EXPRESS Money
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EXPRESS CLINIC

NAME: **SUBHASH SHUKLA (37) & PREETI SHUKLA (37)**
RESIDES IN NOIDA, UP
PROFESSION: BUSINESS DEVELOPMENT MANAGER IN A SOFTWARE COMPANY

ANNUAL INCOME
(₹14.40 lakh)

STATUS & GOALS

Subhash belongs to Varanasi but lives and works in Noida. He is a father of a three-month-old boy, Samarpan. Like every parent he wants a good education for his child along with a stable and comfortable retirement for himself. His wife Preeti is a homemaker but she would like to start working once Samarpan starts his schooling. Buying a family car is also on their priority list, but not before securing their financial future. Subhash expects his income to increase by 10 per cent every year. He understands that he's starting late for his savings and is ready to delay his retirement.

NEEDED

A financial roadmap which can help them secure their child's education and marriage, while also creating a sufficient retirement corpus

MONTHLY INCOME (Post Tax) **₹1,20,000**
MONTHLY EXPENSES **₹43,000**
NET MONTHLY SURPLUS **₹77,000**

GOALS
IN ORDER OF PRIORITY

	Current value	Future value
SAMARPAN'S EDUCATION (2031) (inflation 10%)	₹15 lakh	₹383.39 lakh
SAMARPAN'S MARRIAGE (2039) (inflation 7%)	₹5 lakh	₹29.03 lakh
CAR PURCHASE (2018) (Inflation 7%)	₹10 lakh	₹14 lakh
RETIREMENT PLANNING (2041) (inflation 7%) (Life expectancy: 80 years)	Current annual expense ₹5.16 lakh	₹34.30 lakh

RETIREMENT CORPUS REQUIRED **₹4.80 crore**

CURRENT INVESTMENTS:
Savings Account: Rs 1 lakh
Bank Fixed deposits: Rs 1 lakh
Pension Plan: Rs 1,20,000

FINDINGS

EMERGENCY FUND: His savings account balance and bank fixed deposits collectively will serve the requirement of emergency funding.

LIFE INSURANCE: He doesn't have any life cover.

HEALTH INSURANCE: He has health insurance coverage of Rs 3 lakh through employer.

INVESTMENTS: He is investing Rs 20,000 per annum in a pension plan

LIABILITIES: He is debt free

PROVIDENT FUND: His EPF contribution is the minimum as per law i.e. Rs 780 equally contributed by his employer. The current balance is Rs 73,500.

RECOMMENDATIONS

EMERGENCY FUND: He needs emergency fund of at least Rs 1,30,000 which can be built with savings account balance and breaking bank fixed deposit. This amount should always be in liquid form.

Express TIP: Emergency fund should always be the first step in financial planning.

LIFE INSURANCE: Subhash's wife and son have no financial security. To cover up this responsibility he needs to have adequate life insurance coverage. As per needs based analysis he should have insurance coverage of at least Rs 2 crore. He should buy this coverage online which would cost him around Rs 50,000 p.a

Express TIP: When you have financial dependents, before starting with any savings give them adequate security by purchasing adequate life insurance coverage for self.

HEALTH INSURANCE: He should buy separate health insurance coverage of at least Rs 5 lakh for himself and his family in addition to the coverage provided by his employer. It would cost him around Rs 12,500 p.a.

Express TIP: One should never be dependent on ones employer for health insurance.

ACCIDENT INSURANCE: Subhash should buy accidental insurance coverage of at least Rs 2 crore with a temporary total disablement benefit to take care of the effect of any disability on the family's finances. The premium for this would be around Rs 23,730 p.a.

Express TIP:: Disability coverage is as necessary as life insurance coverage.

SAMARPAN'S EDUCATION (2031): He should start investing Rs 12,500 per month in the equity debt ratio of 70:30. 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 is always wise to start early for a long-term goal. Due to the compounding benefit, the early you start the less will be the investment outflow.

SAMARPAN'S MARRIAGE (2039): Start saving Rs 2,000 p.m. in equity gold ratio of 80:20 for this goal. Use Gold ETF for gold allocation.

Rate of return assumed is 14% post tax in equity and 8% post tax in gold.

Express TIP: Indian marriages don't happen without gold, so better to start accumulating the required quantity as early as possible.

