

### Case-E:

(Reference Date 1st April 2019)

Sanjay aged 31 years is working in a managerial capacity with a private sector bank in Mumbai. He is married for over two years now to Sherlyn, who is 28 years old. Sherlyn is a homemaker. They have a son Ajinkya who has just completed one year. They stay in a rented flat. Sanjay expects to work till 62 years of age. His salary details for the year beginning on date and current expenses are as follows:

Particulars	Amount (Rs. per annum)
Basic	6,60,000
H.R.A.	1,98,000
Executive Allowance	9,60,000
Medical Allowance	15,000
EPF: Employee contribution	79,200
EPF: Employer contribution	79,200

#### Monthly Expenses:

House Rent	Rs. 25,000
Household Expenses	Rs. 60,000

Following are the details of his assets as on 31st March 2019:

Equity Mutual Fund Schemes	Rs.8.25 lakh (Five schemes; one is sector fund, two are midcap funds, two are diversified funds with large cap focus; monthly SIP of Rs. 5,000 started 3 years ago and continuing in each scheme 1st day of month).
Balanced Mutual Fund Scheme	Rs. 3.2 lakh (Invested Rs. 1.5 lakh in NFO on 8th March, 2016; continued monthly SIP of Rs. 5,000 for a year from 1st April, 2017; Scheme Asset Allocation in equity/debt is 50:50; dividend reinvestment option, net dividends of Rs. 1.5 per unit reinvested at NAV Rs. 10.323 on 4th March, 2018 and Rs. 2.5 per unit reinvested at NAV Rs. 11.269 on 5th March 2019).
Equity Linked saving scheme (ELSS)	Invested in 5,000.000 units at price of Rs. 11.62 per unit on 2nd Feb, 2013; further invested Rs. 1,50,000 at price of Rs. 13.47 per unit on 18th January, 2015; open ended scheme; growth option. Current NAV: Rs. 22.893 per unit.
Gold Jewelry and coins	380 grams; received as gift on the occasion of marriage on 21st January 2017; Current Price of Standard Gold (22K) Rs. 3,150 per gram.
Car	Rs. 3,00,000 (depreciated value)
PPF Account	Rs. 3,77,440; the account was opened on 8th July, 2014
Balance in Savings Bank Account	Rs. 1,50,000
Balance in Bank Fixed Deposit	Rs. 3,00,000 invested on 1st August 2017 for 24 months; cumulative option, interest is compounded quarterly @ 9% p.a.
Employees Provident Fund	Rs. 8,27,325 (Cumulative balance)

House Property

Situated at Aurangabad, inherited on 1st December 2018 when the market value was Rs. 50 lakh, since transferred in the name of Sanjay.

Term Insurance Plan

Sum assured Rs.50 lakh; Rs. 11,500 p.a. premium.

He has following Financial Goals:

1. A new flat in 18 months from now at Mumbai; Cost negotiated Rs. 1.20 crore; availed a loan at 70% loan to value; interest payable up to possession 9% p.a.; 32 year loan tenure after possession of flat with interest 2% above RBI repo rate periodically. Goal is to be debt free well before retirement at 62.
2. Retirement at the age 62; retirement corpus to yield inflation adjusted expenses till the lifetime of Sherlyn.
3. Buying a car costing lump sum of Rs. 10 lakh in October 2019 after disposing of the existing car.
4. Admission of Ajinkya to an international school at age 4; Admission fee Rs. 4 lakh; Rs. 2 lakh p.a. in first 6 years, Rs. 3 lakh p.a. in the next 9 years (current costs, escalation expected 6% p.a.).
5. Higher education of Ajinkya when he attains 19 years of age; Rs. 75 lakh would be required (at current prices, Higher Education expenses escalating at 6% p.a.).
6. Create a corpus till age 50 for annual vacation costing currently Rs. 1 lakh, such expenses escalate at 5.5% p.a., annual withdrawals begin at age 50 and continue till Sanjay survives.
7. Marriage expenses of Ajinkya after he is 27, Rs. 15 lakh current costs, escalating at 6% p.a.
8. A lump sum for his venture 10 years prior to his proposed retirement.

#### Life Parameters

Life expectancy: Sanjay : 80 years  
Life expectancy: Sherlyn : 80 years

#### Assumptions regarding gross returns in various asset classes:

- 1) Equity & Equity MF schemes/ Index ETFs : 11.00% p.a.
- 2) Balanced MF schemes : 9.50% p.a.
- 3) Bonds/Govt. Securities/ Debt MF schemes : 7.50% p.a.
- 4) Liquid MF schemes : 6.00% p.a.
- 5) Gold and linked investments : 6.00% p.a.
- 6) Real Estate appreciation : 6.50% p.a.
- 7) Bank/Post Office Term Deposits : 6.50% p.a. (for tenure exceeding 1 year)
- 8) Public Provident Fund/EPFO : 7.75% p.a.

#### Assumptions regarding economic factors:

- 1) Inflation : 4.50% p.a.
- 2) Expected return in Risk free instruments : 5.00% p.a.

Cost Inflation Index:

FY	CII	FY	CII	FY	CII	FY	CII	FY	CII
2001-02	100	2005-06	117	2009-10	148	2013-14	220	2017-18	272
2002-03	105	2006-07	122	2010-11	167	2014-15	240	2018-19	280
2003-04	109	2007-08	129	2011-12	184	2015-16	254	2019-20	289
2004-05	113	2008-09	137	2012-13	200	2016-17	264		