

# Money plan for Mr. Mishra

## Introduction

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**Introduction**

Dear Mr. Aditya Mishra

As per the details submitted by you, we are pleased to submit this Money plan for your records.

We have tried to make the greatest possible use of your current and expected financial resources

A full Money plan covers Cash Management, Retirement Planning, Investment Planning, Risk (Insurance) management and Estate & Tax Planning. The sections covered in this plan are outlined on the contents page.

The following plan will document your Goals and Resources and make recommendations in line with your Goals based on the information you have provided. The solutions adopted in this plan need to be regularly reviewed. The projected outcomes are provisional and should be treated as indicative rather than as guaranteed. It is vital that the plan is reviewed regularly and the assumptions tested against actual outcomes. Life is dynamic and your financial plan must reflect changes in your personal situation!

We urge you to study these recommendations carefully and we will respond to any questions you may have. You may need to make important decisions on the urgency and timing of the issues dealt within this plan. The effort you have taken to reach this point is well worth the effort to secure your financial future.

Please see the Appendices for details of the underlying assumptions related to your financial future used in building your plan, our Disclosures / Disclaimers and a Glossary to assist you with the terminology used herein.

We urge you to keep this safely and privately to avoid any leakage of your confidential financial information.

We trust the experience will be rewarding for a sound financial future and help you reach your goals.

We endeavor to respect your privacy and maintain client confidentiality.

Rahul Khanna

Pi Money

## Introduction : Wealth Management / Money Planning

Money Planning / Financial Planning put Wealth Management into the wider context of your life journey. It looks at the “what if” issues that could affect your live situation and compromise your goals. In essence it is more holistic than wealth management on its own. It seeks to have a detailed understanding of your situation and, after analysis the various aspects of your financial assets and liabilities, seeks to recommend strategies that reflect your personal aspirations and needs. It provides the provisional plan for your personal journey and helps you execute it in the most efficient way. You will need to keep your plan in focus and relevant through regular Reviews with your advisor and journey together.

Wealth Management is really about managing your wealth and getting you the best returns from the markets. It is about investments and returns and not financial goals and resources. Wealth Management is the next step after proper financial planning has been completed in tune with a client’s needs.

### Why have a Plan Goal Based Plan?

*It is said that those who fail to plan, plan to fail!*

Taking responsibility and having a clear vision of where you are heading is very challenging. Addressing the “risks” in life and having a realistic view of both the opportunities and challenges of life can give you confidence in your life journey. Getting the balance between the needs of today and of the future, capturing the power of compounding returns and protecting those who depend on you are the major benefits of a Plan. The process itself will increase you understanding and assist with good decision making.

It will sensitize you to the trade offs and parameters in financial decision making taking into account, your family situation and financial assets and liabilities. It will clarify your priorities.

In summary, a Goal Based plan captures your heart and aspirations. It helps you to work through your financial assets and achieve your goals in the future. It is a targeted approach to achieving results step by step with planning and precision.

## Personal Details

### Client Details:

**Client Name:** Mishra Family (sample plan)  
**Client Type:** Couple  
**Address:** Delhi  
**Ph (home)** +91 11 12345678  
**Ph(work)**  
**Email id** Mishra@mymoneyplanning.com

### Holder Details:

**Name:** Mr Aditya Mishra  
**PAN:**  
**DOB** 01/01/1957  
**Tax Rate:** 20%

**Name:** Mrs Pallavi Mishra  
**PAN:**  
**DOB** 03/04/1957  
**Tax Rate:** 0% - No Tax Rate

### Associated Party Details:

**Contact Type** Accountant  
**Name:** Mr Anoop Jain  
**Address:**  
**DOB**  
**Ph(hm)**  
**Ph(wk)**  
**Email**

**Contact Type** Lawyer  
**Name:** Mr Mohit Jain  
**Address:**  
**DOB**  
**Ph(hm)**  
**Ph(wk)**  
**Email**

**Contact Type** Daughter  
**Name:** Mrs Shalini Ahuja  
**Address:**  
**DOB** 12/12/1980  
**Ph(hm)**  
**Ph(wk)**  
**Email**

