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FINANCIAL PLANNING GUIDE

Mr. Ajay Pruthi
&
Ms. Lavanya Raghavan

Your First Step Towards Financial Success

Prepared By:
Ajay Pruthi

1st June 2023,

Dear Mr. Ajay Pruthi and Ms. Lavanya Raghavan,

With immense pleasure, we welcome you to the family of PLNR**.** Our mission is to be a reliable partner with each of our clients and help them in reaching their financial goals by giving unbiased financial advice at affordable prices. **We** will always try to serve you after understanding your needs and will not be biased toward any product or manufacturer in our services.

Let us thank you at the outset for seeking advice regarding your financial planning needs.

We have prepared the enclosed financial plan for you based on the details provided by you and the subsequent communication and discussion. We have also taken into consideration the quantitative data like your needs, goals, and available resources (cash flows) and the qualitative data inferred based on our discussions like your risk tolerance level, investment habits, and lifestyle.

The objective of this plan is to help you make informed decisions regarding your personal finance and enhance your chances of achieving your financial goals at the right point in time with adequate resources in a systematic and disciplined way.

We request you go through the plan in detail. If you want any modifications to the recommendations, we will be happy to review the plan. You may call us for any clarification in this regard.

We recommend that once the plan is implemented, it has to be regularly reviewed and revised in response to the changing circumstances in your lifestyle, family needs or employment, or any other external factors like the economic conditions.

We look forward to discussing the plan with you and implementing it as per the recommendations.

Thanking you,

Yours sincerely

Ajay Pruthi
CERTIFIED FINANCIAL PLANNER[CM]
Founder – PLNR
SEBI Registered Investment Adviser (INA000018063)

Financial Planning Basics

The objective of this plan is to help you understand your financial situation and guide you on the path of financial independence.

We have considered several alternatives before finalizing the recommendations and believe that the recommended strategy will help you achieve your financial goals in a disciplined and systematic manner.

We would like to state that we have taken some assumptions as stated below to ensure the feasibility of the plan.

In case the assumptions deviate, the plan might become infeasible, so we recommend that the plan is to be reviewed at least once in a year.

Basic Assumptions

1. We have considered the inflation rate to be 6% in the long term and education inflation at 8%.
2. The return from equity is assumed at 12% and that from debt & real estate is assumed at 6% in the long term.
3. The return-on-investment post-retirement is taken as 1% above inflation.
4. We have assumed, your risk-taking ability as “Aggressive” and your willingness to take risks as “Moderate”, as per the risk profile questionnaire.

(We have assumed the above percentages based on the historical data available.)

I believe that these recommendations have the potential to help you to: -

- ✓ Incorporate discipline in your savings and investment habits
- ✓ Create and accumulate wealth over your working years
- ✓ Maintain the standard of living after retirement
- ✓ Provide financial security for your family in case of an unexpected event
- ✓ Restructure your portfolio according to your risk tolerance and time horizon

Life Insurance Planning

Life insurance for adequate value is very important in financial planning.

As per the expense replacement method of calculation, you should have a life insurance cover of around 5 Crores.

You may plan for the term insurance cover of 5 Crores. Since both of you are earning, you can share this 5 Crores between both of you in the ratio of your annual income.

An online term policy is the best option to purchase life insurance coverage. Such policies are not having any maturity benefits.

I suggest ABC Policy from XYZ Life Insurance Company. This policy offers a premium waiver in case of permanent disability due to an accident and the sum assured is payable in case of a terminal illness. Do not include an accidental death benefit and critical illness riders in the policy. Select a term of 25/23 years that covers both of you till age 60 and opt for annual premium payment for the entire term of 25/23 years. Please mention details of your existing policies/health conditions/habits etc. while applying for this policy. Please select 'the entire amount in single installment' while choosing the sum assured option. This is regarding the claim settlement.

Purchase the policy online from the website of XYZ Life Insurance company.

Avoid any savings-linked policies because of the poor returns in it.

Please refer to the remarks column in the insurance sheet for suggestions on insurance policies. The same has been sent with first-cut calculations.

Health Insurance Planning

Health insurance is a top priority in Financial Planning.

As of now, you do not have health insurance cover other than corporate health cover through your employer. It is not a good idea.

I suggest you purchase health insurance of 50 Lakhs now and increase the cover gradually to ensure decent health cover for the post-retirement days.

I suggest a combination of 'ABC' Family Floater base policy & 'DEF' Super Top up policies from 'XYZ' Health Insurance Company. You can purchase a 10 Lakhs base family floater policy and a Super Top up of 40 Lakhs with 10 Lakhs deductibles.

Purchase Personal Accident policy of 1 Crore for you, which offer disability benefits also. I suggest Personal Accident Policy 'ABC' from XYZ Health Insurance Company. Also include 20 Lakhs cover for Temporary Total Disability in this policy. This offers weekly benefit of 20,000 per week for 100 weeks in case of temporary total disability due to accident.

Purchasing the policy at higher ages can be difficult.

Home Purchase

You are planning to purchase a house with a budget of 1.50 Crores after 5 years.

Invest 19,000 per month in debt mutual funds to create around 13 Lakhs in 5 years for the down payment of house purchase goal. Opt for a home loan for the balance. Plan for it when you can manage EMI along with the other mandatory investments.

