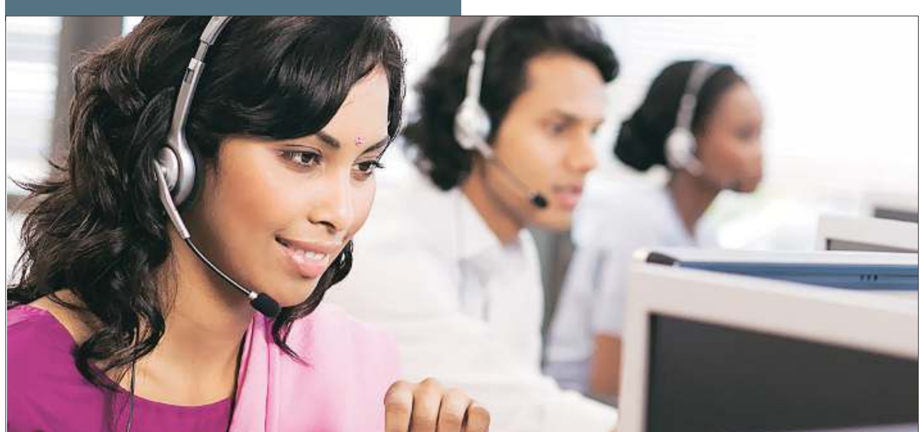
EXPRESS CLINIC



NAME: **SHASHANK AND PRATIMA SHARMA**

RESIDE IN: NEW DELHI

PROFESSION: SHASHANK WORKS WITH A PRIVATE BANK, PRATIMA WORKS WITH A CALL CENTRE

(NET ANNUAL INCOME(COMBINED)

(₹ 8.75 LAKH)

STATUS & GOALS

SHASHANK, 32 AND PRATIMA, 30 HAVE BEEN MARRIED FOR SIX YEARS. THEY HAVE A SON ROHAN, 2. UNTIL NOW THEY WERE BUSY IN CLEARING OFF THEIR DEBT BURDEN, WHICH THEY HAD TAKEN AT THE TIME OF THEIR MARRIAGE AND FOR OTHER FAMILY RESPONSIBILITIES. AFTER HAVING CLEARED DEBTS THEY ARE SEEKING GUIDANCE FOR THEIR FINANCIAL FUTURE. THEY LIVE WITH THEIR PARENTS BUT DON'T WANT TO PLAN THE FUTURE ON THE BASIS OF INHERITANCE EXPECTED. BUYING A NEW CAR, GOOD EDUCATION AND MARRIAGE FOR ROHAN AND COMFORTABLE RETIREMENT ARE SOME OF THEIR GOALS

NEEDED

A roadmap which will help them plan for a secure financial future of their son along with a comfortable post-retirement life

MONTHLY INCOME (Post Tax) **₹ 72,917**

TOTAL EXPENSES (PM) **₹ 42,917**

NET MONTHLY SURPLUS **₹ 30,000**

GOALS

IN ORDER OF PRIORITY

CAR
(2015) (inflation 6%)

CURRENT VALUE	FUTURE VALUE
₹ 5 lakh	₹ 5.95 crore

CHILD EDUCATION
(2028) (inflation 10%)

CURRENT VALUE	FUTURE VALUE
₹ 10 lakh	₹ 45.95 lakh

CHILD MARRIAGE
(2038) (inflation 6%)

CURRENT VALUE	FUTURE VALUE
₹ 10 lakh	₹ 45.50 lakh

RETIREMENT PLANNING
(2034) (Life Expectancy 85 years, Post Retirement Inflation 7%, Growth of Corpus at the rate of 8%)

CURRENT ANNUAL EXPENSES	FUTURE VALUE	CORPUS REQUIRED
₹ 3.60 lakh	₹ 18.40 lakh	₹ 3.29 crore

FINDINGS

EMERGENCY FUND: They have not kept enough liquidity in savings bank account.
HEALTH INSURANCE: They are dependent on their employer provided insurance.
LIFE INSURANCE: None of them is having any life insurance cover.
INVESTMENTS: They are sitting on zero investments till date except some savings in PPF and that too saved for tax saving.

