TEACHING CASE LETS AND CASE-STUDY

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Case Title	**:**	**Financial Planning of Mr. Anmol Desai**
Case Subject	**:**	**Financial Planning and Taxation**
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FINANCIAL PLANNING OF MR. ANMOL DESAI

Background

Mr. Anmol Desai, a resident of Gandhinagar dwelling in Sector-2A, works with an IT company in Infocity. He has a family of four. His wife is a working woman. His wife also works as a teacher in one of the private schools of Gandhinagar. He has two kids. One son and one daughter. As his educational background is a Bachelor's in Technology in the field of Information Technology, he is badly stuck on maintaining his finances. All the financial jargons are Latin and Greek for him. He wants to plan his finances in such a way that he can easily fulfill his financial responsibility. He looks forward to you advising him in the selection of investment avenues and planning his investment.

Financial Details

Mr. Desai is earning Rs. 1,00,000 per month while his wife is earning Rs. 40,000 per month. Apart from the salary, they do not have any other source of income. The family's monthly expenses are basic household expenses Rs.20,000; education expenses Rs.10,000; medical

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expenses Rs.1,000; traveling expenses Rs.3,000; entertainment expenses Rs.4,000, equated monthly installment of home loan Rs.12,000, and other expenses Rs.2,000. Thus, the total monthly expenses aggregate to Rs.52000. The family is investing Rs. 6,000 per month in PPF. They have endowment insurance for which they are paying a premium of Rs. 5,000 per month. They are also investing in a Mutual fund through an SIP of Rs.10,000 per month for the last ten years and will continue till his retirement. Thus, a total of Rs.21,000 goes towards investment. They are maintaining a balance of Rs. 67,000 in a bank's savings account for contingency purposes.

Funds Requirement

For Mr. Desai and his wife, the priority is their financial goals related to their children. Table 1 shows the amount required to achieve the goals related to their education and marriage in the future.

Table 1: Future Value for Children Goals

Goal	Time Left to achieve Goals (Years)	Present Cost of the Goal	Future Cost of the Goal
Graduation and Post-Graduation of Son	13	20,00,000	69,04,542.43
Graduation and Post-Graduation of Daughter	17	20,00,000	101,08,940.57
School Education Expenses for Son	13	60,000 per year	1471380
School Education Expenses for daughter	17	60,000 per year	2432700
Marriage of Son	17	10,00,000	5054470.28
Marriage of Daughter	21	10,00,000	7400249.94
Total			**3,33,72,283.22**

(Source: Authors' Compilation)

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Financial Returns

Mr. Desai is investing Rs. 6,000 per month (Rs.72,000 per year) in the Public Provident Fund (PPF) account. Assuming that he continues for 15 years and gets 8% p.a. He revealed that through a Systematic Investment Plan (SIP) of Rs. 10,000, he would get Rs. 328,40,737 by the time he retires. He shares that as far as insurance is concerned, assuming that the sum assured is Rs. 10,00,000 and the premium paying term is 15 years, the maturity period is 21 years, he would receive Rs.21,50,000 on maturity. Besides, he is keeping a liquid cash amount of Rs. 67,000 per month in his savings account on which he will earn 4% p.a. If he keeps the same amount until he retires, he will have Rs.1,60, 99,296 in his bank account.

Required:

1. Calculate the amount he will receive from PPF.
2. Suggest a suitable plan for the family.
3. Compare the existing financial plan with the revised financial plan.
4. Compute the additional gain that the family can attain with the revised financial plan.

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