

## Dr. Harshvardhan Gaikwad - Case

Today is 21-02-2009. Dr. Harshvardhan Gaikwad, PhD. (Economics), (age 40, life expectancy 75 years) is a lecturer in a private college in Bhopal. He resides with his wife Swati, (age 38, life expectancy 80 years) who is a housewife. They live in an unfurnished quarter provided by Harshvardhan's college without paying any rental charges. The quarter is owned by the college. The couple does not have any child as on date. Harshvardhan's parents are senior citizens enjoying good health and residing in Nasik & totally dependent on Harshvardhan, financially. Harshvardhan is willing to settle down in Bhopal permanently because he still has 20 years of service left unto retirement. Harshvardhan is serving the college since 11-02-1998.

Harshvardhan never liked the idea of life insurance although he is aware of property insurance & health insurance. He has got all his property insured in a proper manner. Recently another reason of celebration has come into his life as his grand father has gifted him a sum of Rs. 5,00,000. Having got this money, he wants to plan his affairs properly and does not want to waste it on consumer durables. Upon getting a reference about you, a Financial Planner, from one of his friends, he has contacted you to prepare a Financial Plan for him. He has submitted the following information of his financials to you.

### Income/Expenditures (01-04-2007 to 31-03-2008)

Salary from College (Increasing 10% annually)	Rs. 4,80,000
Warden-ship allowance	Rs. 50,000
Leave Salary Encashment	Rs. 31,110
Living Expenditure (Including Car/House Hold properties Insurance premium Rs. 5,450 & health Insurance premium Rs. 6,000)	Rs. 2,58,800

### Assets / Liabilities (As on 31-03-2008)

Cash In hand/saving account balance	Rs. 1,42,800
PPF (Opened on 31-03-2006)	Rs. 1,72,650
Car (Purchased on 30-05-2002)	Rs. 3,50,000 (Purchase Value)
House-hold consumer durables	Rs. 2,20,000
Credit Card Liability	Rs. 30,800
ELSS Investment	Rs. 2,98,560

### Supplementary Information:

1. Since Harshvardhan has sufficient time left from his present routine, he is considering utilizing this in an economically rewarding manner by taking up a part time job for which his present employer has no objection. Harshvardhan is negotiating with an education institute for the same.
2. Harshvardhan wants to shift from his quarter as soon as possible because it is located too far from the city. He has identified a flat for which the owner is quoting a price of Rs. 20 lakh.
3. Harshvardhan wants to establish a retirement fund to cope up with his post retirement needs, in a well-planned manner.
4. Harshvardhan's college strictly follows the Payment of Gratuity Act, 1972 for providing retirement benefits to its employees.
5. Harshvardhan's college allows 30 days leave per year, out of which Harshvardhan has encashed 20 days leave, and utilized the remaining, during the year 2007-08.

6. In the Financial Year 2007-08 Harshvardhan has contributed Rs. 50,000 to his PPF account and Rs. 30,000 to his ELSS account.

Current economic figures:

Inflation	6% p.a.
Bank FDR Interest Rate	9% p.a.
Debt Fund rate of return	9% p.a.
Equity Fund rate of return	15% p.a.
Balance Fund rate of return	13% p.a.
Long term bonds	8% p.a.
Short Term bonds	6% p.a.
Company FDR	12% p.a.
Risk Free rate	5.50% p.a.