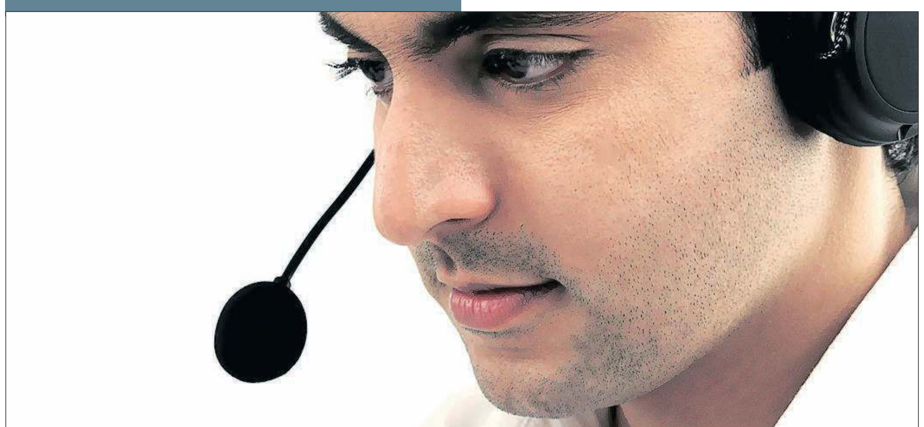
EXPRESS CLINIC



NAME: **ASHISH GUPTA (36) AND RADHA GUPTA (35)**

RESIDE IN: GURGAON

PROFESSION: CENTRE HEAD IN A TELECOM BPO

NET ANNUAL INCOME

(₹ 16.8 lakh)

STATUS & GOALS

ASHISH AND RADHA RESIDE IN THEIR OWN HOUSE WITH THEIR 2 KIDS, AMAN (6) AND RIDHIMA (3). ASHISH HAS RECENTLY JOINED THIS COMPANY AND THIS IS HIS FIFTH JOB IN HIS CAREER SPANNING 10 YEARS. HE HAS BEEN WITHDRAWING THE EPF ACCUMULATED WITH HIS PREVIOUS EMPLOYER EVERY TIME HE JOINED A NEW COMPANY. RADHA IS A HOME MAKER. SHE IS WORRIED ABOUT ASHISH'S FREQUENT JOB CHANGES. SHE IS INTERESTED IN PROPER PLANNING OF THEIR FINANCES SO THAT THEY CAN COPE WITH UNCERTAINTIES

NEEDED

A secure financial future for the family. Shield to face job related uncertainties.

MONTHLY INCOME (Post Tax) **₹ 1,40,000**

MONTHLY EXPENSES **₹ 73,000**

NET MONTHLY SURPLUS **₹ 67,000**

GOALS

IN ORDER OF PRIORITY

	Current value	Future value
AMAN'S EDUCATION (2024, inflation 10%)	₹ 15 lakh	₹ 47 lakh
AMAN'S MARRIAGE (2032) (inflation 6%)	₹ 10 lakh	₹ 32 lakh
RIDHIMA'S EDUCATION (2027, inflation 10%)	₹ 15 lakh	₹ 62.5 lakh
RIDHIMA'S MARRIAGE (2035) (inflation 6%)	₹ 10 lakh	₹ 38 lakh
HOUSING LOAN REPAYMENT (2012)	₹ 20 lakh	₹ 20 lakh

RETIREMENT PLANNING (2043) (inflation 6%) (Life expectancy - 80 years)

ANNUAL EXPENSES (EXCLUDING EMI)	FUTURE ANNUAL VALUE	CORPUS REQUIRED
₹ 3.6 lakh	₹ 14.5 lakh	₹ 2.4 cr

CURRENT INVESTMENTS

SAVINGS ACCOUNT	₹ 1 LAKH
BANK FIXED DEPOSITS	₹ 10 LAKH
NSC	₹ 10 LAKH
ULIPS	₹ 3 LAKH

FINDINGS

EMERGENCY FUND:
Sufficient liquidity available.

LIFE INSURANCE:
The life cover is not adequate.

HEALTH INSURANCE:
Employer provided cover of ₹ 3 lakh.

INVESTMENTS:
Tilted towards the safe instruments.

LIABILITIES:
Home loan with balance tenure of 14 years.

PROVIDENT FUND:
Almost zero balance.

RECOMMENDATIONS

EMERGENCY FUND: He needs to break FD of ₹ 10 lakh and make a fresh FD of ₹ 3.40 lakh. This in addition to savings account balance.

Express tip: Ideally in young age it should be 3 months of monthly expenses but can be increased as per the situation.

LIFE INSURANCE: Ashish does not have adequate life insurance coverage. He should have cover of at least ₹1.8 crore. It is advisable to buy a term plan online which would cost around ₹ 25,000 pa.

Express tip: Not having adequate insurance coverage may jeopardise the financial lives of dependents in case of any mis-happening.

HEALTH INSURANCE: Ashish should immediately buy a separate floater health insurance policy of ₹ 5 lakh covering all his family members, costing around ₹ 9,000 pa.