**Contact Type** Grandchild  
**Name:** Ms Soniai Ahuja  
**Address:**  
**DOB** 03/04/2005  
**Ph(hm)**  
**Ph(wk)**  
**Email**

**Contact Type** Father  
**Name:** Mr Amit Ahuja  
**Address:**  
**DOB** 01/04/1925  
**Ph(hm)**  
**Ph(wk)**  
**Email**

Please confirm that the above details have been shown correctly .

## Cash Flow Management

*Monitoring your cash flow is a dynamic way of taking your financial pulse.*

Getting your cash to work efficiently for you, over a lifetime, can have huge positive consequences. Often affluent individuals are the ones who have difficulty in following a savings plan and the surplus cash disappears before it can be aligned to objectives. Those who have limited income generally know they have to manage their cash and align to their savings targets.

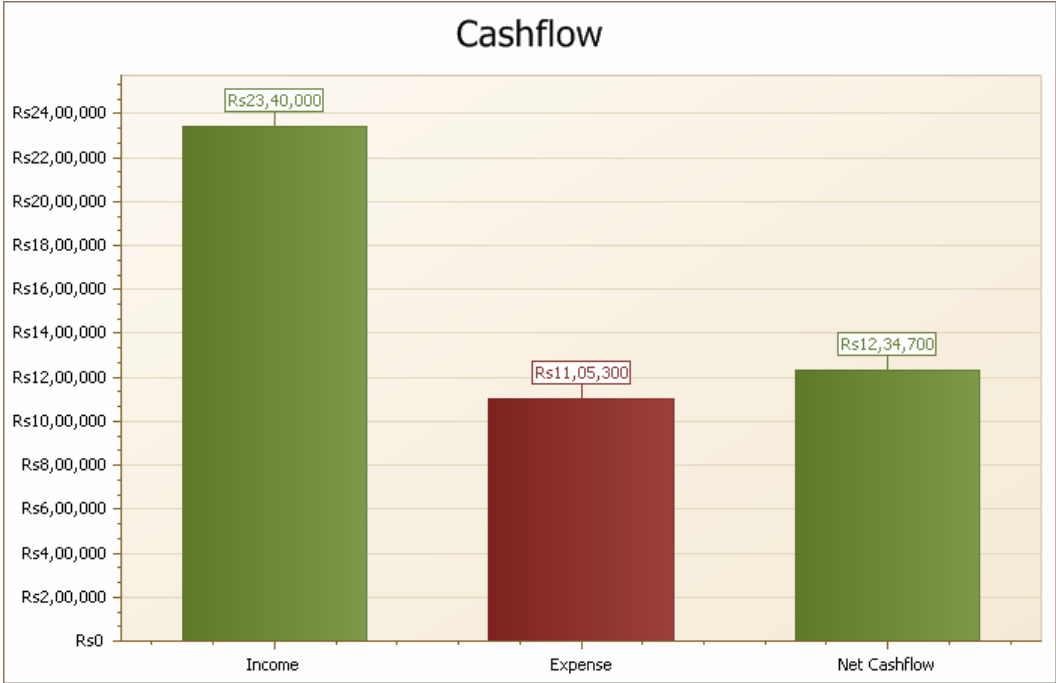
For most people the ability to earn is their greatest asset and its careful management should be a high priority. Your income is divided between Non-discretionary costs and Discretionary costs. From this we can determine what is surplus and guide you on how to maximize the opportunity. The analysis below tracks your income from all sources on a net of tax basis and will help you begin this journey of cash-flow management.

Eventually, you will gain better control over cash flows and realize that you have greater control over discretionary costs and a huge potential which could help you save regularly.

