EXPRESS CLINIC

NAME: **RITESH BHARDWAJ**
RESIDES IN NEW DELHI
PROFESSION: DOCTOR

ANNUAL INCOME
(₹15 lakh)

STATUS & GOALS

Ritesh and Rohini are a newly married couple. They are from Ludhiana but reside in New Delhi as Ritesh works in a private hospital in Delhi as a cardiologist. Rohini is a house wife and is expecting a baby. At present, Ritesh lives in a rental accommodation but wants to buy a house outside Delhi and start practicing there. He also wants to study further and would like to make provisions for the same. Ritesh's parents are not financially dependent on him. Ritesh expects 10 per cent increase in his annual income post tax.

NEEDED

A comprehensive financial plan securing purchase of flat, retirement and higher education

MONTHLY INCOME **₹1,25,000**
MONTHLY EXPENSES **₹45,000**
NET MONTHLY SURPLUS **₹80,000**

GOALS

IN ORDER OF PRIORITY

HIGHER EDUCATION
(2016) (inflation 10%)

CURRENT VALUE	FUTURE VALUE
₹15 lakh	₹19.96 lakh

KID'S EDUCATION
(2031) (inflation 10%)

CURRENT VALUE	FUTURE VALUE
₹20 lakh	₹1.11 crore

KID'S MARRIAGE
(2039) (inflation 7%)

CURRENT VALUE	FUTURE VALUE
₹10 lakh	₹58.07 lakh

BUYING A HOUSE
(2021) (inflation 10%)

CURRENT VALUE	FUTURE VALUE
₹30 lakh	₹64.30 lakh

RETIREMENT PLANNING
(2041) (inflation 7%) (life expectancy – 80 yrs)

CURRENT EXPENSES (PA)	FUTURE VALUE (PA)	CORPUS REQUIRED
₹5.76 lakh	₹38.29 lakh	₹6.45 crore

CURRENT INVESTMENTS

SAVINGS ACCOUNT Rs 2 lakh
BANK FIXED DEPOSITS Rs 1 lakh

FINDINGS

EMERGENCY FUND Ritesh can use the amount in his bank saving and fixed deposit during emergencies.
LIFE INSURANCE He doesn't have any life insurance policy in his portfolio.
HEALTH INSURANCE He has health insurance coverage of Rs 3 lakh family floater.
INVESTMENTS Ritesh is yet to invest in debt or equity. Whatever he has saved is in bank deposits.

RECOMMENDATIONS

EMERGENCY FUND He needs to keep Rs 1.35 lakh in his saving account and maintain it as an emergency fund.
Express TIP Emergency fund carries utmost importance and helps in managing contingencies like health problems or job loss.

LIFE INSURANCE Ritesh does not have any life insurance coverage. His responsibilities are going to increase as a father, so he should buy adequate coverage. To start with, he can get Rs 1 crore of sum assured cover, and keep reviewing it year on year. It is advisable to buy this through online term plans which would cost around Rs 17,000 p.a.

Express TIP Life insurance is meant to secure your financial responsibilities towards your dependents in case of your untimely death.

HEALTH INSURANCE Ritesh should increase the health insurance coverage of himself and his wife to at least Rs 5 lakh. The health treatment in metro cities is much more than in small town.
Express TIP Health insurance coverage should always be bought keeping in mind the cost of treatment of the city you live in.

ACCIDENT INSURANCE Ritesh should buy accidental insurance coverage of at least Rs 1 crore with a temporary total disablement benefit of maximum available coverage. The premium for this would be around Rs 13,000 p.a.
Express TIP Disability coverage is very important in if one is the sole bread earner in the family.

RITESH'S HIGHER EDUCATION (2016)

He should allocate Rs 1.65 lakh from his bank saving and fixed deposit towards this goal, and start saving Rs 42,000 p.m. in debt oriented balanced mutual funds. If required, he may think of taking education loan.
Rate of return assumed 10% post tax.
Express TIP Education loan is among the better loans.On one side it helps in building your career as well as offers tax benefit on interest payment.

CHILD'S EDUCATION (2030)

He can delay the saving towards this and use the surplus left for the self-higher education goal. After the birth of his child he should start investing Rs 16,000 p.m. in debt equity ratio of 80:20 in mutual funds.
Rate of return assumed is 12% post tax in equity and 8% post tax in debt.
Express TIP It is wise to foresee the long-term goals and start investing for the same whenever your surplus position allows. This will reduce the financial burden later in life.

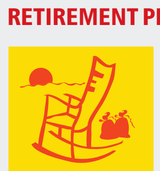
CHILD'S MARRIAGE (2039)

He should start saving Rs 3,000 p.m. towards this goal in equity debt ratio of 80:20. For equity allocation equity mutual funds can be used and for debt allocation PPF would be the suitable option.
Rate of return assumed is 12% post tax in equity and 8% post tax in debt.
Express TIP The early you start saving for very long-term goal, the less you have to shell out of your pocket due to power of compounding.

