

Case Study: Sopori

Today is 21st February 2009. Sameer Sopori (30 years) & Urvi Sopori (31 years) both work for a prominent private sector airline. They got married a year ago and have settled in the house that Sameer bought before marriage. They plan to have a child after a year and half from now, when Urvi would have to take a break from work for 2 years. They are also willing to buy a car for Rs. 3.50 Lakh, in the next couple of months. In this car, there is 7.50% increment included in this value upon Ex-Showroom value of the car due to road tax/registration/insurance charges etc. They both are expecting some arrears from their company, together accounting for Rs. 1.50 Lakh by the end of March 2009.

Income –

They both earn the same amount per month - Basic salary – Rs. 18,500; allowances – Rs. 30,000; Conveyance – Rs. 2,000. Their allowances are variable and could cross Rs. 40,000 p.m. per person, but are being conservatively taken as Rs. 30,000 p.m. per person.

Investments –

They have cash in hand of Rs. 2.5 Lakh in Urvi's account and Rs. 1 Lakh in Sameer's account. Urvi has a bank FD with a bank which was started on 27/3/2008 with Rs. 50,000 as initial deposit, which will mature in 27/10/2009. The maturity amount would be Rs. 58,161. PF account balance as on 31/12/2008 was Rs. 1.51 Lakh in each of their accounts. They do not have any investments in MFs or in Equity.

Homes -

He is paying an EMI of Rs. 18,473 p.m on 1st of every month as housing loan repayment for which a fixed interest 7.75% p.a. is being charged. In the AY 2008-09 he had availed maximum deduction available U/S 24 and U/S 80C on account of these EMIs. He will pay EMI's till the year 2025. The present value of this house is Rs. 50 Lakh. Urvi too has a house of her own, which was gifted to her by her parents. The present value of this house is valued at Rs. 50 Lakh. Her parents are at present living in this house.

Insurance -

They have the following insurance policies –

(In Rs.)

Name of Policy & Table & Term	Insured person	Date of Commencement	Premium	Term	Mode	SA
Unit Linked Insurance Plan (1)	Sameer	05/05/2008	25000	15 Years	Yearly	250000
Unit Linked Deffered Pension Plan (1)	Sameer	31/03/2008	25000	11 Years	SP	NIL
Unit Linked Insurance Plan (2)	Sameer	15/09/2005	17133	44 Years	Yearly	425170
Unit Linked Deffered Pension Plan (2)	Sameer	11/01/2005	10000	20 Years	Yearly	NIL
Unit Linked Insurance Plan (2)	Urvi	28/06/2005	18635	45 Years	Yearly	450000
Money Back Plan	Urvi	23/10/2003	9832	15 Years	Yearly	100000
Unit Linked Insurance Plan (3)	Urvi	11/08/2007	5000	20 Years	Yearly	50000
Unit Linked Insurance Plan (4)	Urvi	11/08/2007	5000	20 Years	Yearly	50000
Unit Linked Insurance Plan (1)	Urvi	05/05/2008	25000	15 Years	Yearly	250000
		Total	115600			

The Medical insurance Premium is paid by their employer. They paid Rs. 775 as insurance premium in January for their bike. Their monthly and yearly expenses are given below.

Expenses –

Monthly Expenses		Amount (Rs.)
Home Expenses		
	Grocery/ Provision/ milk	4350
	Gas	450
	Iron/ Laundry	250
Conveyance		
	Petrol	1000
Communication		
	Mobile (for both)	3500
	Landline/broadband	200
Utilities/ Charges		
	Electricity	700
	Society charges	3000
	Cable	270
Others		
	Misc -own expenses (for both)	10000
	Entertainment	2500
	Others	1000
	Total	27220
Annual Expenses		
	Festival & Travel	10000
	Repair & Maintenance (R & M)	
	Bike	1500
	Home appliances	5000
Others		
	Clothes & Accessories	5000
	Misc	1000
	Total	22500

Goals –

They are planning to go for a trip abroad next year, for which they anticipate Rs. 2 Lakh as expenses. Their other goals include children's education & planning for their retirement, to have a holiday home in Ratnagiri after 10 years from now and holidays abroad every three years (which will start after their maiden trip abroad next year). For their child, they want to be able to provide Rs. 8 Lakh (in today's money) for Graduation & Rs. 35 Lakh (in today's money) for Post graduation. They even want to set aside Rs. 8 Lakh (in today's money) for their child's marriage.

Assumptions –

Inflation is to be assumed at 6% p.a., throughout term. Investment returns for Equity / Equity MFs are to be taken as 13% p.a.; debt investment returns are to be taken at 9% p.a. Risk free rate is 6%.