RECOMMENDATIONS

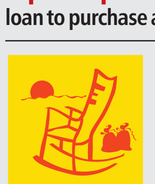
EMERGENCY FUND:
They should increase the savings account balance to ₹1 lakh and maintain it as an emergency fund.
Express Tip: One should be prepared to face any financial emergency by maintaining 3-6 months of expenses in liquid form

LIFE INSURANCE:
It is advisable that both buy a separate life insurance cover. They should buy cover of ₹1 crore and ₹75 lakh respectively. The premium outgo for online term plans would be ₹19,101 and ₹10,365 respectively.
Express Tip: Adequate life insurance is important for those who have financial dependents and/ or liabilities.

HEALTH INSURANCE:
They should buy a health insurance floater policy of at least ₹ 5 lakh sum assured which should cover all three of them. This coverage should be over and above the employer provided health insurance. The total premium outgo will be ₹10,500.
Express Tip:It is always advisable not to depend on your employer provided insurance coverage due to many restrictions and sub limits coming in the group policies these days.

ACCIDENT INSURANCE:
They are advised to buy a comprehensive accidental insurance policy separately for each of them with sum assured of ₹1 crore for Shashank and ₹ 50 lakh for Pratima. The total premium outgo in this case would be ₹ 19,190.
Express Tip: Disability is more horrifying and has worse financial repercussions than death, so this risk should be adequately covered.

BUYING A CAR:
They should start saving ₹14,700 per month in bank recurring deposit for this goal. As the goal is of very short term they should not expose themselves to risky asset class for this.
RATE OF RETURN ASSUMED 8 PER CENT POST TAX.
Express Tip: Always try to avoid any kind of loan to purchase any depreciating asset.



RETIREMENT: Start investing ₹10,200 per month with the asset allocation of 80:20 as equity:debt to save towards this goal. They should use diversified equity mutual funds, PPF and EPF as investment tools for achieving this target. Rate of return assumed 14 per cent in equity funds and 8 per cent in PPF/ EPF
Express Tip: Planning for retirement at such a young age is a good idea as it involves fairly less investment allocation compared to planning in the later years of life.

ROHAN'S EDUCATION: Start saving ₹7,350 in the ratio of 80:20 in equity and debt to achieve this goal. Rate of return assumed 14 per cent in MFs.
Express Tip: Having a proper target to achieve is important for selection of an adequate asset class to invest in. More the time, more allocation can be done towards equity.

ROHAN'S MARRIAGE: Start saving ₹2,000 in the ratio of 80:20 in equity and debt to achieve this goal. Rate of return assumed 14 per cent in equity funds and 8 per cent in PPF.
Express Tip: Finish off your responsibilities before entering into your golden years of retirement. One should always plan accordingly, to reduce the burden on the retirement years.

CONCLUSION

Taking loan in the early years of financial life and that too for consumption purpose is one of the biggest financial mistakes. Start off with a planning and remain focussed with your finances to make your future comfortable.