Express tip: Switching jobs is common these days. Get yourself an individual medical cover to manage any health emergency.

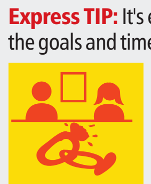
ACCIDENT INSURANCE: Ashish should buy accidental insurance coverage of at least ₹ 1 crore with a temporary total disablement benefit of ₹ 15 lakh, so that the basic family expenses should not get hampered due to unforeseen accident. The premium for this would be around ₹ 13,000 p.a

Express tip: Coverage for disability and loss of income is a necessity in today's fast lifestyle.

CHILDREN'S EDUCATION (2024/ 2027): He should allocate ₹ 4 lakh from his bank FD to this goal, and start saving ₹ 21,000 pm in the equity:debt ratio of 80:20. Use equity diversified mutual funds for equity allocation and dynamic bonds and PPF for debt allocation.

RATE OF RETURN ASSUMED 14% POST TAX IN EQUITY AND 8% POST TAX IN DEBT.

Express TIP: It's easier to select products when the goals and time horizons are clear.



CHILDREN'S MARRIAGE (2032/ 2035): Start saving ₹ 5,500 pm in equity:gold ratio of 80:20. You can use gold ETF route.

RATE OF RETURN ASSUMED IS 14% POST TAX IN EQUITY AND 8% POST TAX IN GOLD.

Express TIP: Gold is an essential asset as far as children's marriage planning is considered

RETIREMENT PLANNING (2036): Ashish should understand the importance of EPF as it gives tax free returns and can be used as a good retirement savings tool. Start saving ₹12,500 in equity:debt allocation of 80:20 for this goal.

Express tip: EPF is a good and compulsory savings instrument which has the potential to multiply your investments manifold due to employer's contribution and compounding factor. The longer you keep investing, the greater is the accumulation on maturity. That's why whenever you switch your job; transfer the balance of EPF in new account.

LOAN REPAYMENT (2012): He should surrender the ULIPs, start recurring deposits of balance surplus left after all the savings towards other goal and transfer the accumulation to loan account every six months. Use the maturity proceeds of NSCs next year to clear off the loan.

Express tip: One should be out of debt liability as soon as possible to concentrate better on other important goals.

CONCLUSION

The early you start with the financial planning process, the better you are positioned to work on it. In the early stages of life, we have ambitions towards earning more income, but it is important to understand that income is of no use if not managed properly

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■ RETIRE RICH

Don't save, invest for a secure future

Previous generation had to save for retirement but the current generation will have to invest for a comfortable post-retirement life, says **Ritu Kant Ojha**

WHILE it is generally believed that people do not want to plan for their retirement and it is the last thing on their mind, a report by global management consulting firm Accenture threw some interesting facts about India.

The Accenture report says Indians are among the most confident about their current level of savings with 39 percent believing that they are saving enough for their retirement, compared to the global average of 16 per cent. The report titled "Consumers see the light as retirement shortfall looms", based on a survey on the subject of retirement planning in 15 countries including India, says, "compared to the global average of 82 per cent, who say they are worried about their retirement, India scores 84 per cent."

About 68 per cent Indians are more confident about knowing how much they need to save every month to guarantee their standard of living at retirement, compared to the global average of 33 per cent, it says. Almost all Indians (99 per cent) say it is important for them to start saving now.

While the Accenture numbers look encouraging, experts in India feel that given the fact that Indians are living longer, 75 and above, coupled with high inflation, need for retirement is increasing at a fast pace. The fact that, in India, families are becoming smaller and due to geographical labour mobility, children are increasingly likely to be separated from their parents. Changing social values have made joint family unattractive for the urban younger generation.

And if experts are to be believed, this is only going to get worse. This means, those who are now in their 30s and 40s need to take retirement planning as the most important goal and start working towards it before it is too late. Gone are the days when one could completely bank upon their children to take care for post-retirement life.

IS IT DIFFICULT TO RETIRE RICH?

As per the Accenture report, commentators and industry players have long lamented that consumers either don't understand the need to supplement the public or employer pensions which they may expect to receive, or believe they have more than enough time to save. But it seems they are turning back from the brink – across the globe, they recognise they urgently need to take individual responsibility for their retirement, because delegating it to someone else will leave them short of the mark. However, with high inflation the old strategy may not work for the current generation. "Previous generation had to save for retirement; current generation will have to invest," says PV Subramanyam, author of 'Retire Rich -- Invest ₹ 40 a day'.

"When people are expected to live till the age of 85-90, growing your investment by 8 per cent will not help especially when inflation itself is around that level," Subramanyam suggests. There is an important message in "current generation needs to invest."

Earlier, public provident fund and fixed deposits along with post office savings was considered the smartest way to save towards retirement. Times have changed now. With increasing consumption demand, the prices are shooting through the roof. This leads to the question: Is it possible to retire rich and if yes how? Many couples, when they meet a financial planner for the first time, get excited when they are told that a ₹ 10,000 monthly SIP in an equity fund can grow to ₹ one crore in 20 years' time at a 12 per cent annualised return. The excitement is soon vanished when they are told that given their current expenses, it's only one-fourth of what they would actually require.

