

Case Study – Vijay Mohan

Back ground

Vijay Mohan, is working in a Private company in Delhi, and is currently aged 57 years. He shall be retiring on 31/03/2011. Vijay gets total emoluments of Rs. 75,000 per month pre - tax his basic being Rs. 35,000 per month and DA Rs. 20,000 per month. His income will increase 15% pa. So far he has put in 32 years of service. His wife Mohini, aged 52 years, is a practicing Gynecologist, has her own clinic and operates her cases in a private hospital. Mohini earns Rs. 55,000 per month post - tax. She is confident her post tax income will rise every year by 5%. Mohini expects to practice till her age of 60 years. They stay in their own house in Delhi which is worth Rs. 95,00,000. Their monthly living expenditure is Rs. 45,000.

Children.

The couple has three children, one son and two daughters. Eldest daughter, Menaka, is a doctor, married to a CA and well settled in Mumbai. Second daughter, Swati, is studying in Final year MBBS at Nagpur. Their son, Rupesh, is studying in First year MBBS, in Indore. They expect to spend Rs. 5,50,000 yearly for Swati's studies for next 2 years, i.e. till she finishes her internship, and Rs. 6,50,000 yearly for next 5 years for Rupesh's studies. Swati is likely to get married 3 1/2 years hence, and expected expenditure in marriage is likely to be Rs. 40,00,000 in today's value.

Vijay 's Retirement Benefits :- Gratuity- Rs. 5,00,000, Provident Fund- Rs. 20,00,000, Leave encashment- Rs. 4,00,000, Pension- Rs. 15,000 per month w.e.f. 01/04/2011 which is inflation linked. This pension is after 40% commutation allowed. After 15 years post retirement, full pension will be restored.

The Assets of the Couple :- Cash in hand- Rs. 65,000, Bank Balance S/B a/c, Vijay - Rs. 75,000, Mohini- Rs. 85,000, Money market mutual funds- Rs. 4,00,000 on Vijay 's name and Rs. 6,00,000 on Mohini's name. Magnum Balanced Fund (65% in Equity) - Rs. 1,00,000, HDFC Prudence Fund (75% in Equity) Rs. 1,50,000, Magnum Contra Fund (100% in Equity) - Rs. 4,00,000, Magnum Tax Gain Fund- Rs. 3,50,000. PPF a/c Rs. 5,00,000. This a/c was opened on 15/03/2000 in name of Mohini. Vijay also has 100 shares of Infosys (value as on 31/03/2008 is Rs. 6,00,000) and 150 shares of Reliance Industries (value as on 31/03/2008 is Rs. 7,02,500)

Mohini has a Plot on her name purchased in Feb 1996 for Rs. 5,50,000. Value of their personal effects i.e. cars, house hold goods, electric gadgets etc. is Rs. 8,50,000.

Car loan pending as on 01/04/2008 on Vijay 's name is Rs. 3,00,000, Rate of interest is 10% pa.. Assume Inflation Rate is 7.3% and Long term rate of Return is 9%.

Vijay wants to cater for 25 years of life post retirement and does not want to compromise his present standard of living in that period.

Vijay wants to prepare a budget for his family after considering the cash flow of his previous five years.

Vijay's goals and aspirations for his family:

- 1) He wants a fixed retirement income of 85% of his present monthly expenditure.
- 2) Marriage of his Second daughter.
- 3) Help his son financially in his post graduation and then setup his clinic.
- 4) Go for a vacation after his retirement.