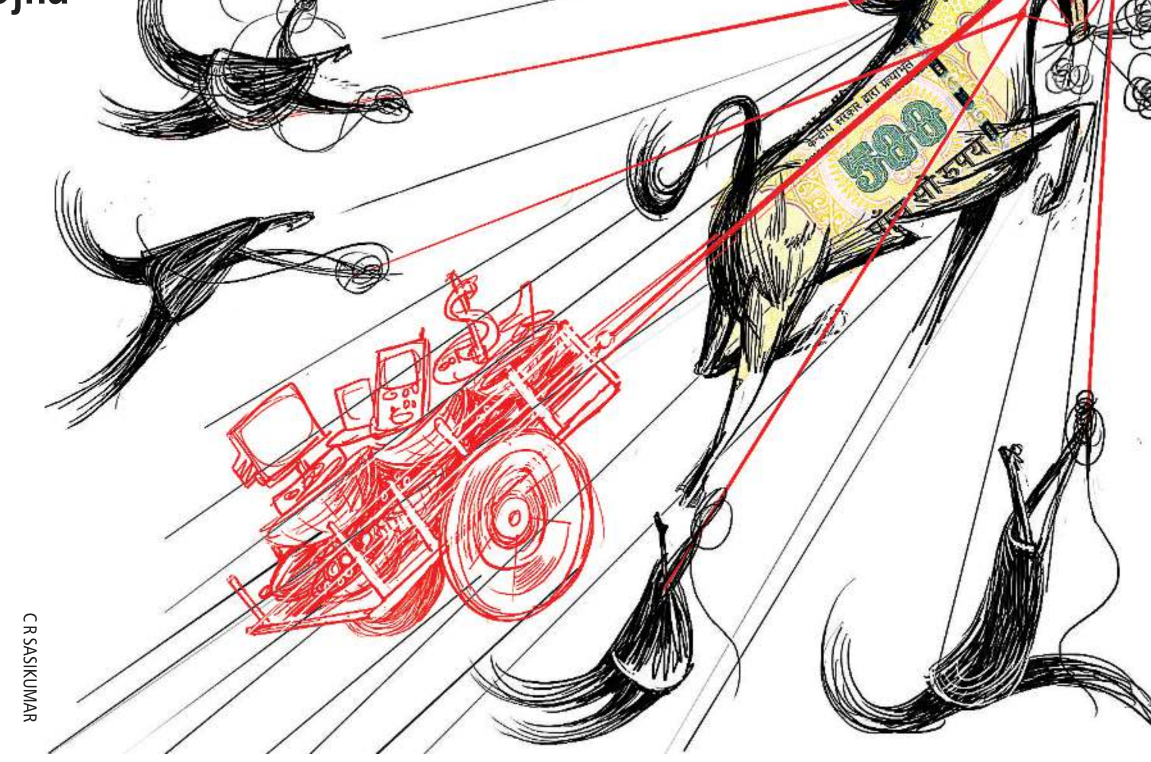
PLAN BY: MANIKARAN SINGAL,
CERTIFIED FINANCIAL PLANNER,
MEMBER OF THE FINANCIAL PLANNERS' GUILD, INDIA(www.fpgindia.org)

For expert guidance on your financial planning email us your details at *expressmoney@expressindia.com*

RUPEE VOLATILITY

Planning for that dream holiday

Rupee depreciation may cause a serious dent in your pocket if you plan to travel abroad. Some advance planning will help you tide over, says **Ritu Kant Ojha**



C R SASIKUMAR

PLANNING to set out for a Europe trip with their 4 year old son Aryan, Ankur (34) and his wife Sarika (31) were in for a rude shock when they found that the holiday to Europe they were eagerly waiting since last three years has gone out of their budget forcing them to cancel the trip this year. The Delhi based couple, into education business, visited Mauritius five years ago and now were looking to take a break from the harsh Delhi summer and step out to Europe, but now find their financial budgeting short of the requirement, at least for this year. Reason: The couple took the estimate of the trip about a year back when US dollar was trading at ₹ 44 . Busy planning for the trip, they forgot that all this while rupee kept depreciating, hitting a low of ₹ 53 – a difference of over 20 per cent. They are not alone facing this problem. A large number of travellers who planned their holidays in foreign locations are rethinking their decision.

A change of 20 per cent is enough to ruin your plans and dent your finances. But if you be a little smart and plan early, it can help you tide over such rude shocks of rupee volatility, especially when experts believe that rupee may depreciate by another 5 per cent in near future.

VOLATILE RUPEE

With the beginning of recent bout of global uncertainties which started after the downgrading of US and the increasing threat perception of a Greek default, money started to flow out of emerging economies into safe investments leading to a slide in rupee against the dollar.

