

Makeover

FINANCIAL PLAN BY BRIJESH DALMIA, CFP

BACKGROUND

Yashwant Kumar Singh, 52, a general manager with an IT company, stays in a rented accommodation in Kolkata with his wife, Sulochana, 49, a home maker and his two children Abhijeet, 25, a bank employee and Varsha, 24, currently pursuing studies in law.

CURRENT SITUATION

Yashwant's expenses are under control and over the years, he has made regular savings. His 11-year-old PPF account has a balance of Rs 2 lakh and the value of his retirement corpus, including his PF accumulations is Rs 12.5 lakh. He also has investments in Kisan Vikas Patra (KVP) and National Savings Certificate (NSC) that will mature in 2007 and 2008. Investments in stocks and mutual funds are insignificant. Yashwant has a house in Varanasi and is set to build a 1,250 sq ft flat in a cooperative society in Kolkata's Rajarhat area. He has a life insurance cover of Rs 6 lakh and his family members have medical cover of Rs 2.5 lakh each.

CURRENT ASSET ALLOCATION

Yashwant's investments are tilted towards debt and real estate. His equity exposure is nominal.

FAMILY'S GOALS

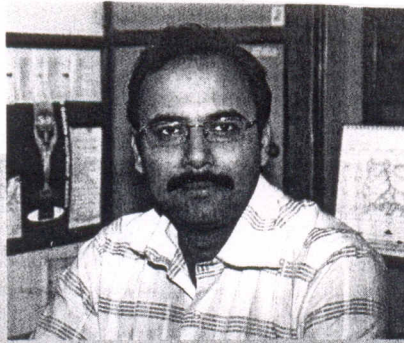
- Daughter Varsha's marriage by 2007.
- To construct a house on the already acquired land by 2008.

Singhs will also have to reckon with Yashwant's retirement in 2012 and Sulochana's heart ailment. Thanks to his past investments, Yashwant is set to achieve his goals. But, he will have to make adjustments to make his finances smoother and tax efficient.

FINANCIAL PLAN

Varsha's marriage. Investments in NSC and infrastructure bonds are maturing next year and would provide Rs 2.7 lakh. This should cover most of the estimated expenses. The remaining amount can be raised by parking surplus funds from now on, in floater funds.

Home. Investments in KVP and bank recurring deposits, maturing in 2008, would provide Rs 1.75 lakh and Rs 70,000 respectively. The



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remaining Rs 2.55 lakh can be raised by parking surplus funds in floater MF schemes.

Retirement. Corpus in retirement benefit schemes, coupled with other liquid assets will be sufficient to meet retirement income needs. Income from his planned self-employment after retirement, would add to the kitty.

Insurance. With six years of work life left, Yashwant's life cover is adequate. He also needs to maintain the current medical cover.

Asset allocation. With his existing income and resources being sufficient to take care of his goals, he can safely increase his equity allocation from the current level of 6 per cent to 19 per cent over the next two years in a phased

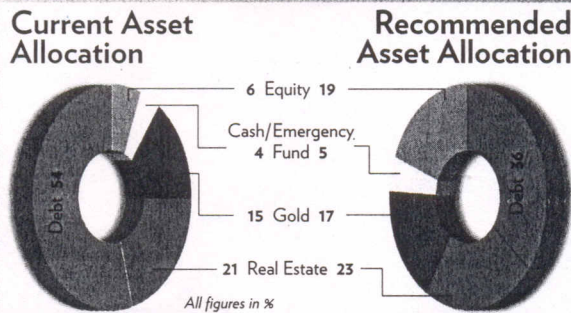
Goals

PURPOSE	YEAR	YEARS LEFT	FUNDS REQUIRED (Today's cost)
Varsha's Marriage	2007	1	Rs 3 lakh
House (construction) ¹	2008	2	Rs 5 lakh
Retirement	2012	6	Rs 1.2 lakh

Note: Inflation taken @ 5 per cent p.a.; Retirement expenses to increase by 5 per cent p.a.

¹Land already acquired

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manner. He should invest in diversified equity mutual funds rather than directly in equities. Annual rebalancing and reviews will become a must once he increases his equity allocation.

Investments Yashwant should invest in ELSS funds through SIPs. For tax deduction of Rs 1 lakh under Section 80C, I recommend an allocation of Rs 60,000 in ELSS and Rs 40,000 in his company's PF, besides PPF. After expenses and these contributions, the available surplus of Rs 60,000 can be parked in floater funds. They will supplement funds for the twin goals of Varsha's marriage and building a house in 2008.

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Singh endured eight nerve-racking hours of surgery before getting to know that it was successful. The relief came with a price: Rs 3 lakh. Singh gave Rs 1 lakh from his pocket, and his company helped him out with the rest. Post-surgery their lifestyle changed, with Sulochana having to do regular exercises and her diet undergoing a change. Other changes occurred too. Till then, Sulochana used to look after all of Singh's needs—from clothes to food, especially his favourites: mutton, omelette and fried fish. With the heart ailment constraining Sulochana, daughter Varsha, now 24, a Commerce graduate pursuing studies in Law, stepped into her mother's