81	1,06,15,362	23,67,653	21,30,888	90,72,480	91,60,598
82	90,72,480	24,62,360	22,16,124	72,71,132	1,03,51,476
83	72,71,132	25,60,854	23,04,769	51,81,306	1,16,97,168
84	51,81,306	26,63,288	23,96,959	27,69,820	1,32,17,800
85	27,69,820	27,69,820	24,92,838	0	1,49,36,114



Last but not the least...

Implementation

This financial plan, which is a basic one and not comprehensive, is of no use if it is not implemented or followed up with utmost sincerity and discipline. This plan report is prepared with certain assumed data and rates - it can only be called 'your' report once you check all these assumptions - understand - and approve. Ask questions, give your inputs and suggestions - then only it can be called 'your' plan. Implement this plan, maximum within a month's time, otherwise the recommendations mentioned in this plan report will not hold appropriate anymore.

Review

As mentioned, this plan report is created with help of certain assumptions. Some of these assumptions can change in accordance with macro-economic changes, others can change with changes in your family's preferences, concerns, cashflow and networth. So REVIEW is a must. Investment Review should be done at least once in every 6 months and Plan Review once in every year - lifelong.

Legacy Planning

Write a WILL. This simple act can save lot of time and harassment in future for your near and dear ones. A WILL written now can be changed 'n' number of times in future. So there is only one right time to prepare a WILL and that is 'now'. Make a list of all your assets - movable as well as immovable. Also make sure that in every asset you mentioned nominees and wherever possible you kept a second holder.

Documentation

Make sure that all your financial documents - policy papers, certificates etc. - are kept properly in a safe place. Ideally you should maintain separate folders for storing similar type of documents. Keep your spouse and grown-up children informed and aware about everything which they may feel need of in your absence. It is a good practice to scan certain important documents and store digitally also.

Guide to Investment - I

While making any investment it is really important to understand the product first. Read objective of the scheme carefully (it is just few lines of text!). Have a look at the past returns, preferably over a long term (5 years or more). All investments should be linked to a goal. Wealth accumulation itself can be a goal. Whatever the goal is fix your horizon of investments; put your expectations in order. It really helps if your overall portfolio of investments and insurance is kept small but appropriate.

Guide to Investment - II

There are various ratios that you will find in mutual fund factsheet. It is recommended that you ask right question and take effort to understand those ratios. CAGR, IRR or XIRR talks about average annualised compound return. 'Beta' talks about return expectation with respect to a scheme's benchmark index. 'Alpha' talks about scheme's performance as per expectation. 'Standard Deviation' talks about volatility in return and 'Sharpe Ratio' reflects scheme's return potential vis-a-vis risk taken.