

Case Study: Sahil Gupta

Today is 15th March, 2008. Sahil Gupta, aged 44 years, with life expectancy 70 years, is a small time medical store owner in Nashik city. He has acquired a profit sharing counter (50:50) in the nursing home of a renowned doctor. The doctor is running the establishment for the last 8 years. In this set up, legal ownership of the medical store is with the doctor while Sahil works over there as a care taker. Sahil's wife Namrata, is a housewife, aged 40 years, and has a life expectancy of 72 years. The couple has two kids Aniket (16 years) and Akhil (10 years). Aniket is studying in 10th while Akhil is studying in 4th. Sahil is himself a Graduate and had earlier served in a pharmaceutical company as a medical representative for approx. 10 years. After separation from this company, he started his own wholesale business of medicines but could not sustain for long due to lack of working capital, and shut down his operations in the first two years only. Somehow he managed to get this existing profit sharing counter in the nursing home.

Of late, Sahil is facing a problem in his business relations with the doctor who is no longer willing to share the profits of his medical store with Sahil. Apart from this business problem, Sahil is suffering from poor health. He is a severe diabetic person with many other incidental diseases. Sahil's parents are senior citizens, and live in a separate house in a nearby locality. Their only source of income is by way of interest payments received from their joint Senior Citizen Savings Scheme account. Sahil's younger brother, who is self-employed, is living with his parents.

Sahil has recently shifted to his new house. Sahil has poured all his savings into the construction of this house, and has not taken any loan for this activity. Sahil does not have health / life insurance. He owns a second hand Maruti Zen, which he recently exchanged for his old Maruti 800.

Sahil had invested Rs. 1,00,000 to buy 100 shares of a listed company, Sutluj Software, in the year 1995-96. The Company had issued Bonus shares in the ratio 1:1 in the year 2000-01. Sahil also subscribed to the Company's Rights issue of one share for every four shares held at a price of Rs. 500 per share in the Year 2003-04. Sahil has also invested Rs. 4,00,000 in an Agriculture land at his native village Goraya in 2000-01. Goraya has a population of about 12,000 and the nearest urban place is at a distance of 4 km.

On getting reference from one of his friends, Sahil has contacted you, a practicing Certified Financial Planner, for helping him prepare a Financial Plan for his family. He has submitted his current financial information as follows:

1. Sources of Income	
By way of profit sharing in the sales from Medical Store	(Monthly Sale Rs. 2 lakh)
Interest from Post Office MIS account	Rs. 3,000 p.m.**
** jointly in the names of Aniket & Akhil	
2. Expenditure	
Family Household Living Expenses	Rs. 15,500 p.m.
Car Expenses	Rs. 1,000 p.m.
Medical Expenses	Rs. 3,000 p.m.
Tour & Travel Expenses	Rs. 3,000 p.m.
3. Recurring Investments	
Post Office RD in Aniket's name	Rs. 2,400 p.m.
Post Office RD in Akhil's name	Rs. 1,200 p.m.
Pension scheme of an Insurance Company	Rs. 2,000 p.m.
Deposit in a daily collection scheme operated by a Nationalized Bank	Rs. 300 per day
4. Fixed Assets/Investments	Current Market Value
Residential House	Rs. 25 lakh
Car	Rs. 1.25 lakh
Gold ornaments with Namrata	Rs. 5 lakh
Ownership right in Medical Store	Rs. 10 lakh
Agriculture Land in Rural Area	Rs. 10 lakh
Equity shares	Rs. 5 lakh

Sahil's goals and aspirations in descending priorities

1. To start a new business in case of discontinuance of the present business
2. To ensure an income stream in case of disturbance in his current business
3. To continue current recurring investments up to maximum possible extent
4. To create an education fund for higher education for his children
5. To provide better health care of the couple
6. To create a marriage fund for his both kids
7. To retire at the age of 55 due to average health
8. To buy a new mid-size car
9. To go abroad on a family trip at least once

Current Economic scenario

1. Inflation is currently 12% p.a. and is likely to remain the same.
2. RBI has raised the interest rates twice and current risk free interest rate is at 10% p.a.
3. Cost Inflation index for 1995-96 is 281, 2000-01 is 406, 2003-04 is 463 and 2007-08 is 551.