Like equity markets, rupee has seen tremendous volatility in last few years. It was trading at an average rate of ₹ 42 against dollar in May 2008 and crossed 48.5 in May 2009. It corrected to 45.5 in May 2010 and further to 44.5 in May 2011. However, it crossed the psychological barrier of ₹ 50 in November 2011 and kept sliding further to cross ₹ 54 in the last week of December. While several measures taken by RBI resulted into some pullback to sub-50 rupee levels in the month of February but only to cross the ₹ 53 mark in the first week of May.

There are several reasons to rupee depreciation - weak economic environment, increasing trade deficit, lack of foreign inflows and increased demand for dollar due to the rising oil import bill among others. While RBI has been taking several steps to control rupee volatility, looking at the worsening economic situation the impact of some baby steps might be difficult to control rupee from sliding further down.

A falling rupee may be beneficial to you if you receive remittance from your close relatives abroad or if you are an exporter of goods or services. However, if you have to remit money for educational purposes abroad or medical needs then you may have to shell out an extra 20 per cent because of this depreciation. With Indian tourists gearing up for a trip to Europe, in the summer peak, the rupee slide is set to hurt more.

FOREIGN TRAVEL

A Delhi to London return flight which cost ₹ 40,000 last year, costs ₹ 50,000 now. Similarly the hotel rates have gone up by 20 to 25 per cent. For someone who is going for a holiday with a family there are many expenses other than just flight and hotel stay. The kids may want to shop for clothes, souvenirs for their friends, or take that boat ride which they saw in a Hollywood movie and all this may be unplanned expenditure. But when every dollar you spend is expensive by 20 per cent than you had budgeted for, it does pinch a lot. Remember that due to high demand during summers, the travelling cost to European destinations goes up significantly.

The only way to beat the rising travel cost is budgeting and planning in advance. Delhi based Anil Kalsi of Ambe World Travels has a suggestion for people planning to go for a foreign holiday. "Do a thorough research before booking a tour package. For example, in all the developed countries, public transport network is well established which may be one-tenth of the cost one pays for travelling by a taxi," says Kalsi." One should look for deals at least 4-6 months in advance. Due to differential pricing the cost of air ticket keeps going up as more and more seats get booked. One can save thousands of rupees by booking a ticket in advance.

What if someone does not have the leeway to manage the increased package cost? Jagdeep Rikhy, former vice president of Travel Agents Association of India provides the solution, "Reduce the overall cost. First thing is to lower the category of hotel you earlier chose, for example, if you budgeted for a four star hotel you may change it to a three star. Secondly, reduce the number of days of travel. Third is to look for deals several months in advance as last minute bookings are always more expensive. Last option is to change the destination, to say far east, which will save costs significantly."

Financial planners believe that foreign holiday for the family is a dream for a lot of Indian households but comes at a major expense and this is something that one should plan early and start saving for it. For example if you need ₹ 5 lakh for a holiday in today's terms you can invest ₹ 7,500 per month in an equity diversified balanced mutual fund through a systematic investment plan (SIP). This will fetch you ₹ 6.2 lakh at 12 per cent per annum return at the end of 5 years, taking care of the inflation up to some extent. Rather than breaking your investments, fixed deposits or insurance policies for funding foreign travel it makes sense to plan for it in advance.

Even if you have only three years left for your dream holiday you can still invest in a liquid or liquid plus mutual fund which will be a safer bet as the time horizon is less. At an annualised return of 8 per cent, ₹ 7,500 monthly SIP will fetch you over ₹ 5.5 lakh in five years' time. "It is easier to insulate oneself, up to a certain extent, from such factors like rupee volatility if planned well in advance. One is normally aware of such expenses and it is not difficult to work on a roadmap to achieve that goal," suggests Kiran Telang, a Mumbai based financial planner.