CAR PURCHASE (2018): Start saving Rs 18,000 per month for this goal in a balanced fund having equity debt ratio of 65:35

Rate of return assumed is 10% post tax.

Express TIP: Any depreciating asset like car should never be purchased on loan. Try to save enough for a car.

RETIREMENT PLANNING (2041): Subhash should allocate the balance left in bank FD and pension plan savings for this goal. He should also start investing Rs 19,000 per month in equity-debt ratio of 70:30. Rest will be taken care by his EPF savings.

Rate of return assumed is 14% post tax in equity and 8% post tax in debt.

Express TIP: EPF is a great tool to supplement your retirement corpus. You should let it accumulate till your retirement and never withdraw in between for whatever reason.

CONCLUSION

It is very important to be active with your personal finance the moment you start earning. Even if due to responsibilities you may not be able to save initially, you still can achieve your important goals comfortably if you are able to control your spending pattern so you are left with higher surpluses for investment. Better late than sorry.

PLAN BY MANIKARAN SINGAL,
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■ COVER UP

Importance of insurance for women

While women are taking their own financial decisions when it comes to savings and investments, many don't consider insurance products with any degree of seriousness

SYATEESH SRIVASTAVA

INDIA, over the past two decades since the first wave of economic liberalisation, has seen a great deal of not just economic change but linked societal change as well. This societal change has also remodeled traditional societal models regarding the role of women.

More and more women, particularly in the cities, are becoming financially independent and becoming equal if not dominant contributors to the household budget. The truth is that a lot of women are taking their own financial decisions when it comes to savings and investments.

Despite this, many women do not consider insurance products and plans with any degree of seriousness. Insurance plans are great instruments for protection and long-term savings and can play a very significant role in achieving long-term goals.

Today there are many insurance plans that can help women secure themselves and their loved ones and plan for the future as well. The challenge is where does one start?

A great way to start is to make an assessment of your income, assets (savings and investments) and liabilities (loans). One must factor in the number of dependents into any financial calculation.

So, how does one go about assessing what sort of insurance plans to consider? Let us start from the beginning.

If you have any dependents — aged parents and siblings — then it is imperative to have a term plan in your insurance basket. A term plan is a plan that gives your nominees a certain corpus of money in case of death occurring during the policy period. This ensures that your surviving dependents can live the same lifestyle even in the unfortunate circumstance of your death.

A term plan normally gives no money back at the end of the policy period if you survive but it buys a large cover for a relatively small premium payment. There are a few plans in the market that give the sum of all premiums paid back on completion of the policy term. These are relatively more expensive.

HOW MUCH IS ENOUGH?

THIS is where most of us miscalculate badly and under-insure ourselves. A good thumb-rule is to take your gross annual income and multiply it 6-8 times to arrive at a base insurance amount. Add any secured loans (housing loan, auto loan, gold loan etc) and deduct the current life insurance you already have one.


THINKSTOCK

Assume a gross annual income of Rs 6,00,000 with an outstanding housing loan of Rs 15,00,000. The total of all existing insurance policies is Rs 3,00,000. The minimum insurance cover required is Rs 48, 00,000. This is a far cry from the Rs 3,00,000 of insurance that is currently held.

Women with no financial dependents should not consider term insurance. To buy a term plan one should get in touch with a financial counselor. There are also a number of companies selling term plans online.

Once term insurance is out of the way the other critical thing that needs to be covered is medical expense. Everyone must have a medical insurance. Given the ever increasing costs of treatment and the incidence of lifestyle and other new-age diseases, not having a medical insurance can lead to financial debilitation. There are scores of medical plans available in the market.

Even if one is working and has a health insurance provided by an employer, it is better to have independent personal health insurance as well. Employer insurance ends immediately on end of employment and this could leave one uncovered. Also as one gets older it becomes more expensive to get a health insurance cover. Take a health plan early and lock in lower rates.

