

Case Study : Ragini Mehta

Ragini Mehta, a sports celebrity has turned 23 today. She has recently won an international event in Badminton which has got her a lot of recognition worldwide. Endorsing her achievement, Govt. of India has announced a cash award of Rs 1 crore for her. A lot of advertisement companies are also following her for endorsement of their brands. Ragini's father, Mr. Tarun Mehta, is serving Indian Air Force and is currently posted in New Delhi. Her mother is a house wife. The family stays in a government bungalow in New Delhi. Ragini is the only child of her parents. Before her recent achievement at international level, she was National Badminton champion for three years in a row. Her father has been managing her financial affairs, which includes endorsement money from various sports companies and advertisements. Tarun now wants to consult a qualified person to prepare a financial plan for Ragini. He has approached you, a practicing Certified Financial Planner, for creating a structured Financial Plan for her. During discussions he has submitted the following information:

1. Ragini's Income Sources: (In INR)

Income from sports activity	100-150 lakh p.a.
Income from endorsements and advertisements	200-300 lakh p.a.
Income from her investments	30-50 lakh p.a.

2. Ragini's Expense Variables

Salary to coach	25 lakh p.a.
Salary to staff	25 lakh p.a.
Maintenance of a fully equipped sports gym	24 lakh p.a.
Maintenance /operating cost of her cars	15 lakh p.a.
Travelling expenses – Ragini & staff	40 lakh p.a.

3. Ragini's Professional Aspirations
 - To win All-England Championship in 2010 and gold medal in the next Olympic Games
 - To set up a world class sports training centre in New Delhi at a later stage
 - To acquire an international sports goods manufacturing company

4. Ragini's Personal/Social Aspirations
 - To start an NGO for providing free education to poor children
 - To set up a charity fund for sponsoring talented sports girls for training and participation in competitions

5. Tarun's Aspirations about Ragini
 - To get her married at the age of 30
 - To buy a spacious bungalow for her in New Delhi in the next five years
 - To build a world class training center admeasuring approx. 20,000 sq.ft to enable Ragini to train young sportspersons post her retirement, tentatively at the age of 30. The land for the same has already been purchased. The cost of construction and fixed equipments is currently estimated at Rs. 350 per sq.ft and is expected to grow year on year @ 18%.
 - Tarun also wants to secure Ragini's financial future by way of an annual stream of income from her age of 40. He wants to suitably invest the rent received from commercial properties every year so as to build a corpus for the same.
 - Tarun wants to review an offer of investment in a Pension Scheme for Ragini. The annual contribution required is Rs. 6 lakh. The scheme has various options, viz. Growth, Balanced and Protector which have

annual all-inclusive charges of 2.5%, 1.5% and 1%, respectively, charged at year-end corpus. The Scheme has given historical return of 12% for Growth fund, 8% for Balanced fund and 6% for Protector fund. The investible amount in the Pension Scheme is 70% of the premium in the first year, 80% in the second year and 90% in the third year. Thereafter, 100% of the premium is invested from the fourth year onwards.

6. Current Net Worth Statement of Ragini Mehta (as of today)

Sources of Funds	(Rs. Lakh)
Ragini's Capital Account	1361.60
Gross Total	<u>1361.60</u>
 Application of Funds	
Fixed Assets	
Office Infrastructure	80.50
Sports Gym.	176.00
Cars & Vehicles	60.50
Freehold commercial properties in New Delhi	<u>650.00</u> (Market Value)
	<u>967.00</u>
Current Assets	
Equity Investments	115.00
Investments in Mutual Fund	45.00
Bank FDRs	26.00
MF Liquid Funds	24.00
Post Office NSCs	44.00
Capital Account in a partnership firm.	67.00
Cash & Bank Saving Account Balance	5.60
Physical Gold Investment	65.00
Investment in ULIPs	<u>3.00</u>
	<u>394.60</u>
Gross Total	<u>1361.60</u>

Notes:

1. After her recent international achievement, a reputed market research firm has estimated her advertisement brand value to the tune of approx Rs. 10 Crore in the current year.
2. For her recent achievement, Government of India has announced a cash award of Rs. 1 crore for her which is yet to be received and not included in her net worth statement.
3. Market Value of Ragini's freehold commercial properties is presumed to appreciate at a CAGR of 11%. Such properties yield an annual rent of 6% of Market Value.
4. The average rate of Inflation is expected to be 8% p.a. throughout.