

Case Study: Suresh Mallik

Today is 24th Jan, 2009. Suresh Mallik, aged 44 years, with life expectancy 70 years, is a grocery store owner in Aurangabad city. Suresh's wife Mallika, is a housewife, aged 40 years, and has a life expectancy of 72 years. The couple has two kids Nikhil (16 years) and Neel (10 years). Nikhil is studying in 10th while Neel is studying in 4th. Suresh is himself a Graduate and had earlier served in an FMCG company as a Sales officer for approximately 10 years. After separation from this company, he started his own retail business.

Of late, Suresh is facing a problem in his business. Apart from this business problem, Suresh is suffering from poor health. He is a severe diabetic person with many other incidental diseases. Suresh'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. Suresh's younger brother, who is self-employed, is living with his parents.

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

Suresh had invested Rs. 1,00,000 to buy 100 shares of a listed company, Swayam Software, in the year 1995-96. The Company had issued Bonus shares in the ratio 1:1 in the year 2000-01. Suresh 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. Suresh 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, Suresh 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:

Sources of Income

By way of profit in the sales from grocery Store	(Monthly Sale Rs. 3 lakh)
Interest from Post Office MIS account	Rs. 3,000 p.m. **
** Jointly in the names of Nikhil & Neel	

Expenditure

Family Household Living Expenses	Rs. 19,500 p.m.
Car Expenses	Rs. 1,200 p.m.
Medical Expenses	Rs. 2,000 p.m.
Tour & Travel Expenses	Rs. 2,000 p.m.

Recurring Investments

Post Office RD in Nikhil's name	Rs. 1,200 p.m.
Post Office RD in Neel's name	Rs. 1,200 p.m.
Pension scheme of an Insurance Company	Rs. 2,200 p.m.
Deposit in a daily collection scheme operated by a Nationalized Bank	Rs. 200 per day

Fixed Assets/Investments

Current Market Value

Residential House	Rs. 22 lakh
Car	Rs. 1.05 lakh
Gold ornaments with Mallika	Rs. 5 lakh
Agriculture Land in Rural Area	Rs. 12 lakh
Equity shares	Rs. 7 lakh

Suresh'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.