HOUSE DOWN PAYMENT (2021)

Start saving Rs 9,500 p.m. in asset allocation of 80:20 in equity and debt. Use equity and debt mutual funds for this allocation.
Rate of return assumed is 12% post tax in equity and 8% post tax in debt.
Express TIP One should save for a higher down payment in order to reduce the loan EMI burden.

RETIREMENT PLANNING (2038):



Most of his surplus has been adjusted in other goals but looking at the rise in income at 10 per cent per annum, if Ritesh starts saving Rs 12,500 per month and keeps on increasing his savings by 10 per cent every year, he can comfortably reach his retirement target. The savings should be in equity debt ratio of 80:20.
Rate of return assumed is 12% post tax in equity and 8% post tax in debt/EPF.
Express TIP Though professionals don't treat retirement planning as an important goal as they assume that they will keep on working forever, one has to accept the fact that with age a persons earning capacity often comes down.

CONCLUSION

An early start to financial planning pays in the long-term. And when you start with clarity of thought, the journey becomes easy. Once the plan is designed you just have to follow it religiously and then everything will fall in place.

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*

■ **INTERVIEW** PRAVEEN GUPTA, MD AND CEO OF RAHEJA QBE GENERAL INSURANCE COMPANY

'Cover for clinical trial is not a me-too product'

ENS ECONOMIC BUREAU
NEW DELHI, MAY 11

THE clinical trials industry clocks a turnover of over $50 billion globally every year. But India despite the potential of a large population garners less than $500 million of this business, or about 0.1 per cent.

Yet the obvious advantages of India make it a first class base for the industry because of the large population base with diverse ethnic groups which are now supplemented by well equipped hospitals and strong IT infrastructure to back them up. While the clincher is obviously the relatively low cost of conducting the trials the presence of trained and qualified medical personnel to carry out the tests and a strong legal framework for the trials is an additional advantage.

As the market has grown, over 100 pharmaceutical companies and Contract Research Organisations are now actively involved in carrying out clinical research for all kinds of trials and new chemical entities. The problem is the lack of good insurance coverage for the sector that will cover the patients and make it less than financially crippling for the entities for cases when accidents do happen. And this is a real scare.

For instance sector has been under the spotlight over the last year as reports of unethical practices in conduct of clinical trials leading to deaths of trial patients raised an outcry.

The role of the regulator, Central Drugs Standard Control Organisation was questioned by the Parliamentary standing committee on health and family welfare which claimed the regulator has apparently put the interests of the drug industry ahead of consumers. Even the Supreme Court has observed that "uncontrolled clinical trials are causing havoc to human lives".

In this context the Drugs and Cosmetics Rules, 1945 have been amended posing an increased burden on the companies (sponsor/his representative) to provide for financial compensation to trial subjects if they meet with an injury or death.

There are three amendments of the rules; each designed to make the compensation process transparent for persons who volunteer for clinical trials. But insurance companies now claim what has happened is the government has ended up including provisions where compensation is payable even for cases that have no connection to the clinical trial but have happened to the subjects.

This, insurance companies say, are dicey to factor in. There are also provisions for "free medical management as long as required", a sort of an open ended claim for insurance cover.

As Praveen Gupta, MD and CEO of Raheja QBE General Insurance Company says,"To take an example, a subject meeting with an accident causing spinal injury leading to paraplegia is likely to require medical management for the rest of his life. Does this mean that even if this accident is caused by a speeding vehicle, the sponsor may have to pick up the tab?"

Excerpts from an interview on the specialist sector:

You are one of the rare insurers offering a cover for clinical trials. But the market seems to be a slow mover. Why?
This is not a me-too product. It comes as a time-tested solution from the QBE stable, in the UK, where the Medical Liability underwriting team is a centre of excellence since 2002. Yes we are a specialty insurer. But the cornerstone of our effort is to make available solutions of international standards to customers in India. As regards clinical trials specifically liability insurance is concerned, as I said the best practices and support come to us from our QBE Medical Liability centre of excellence, based out of London.

There have some rules issued by the government expanding the scope of coverage by the insurer for such trials. To what extent do these rules make the insurance product costly?
The evolving regulations make a strong case for a solution rather than a product. This calls for case specific tailor-made solution. Depending on the complexities and combinations, price will vary.

In the recent past, the oversight of this segment has evolved rapidly, which we feel is resulting in gaps in available risk transfer solutions. We have been closely studying these developments and believe that we can assist and effectively fulfil our customers' needs on this front.

Before issuing the expanded coverage possibility did the government consult the insurance industry about the possible impact on premium and global experience.
These, I think, are two unrelated developments. The main challenge was, and is, to effectively manage an emerging risk. Significant learning and bench-marking comes from the likes of the USFDA. Insurance is a means of exploring risk transfer mechanism. Yes there is a concern about the new rules provide for free medical management as long as required in case of injury occurring during clinical trial. This is required even where injury is not related to the clinical trial. So in cases of all such injury or death is related to the clinical trial, financial compensation is to be paid.

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Other than clinical trials, insurance covers like directors' policy too seem to be a slow starter despite the expansion of subjects like corporate governance in the Companies Bill. How do you assess that?
Directors and officers liability insurance is on the threshold of a take-off. The trigger, according to me, will come from the passage of the Companies Bill.