C R SASIKUMAR

According to experts, it is not difficult to retire rich, provided one starts early. Taking services from a financial planner can be a wise step as what could seem 'enough' at this stage might be a fraction of what you might actually need 20-30 years from now. Those who find understanding financial products difficult, can start by a simple strategy. Out of the ₹ 100 saved after deducting all expenses, home loan EMIs, contributions made to employees' provident fund, public provident fund, insurance premiums and bank savings, divide what is left in three parts. Invest 50 per cent out of that in a large-cap equity fund, 30 per cent in a balanced mutual fund (it invests in a mix of debt and equity) and the balance 20 per cent in a pure debt fund.

Though investment planning is a complex process, especially planning for retirement, disciplined investments done for a long time will ensure you are able to sail through comfortably. There are many other options which one can explore alongside investing in mutual funds – like New Pension System, directly in stocks and investing in hybrid products. "Equity has to be a major part of retirement savings to create enough corpus. For retiring rich, equity is the fastest way," suggests Kartik Jhaveri, a Mumbai based financial planner.

However, a word of caution: experts suggest not to get caught in the web of high cost "retirement products" that rely on heavy advertisements to sell their products which only benefit the companies selling them and their agents. Keeping it simple is the mantra along with making cosmetic changes from time to time based on change in income and various life stages. You may get yourself in an extremely difficult situation if you depend on your children for your post-retirement life and they neglect you when you need them most. ◆

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SHORTFALL IN FUNDING RETIREMENT

POPULATION worldwide is ageing. While the world has slowly come to terms with the damage caused by the sub-prime crisis, many financial analysts are now warning that even greater economic threat is looming – the massive shortfall in funding for workers' retirement. Sample this: in the US, consumers and government organisations would need to add $6.6 trillion to their existing funds to allow pensioners to maintain their standard of living.

A report commissioned recently by the European Central Bank states that across 19 of the EU nations, state-funded pension obligations total approximately $37 trillion, about five times more than their combined gross debt. It will be much more difficult for Indians as a large majority is not touched by any kind of pension scheme.

■ INVESTMENTS

Can and cannot of financial planning

SUMEET VAID

WE are constantly on a look out for a plan which can eradicate our problems or provide instant solutions and for many, financial planning appears as one such magic wand. However, these people fail to realise that financial planning can only assist you with monetary concerns and not the offspring of these problems.

Here is the lowdown on some of the aspects of our lives where financial planning cannot do anything to make things better.

SHOPPING ADDICTION

If you are one of those shopaholics who think that a credit card is a 'mystic device,' which can get you anything that catches your fancy; or if you relate with the protagonist of the movie 'confessions of a shopaholic,' then think again.

Financial planning cannot stop you from controlling your urges to splurge. For any kind of financial plan to help you, you need to inculcate self-discipline in yourself towards the way you treat money. But yes, what financial planning can do for you is give you a clear idea about the surplus funds you can use when you want to satisfy the shopaholic in yourself.

EDUCATION DILEMMA

You might think that all you need to do for your child's bright future is keeping a financial plan ready for his higher education. However, we forget that financial planning can only provide the college admission fees and the other education-related expenditures but it cannot guarantee your child's inclination towards education and his performance in studies. Before you push your child into a course, ensure that he is inclined towards it, else irrespective of how much you plan; it will not help your child.

MARITAL BLISS

Most parents hope to gift their child the perfect fairy tale wedding, and this is one life event for which parents have always planned even before the concept of financial planning was introduced. Yet, with weddings getting bigger and inter-caste marriages becoming common, one cannot rule out complications during the wedding. So, while financial planning helps you equip yourself for the big fat Indian wedding to avoid any fund-related hassles that invariably crop up, its best that you also plan other aspects of the wedding as minutely as possible with child's to be in-laws.

HEALTH MATTERS

A financial plan for health ailments certainly ensures that you and your family get medical attention as and when needed. But, many of us overlook the fact that a financial plan can only take care of the hospital bills not the overall good health, which is based on many factors other than the doctors and hospital fees.

RETIREMENT PREDICAMENT

A retirement is looked at as a second innings by people today. A time when one can do things that they could not in their youth, like pursuing a hobby.

People think that making an early financial plan for retirement is good enough to make the second inning awesome. However, we don't realise that a financial plan for retirement can only take care of the fund-based requirements. To make the retirement truly awesome, you need to follow your heart and actually do things you enjoy.

TRAVELLING QUANDARY

A financial plan for an exotic holiday abroad can help you and your loved ones to travel to your dream destinations without fretting about the travel cost and the exorbitant nature of the place. However, in this case, financial planning cannot promise you complete rejuvenation and relaxation if while travelling also your mind is occupied with work and work related stress.

Financial planning is the path to achieve financial freedom, but once you achieve 'freedom' it is the choice you make in other aspects of your life which determine whether or not you are able to enjoy the rewards of following a financial plan. ◆

—The Author is Founder-CEO, Freedom Financial Planners