> **ANOTHER aspect where insurance comes in very handy is in retirement planning. The best time to plan for retirement is the day you start working.**

Another aspect where insurance comes in very handy is in retirement planning. The best time to plan for retirement is the day you start working. However, very few of us think like that. It is important to start saving early, the earlier the better, since this means that one can build a larger corpus leading to a more comfortable retirement. Retirement plans have two phases. The first phase is when you accumulate and grow your money. The regular premium paid by you is invested in market-linked instruments such as stocks and shares, bonds, deposits and many other instruments. This money grows until the pension plan matures or vests. At this point you have the option of withdrawing 33 per cent of your corpus. The balance 33 per cent has to be invested in what is called an annuity plan. The annuity plan is what gives you a periodic payout in the form of a regular pension.

How does one go about calculating how much money to invest in a pension plan? The best way is to sit with a financial counselor who will be able to assess your future needs, factor in inflation and arrive at the pension you want. To do this you must tell the counselor the age at which you wish to retire which should coincide with the vesting date of the plan.

CHILD PLANS

ANOTHER area of concern to women is the money needed for their children. This money can be for marriage, further education or just to provide a loved one with a head-start in life. Whatever the end use be, this is a very critical need to save. A number of insurance companies have designed plans specifically for these needs. These are called child plans.

A child plan, like any other insurance plan, involves the payment of a regular premium. This premium is invested and the regular premiums go towards building a corpus that is paid out as a lump-sum at the time when it is most critical — before your child goes for higher education or before their marriage.

The best time to invest in a child plan is at the time when the child is born. This helps to maximize the corpus at the time when it is most needed. Child plans come with an option whereby if something were to happen to you the insurance company will pay all future premiums and ensure that your child gets the corpus as planned. This is called a waiver of premium option and one should not buy a child plan without this option.

As demonstrated insurance can help you plan your life better in a number of different ways. Insurance makes you both secure and prepared.

—Author is Chief Marketing Officer & Head — Talent, AEGON Religare Life Insurance.

■ NEW LIFE

Financial essentials for newly weds


ADHIL SHETTY

IT is a truth universally acknowledged that money plays a very important role in the success of any marriage. Therefore, a financial plan deserves undivided attention right from the beginning of a married life. The first thing that couples should do after marriage is to check out their financial appetites, preferences and compatibility so that a common road map can be chalked out for their joint future.

FINANCIAL MUSTS

There are certain legal processes, which have serious implications on ones financial status which must be undertaken as soon a possible after tying the knot.

CHANGE OF NAME & ADDRESS: Your bank and financial institutions need to be informed about your new status and if there is any change in your name or surname or a change in address, it needs to be updated.

CHANGE OF NOMINEE: One needs to change the nominee at various places such as bank accounts, securities, insurance policies and other investment arenas.

FAMILY BUDGET

A completely new approach to financial planning has to be adopted keeping in view the new responsibilities and roles. Both the partners have to sit down and chalk out a road map by defining the exact earning potential, essential expenditures and then setting goals accordingly. The financial aptitudes of both the partners have to be considered in order to work out a middle path with balanced risks in the investment. The responsibility of monitoring of earnings, expenses and investments has to be divided among the partners so that a tight control is maintained.

In case either has an outstanding loan, the repayment from combined funds has to be planned so as to pay off at the earliest and start afresh. Some long-term as well high-cost financial goals such as vacations abroad and purchase of home or car will necessitate careful planning and disciplined implementation right from the beginning to be realised in time. The goals must be realistic and should cater for a few unseen circumstances that may crop en route.

INSURANCE COVER

Existing cover may require to be enhanced keeping in mind the dependence of another life on your income. The couple will have to initially work out the amount that they spare for the premiums of the policy and compare it with their need for cover. Expert advice from financial planners can also be sought in this regard to get a more accurate estimate of the requirements vs. funds available.

EMERGENCY CORPUS

The very nature of life is unpredictable. There may be several unforeseen contingencies requiring money such as sudden loss of job, health problems, car repairs or house renovations. Even one may have to cater to health problems of the parents of either of the partner's parents at a short notice. While prior to marriage the need for emergency funds was limited to own needs only, post marriage this must cater for the combined needs. Thus an emergency fund that is approximately half a year of expected family expenses must be kept aside within easy and quick access.

Financial success of a family depends on equal effort and team work from both the partners that would ensure financial stability and success over a long period of time. The couple has to invariably learn how to spend smartly and save a decent sum of money so as to achieve financial freedom and security at the earliest.

—The author is CEO, Bankbazaar.com