Higher Education

Please see the following table:

Goal	Year of goal	Amount in today's cost	Future cost	Amount to be invested per month	Suggested Instruments
at 8% inflation					
Child - Higher Education	2040	50 Lakhs	230 Lakhs	33,000 per month	SIP - Equity mutual funds

You want to provide 50 Lakhs for the higher education of your child in future. With inflation, it will cost around 230 Lakhs in 2040.

Invest 33,000 per month in equity mutual funds to create around 230 Lakhs in 2040 for the higher education of your child.

Rebalancing the portfolio is required to derive optimum benefits from equity funds.

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Retirement Planning

Monthly amount to be provided in current value: 1 Lakh, Retirement Age – 60

Value of 1 Lakh after 28 years on your retirement @ 6% inflation: 5.10 Lakh per month.

This has to continue till age 85 of your wife, around 27 years (Assuming longevity of 85 for this calculation).

Assumed investment return post retirement period is 1% above inflation.

The Corpus required for this will be around **14.50 Crores.**

You may plan to accumulate this amount as follows:

1. You will get around 490 Lakhs from PF at age 60. I have assumed an annual increase of 5% in PF contribution and an interest rate of 6% throughout.
2. Invest 50,000 per annum in NPS accounts to create around 80 Lakhs at age 60.
3. You may earmark 34.90 Lakhs of mutual funds for retirement goal. It will contribute around 503 Lakhs at age 60.
4. Also earmark 1.70 Lakhs of GOI Gold Bonds for retirement goal. It will contribute around 9 Lakhs at age 60.
5. Invest 1.50 Lakhs every year in PPF account to create around 173 Lakhs at age 60.
6. Invest 12,000 per month in Equity mutual funds to create around 195 Lakhs at age 60.
7. This way, you can create **14.50 Crores** for the retired life.

Suggested investments

You can invest in direct plans of mutual funds without agents. Your final accumulation will be higher by around 15%, if you invest in direct plan without agents. You can do this online through the websites of respective fund houses or through websites like www.kuvera.in or www.mfcentral.com

I suggest the following 5 Equity mutual funds for a monthly investment of 45,000 (Child`s higher education – 33,000 Retirement – 12,000).

1. ABC Index Fund Direct Plan – 12,000
2. DEF Flexi Cap Fund Direct Plan – 11,000
3. GHI Mid Cap Fund Direct Plan – 11,000
4. JKL Value Fund Direct Plan – 11,000

You may consolidate your existing mutual funds (34.90 Lakhs) into the above funds in a phased manner without attracting exit load/taxation.

I suggest the following 2 Debt/Liquid mutual funds for a monthly investment of 19,000 (House Purchase Goal -19,000)

1. ABC Fund Direct Plan – 10,000
2. DEF Fund Direct Plan – 9,000

Summary

1. Purchase the online term policy of 2.50 Crores as suggested. Avoid savings linked policies in future.

2. Purchase health insurance policy of 50 Lakhs and Personal Accident policy of 1 Crore for you as suggested.

3. Invest 33,000 per month in equity mutual funds to create necessary amount for the higher education of your child.

4. Retirement can be planed through PF, NPS, PPF, GOI Gold Bonds and Equity mutual funds. Invest 50,000 per annum in NPS accounts and 1.50 Lakhs every year in PPF account for this goal. Earmark 34.90 Lakhs of mutual funds 1.70 Lakhs of GOI Gold Bonds for this goal. Invest 12,000 per month in Equity mutual funds for the retirement plan.

5. Invest 19,000 per month in debt mutual funds to create around 13 Lakhs in 5 years for the down payment of house purchase goal. Opt for a home loan for the balance. Plan for it when you can manage EMI along with the other mandatory investments.

6. Invest your monthly surplus in Debt mutual funds to create necessary amount for vacation goals.

7. Always maintain a contingency fund of 6months living expenses in a bank account/liquid fund. Keep 20,000 at home for emergency. Earmark 11.70 Lakhs in Savings account as emergency fund. Open sweeping account for the same.

8. Proper review of funds and changes in asset allocation is extremely important in financial planning. I will do it in the annual review.

9. Ensure that, nomination is in order in all investments/insurance and let the nominee know about this. In mutual funds, nomination is folio specific. So ensure that nomination is done in all folios.

Please feel free to contact me in case of any clarification.

Going forward, I am at your service. In case of any queries on personal finance, please send a mail to support@plnr.in. I will revert to you within 48 Hours.

DISCLAIMER

The plan is prepared based on the information provided by you. If any material information has not been revealed or is inaccurate, it will have a significant impact on the outcome of the plan and the recommendations given would be inappropriate.

The recommendations are especially for you and cannot be treated as a general advice.

The plan is prepared based on a lot of assumptions as stated earlier (Please refer page 3 – Basic Assumptions) and as the economic conditions keep changing, there is no guarantee that the assumptions would hold good throughout.

I have taken into account various factors – both quantitative measures and qualitative assessments, in an unbiased manner, while choosing the mutual funds mentioned above. However, they carry unknown risks and uncertainties linked to broad markets, as well as analysts' expectations about future events.

The recommendations do not guarantee fund performance, nor should they be viewed as an assessment of a fund's, or the fund's underlying securities' creditworthiness.

Also, I have taken into account various factors – both quantitative measures and qualitative assessments, in an unbiased manner, while choosing the various insurance policies mentioned above (Term Insurance, Health Insurance and Personal Accident Insurance).

Also the Term insurance & Personal accident insurance policies recommended in the plan have no maturity benefits.

Contact Details

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