It may spoil the fun of a holiday if you end up shortening the trip and may even be embarrassing for you before your wife and kids if you have to reduce the category of hotel just because you did not plan well in advance. So for that next dream holiday do your calculations properly and start saving now. And yes, do not forget to factor in the possibility of rupee depreciation and include the margin in your final target figure. ◆

—ritukant.ojha@expressindia.com

TRENDS

The changing face of Indian HNI

ANISH BEHL

IN 2010-11 India was home to 57 dollar billionaires, according to Forbes. The country is next only to the US and China in the number of billionaires. This is also corroborated by Swiss private banking group Julius Baer who projects India's HNI population to more than double to 4,03,000 by 2015. It is clear that there will be several "wealth management teams" that will salivate at this growing opportunity. In any case, it is also imperative that one is able to determine the buying behavior of these set of achievers.

At the outset, it is important to divide any such commentary in 2 groups - consumption behavior and investment behavior. Of course, sometimes transactions can be just on the border, for example a real estate investment can be for one's own use, in which case it would classify as a "consumption expenditure".

THINKSTOCK

CONSUMPTION BEHAVIOUR

On the consumption side, it is clear that the Indian HNI is screaming to be noticed. The most common factor is that as a behavior, the HNI wants to slide from commodity consumption to conspicuous consumption. What is now startling is that brands are not enough. An increasing number of HNIs want to take charge of what they eat/ drink. From importing wheat bread from France to "we grow our own organic wheat for our bakery in the outhouse!" From branded wines from Italy to "wine from our vineyard in Valencia". And if that is perhaps pushing it a bit, customisation is also gaining to be a sure sign that you've arrived. Not enough now that you buy your size 41 formal Oxfords from John Lobbs, they have to be hand crafted after a personal "Foot Architecture" session at Lobbs. It's clear that consumption behavior is driven by a strong sense to be able to demonstrate to be different from the hoi polloi. One of the world's leading shirt makers who refuse to enter the bespoke tailoring segment has a world master list of only 100 clients for whom they will fly down a team for your measurements armed with swatches of fabrics. They fly back for the trials and offer a one year money back guarantee if you don't find the shirts comfortable. I am told that there are 6 Indians on that list and that is saying a lot.

INVESTMENT BEHAVIOUR

Whilst the purpose may be different, the Indian HNI is now earmarking a clear 20-30 per cent of his portfolio for exotics, the need is the same, to stand out and be recognised. Buying art is passe', you've arrived if you conceive a piece of art and commission a known artist to execute. Whilst, some artists feel that executing someone else's thoughts is a strict no-no, well known artists including some of India's most popular have begun to execute such requests. More importantly, whilst 70-80 per cent of the portfolio may still be classic assets like mutual funds, private equity etc, the Indian HNI is now spending more time in picking his/ her exotics. A villa in Spain is fine but an island is what is getting popular now. Hills, 200 acre estates, heritage forts, prisons it's all coming on the table now. A European real estate agency runs a select program of featuring just 4 sites on a guided tour with not more than 15 HNIs. The commitment of each participant is to bid in a final action after the site visit. On the list are amusement parks, mines, and even abandoned excavation sites.

One clear change is that HNIs want to be in the able hands of an organisation and not just the relationship manager. The comfort that an organisation has built checks and balances to monitor client transactions is now a critical decision making factor for the HNI. So, on the one hand the HNI is willing to invest in complex structures, on the other, when it comes to managing classic portfolio, s/he wants to be protected from individual misappropriation. Hence, the classical theory of "one point" contact is now being re-engineered. Service anchors, compliance teams, independent of the relationship managers are now set up to reassure clients that they are in safe hands.

While the wealth pool in India grows by leaps and bounds, it is clear that the classical theory of wealth management is undergoing a change. Products, service strategies and transaction audits will have to evolve to keep pace with the Indian HNI. ◆

—Author is Head – Strategy & Wealth Management, Consumer Banking, IndusInd Bank

"Views/ comments expressed by the author are personal"