Raheja QBE is a speciality insurer. How supportive is the insurance regulator to the development of niche products in India?
All our products have come into being with the support and active involvement of our regulator.

But the general insurance sector in India does not seem to be coming up with new products in the past few years. What could be the reason?
New products are being introduced from time to time. Just that the growing humongous volumes of motor and health insurance tend to overwhelm the rest of the lot.

■ **PLASTIC MONEY**

Ways to manage your credit card dues

ADHIL SHETTY

SWIPING credit cards has always been very easy but managing and repaying the dues has never been so. Most of credit card customers are unable to manage and repay their credit card bills due to their sloppy spending habits and negligence about the mechanics of credit cards. We'll look into each of these issues and the ways to overcome them.

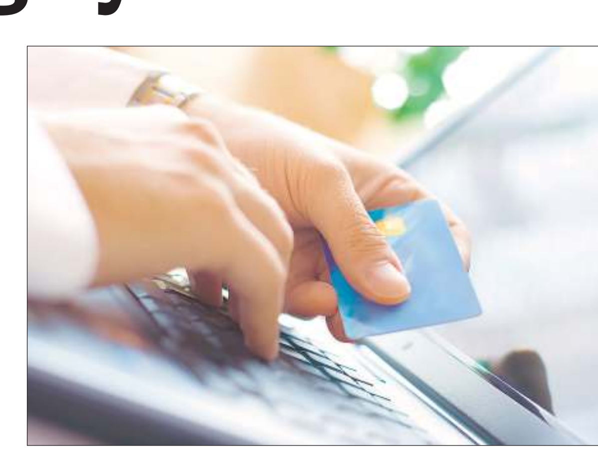
KNOW THE BASICS
Knowing basic terms like billing cycle, minimum-amount due and grace period is indispensable to manage both spending and repayment patterns, and any negligence on our part could result in spiralling interest costs. Any sound repayment strategy starts with strong basics.

STOP ERRATIC SPENDING
Today, most of the purchases have become slicker than we might think due to the advent of more shopping malls and online shopping marts, and as a result we end up in a spending spree by completely losing control. A manageable debt always follows a controlled debt, and hence the imperative to stop sloppy spending habits.

The above discussed points constitute the basic requirements to effectively plan and manage the repayment of credit card dues because even the best repayment strategies fail without good debt control.

PAY WITHIN THE BILLING CYCLE
The first step is to ensure that the debt or the interest costs do not spiral out of control, and a sure way to do this is to ensure that the entire outstanding amount is paid within the billing cycle. This is easier said than done,but many card holders use this strategy effectively by timing their purchase and repayment within the billing cycle. You could also become a convenience user by paying off all your bills within the grace period without any interest, but this option comes into effect only if the previous bill is also settled before the billing cycle or grace period.

CONVERT DUES INTO EMI
In case of big ticket purchases, a cardholder can convert his purchases into equated monthly instalments. This option works like a consumer loan where the loan amount plus the interest component is converted into EMIs and repaid over a period of 6 to 24 months as instalments. Not all purchases are eligible under this option, the total purchase has to cross a minimum threshold limit and, in some cases, the purchase has to be only from specified merchant outlets. The purchases have to be converted into EMI within a period of 30 days from the date of purchase. Most cards offer two options under this category: low-interest option and interest-free option. Under the low-interest option, the interest rate charged is lower than the usual interest rate that would have been charged on the total purchase amount if the EMI option had not been exercised. In case of zero-interest option, no interest is charged for the entire period during which the total amount is repaid by way of monthly instalments; only a big ticket purchase from a selected merchant or a purchase above the minimum amount is eligible under this scheme. Generally under the zero interest scheme the tenor is comparatively short.



BALANCE TRANSFER
In times of cash crunch, a cardholder can wisely opt for the balance transfer facility. Under this facility, the outstanding balance in one card is transferred to another card issued by a different bank at a lower interest rate. A balance transfer is often done either to avail a lower interest rate and thereby curtail spiralling interest cost or to consolidate the total outstanding amount under a single card to make it more manageable. The flip side of this facility is that the low interest rate is available only for the initial few months, and the account reverts back to the prevailing normal interest rate after this initial period of 3 to 6 months.

Generally, a processing fee of 1 to 2 per cent is charged on the transfer, and it usually takes 7 to 10 days for the balance to get transferred. Besides, the amount that can be transferred is generally restricted to 75 per cent of the total limit available in the new card. The cardholder shouldn't have failed to pay the minimum amount due under both the cards during the time of transfer. Some cards do offer the option of paying the amount transferred in EMIs like the SBI credit card.

Under extreme cases when the debt hits the ceiling, the best option would be to repay the entire amount with a personal loan. Personal loans do offer lower interest rates when compared to credit cards and are better manageable with regular EMIs. But credit card dues need not be paid always through the personal loan route, a controlled spending pattern and a well planned repayment strategy would ensure a well managed debt. The credit card should be used as an instrument to leverage cash flows, and this depends on how we develop the habit of spending responsibly and prudently.

Author is CEO, BankBazaar.com