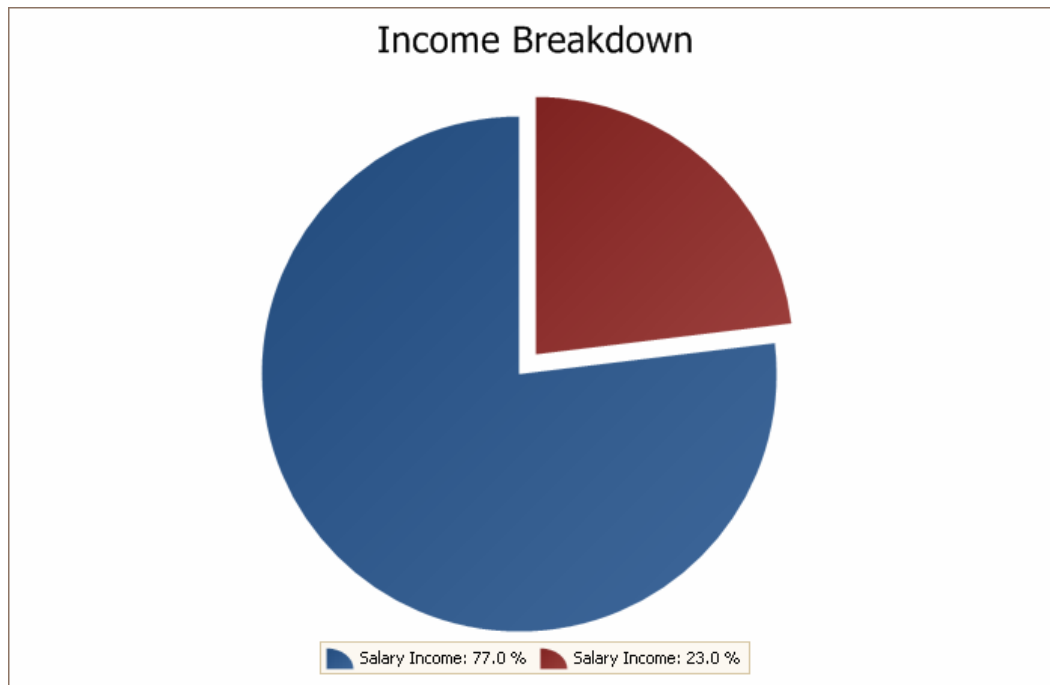
### Income and Expenditure Statement

Income		
	<b>Net Salary Income</b>	Rs18,00,000 p.a.
	<b>Salary Income</b>	
	<b>Net Salary Income</b>	Rs5,40,000 p.a.
	<b>Salary Income</b>	
	<b>Total Income:</b>	Rs23,40,000 p.a.
Fixed Expenses		
	<b>Utilities</b>	Rs20,000 p.a.
	<b>Rent</b>	Rs1,20,000 p.a.
	<b>Other Loans/Repayments</b>	Rs2,16,000 p.a.
	<b>Education / Training</b>	Rs40,000 p.a.
	<b>Car /Transportation Costs</b>	Rs60,000 p.a.
	<b>Credit Card EMI</b>	Rs1,08,000 p.a.
	<b>Car Loan EMI</b>	Rs1,72,800 p.a.
	<b>General Insurance Premium</b>	Rs30,000 p.a.
	<b>Medical Insurance Premium</b>	Rs12,000 p.a.
	<b>Total Fixed Expenses:</b>	Rs7,78,800 p.a.
Discretionary Expenses		
	<b>Food / Household Expenses</b>	Rs50,000 p.a.
	<b>Clothing</b>	Rs40,000 p.a.
	<b>Recreation</b>	Rs40,000 p.a.
	<b>Gifts / Donations</b>	Rs25,000 p.a.
	<b>Entertainment Expenses</b>	Rs25,000 p.a.
	<b>Rent Car</b>	Rs10,000 p.a.
	<b>Pets</b>	Rs5,000 p.a.
	<b>House Repair / Maintenance</b>	Rs50,000 p.a.

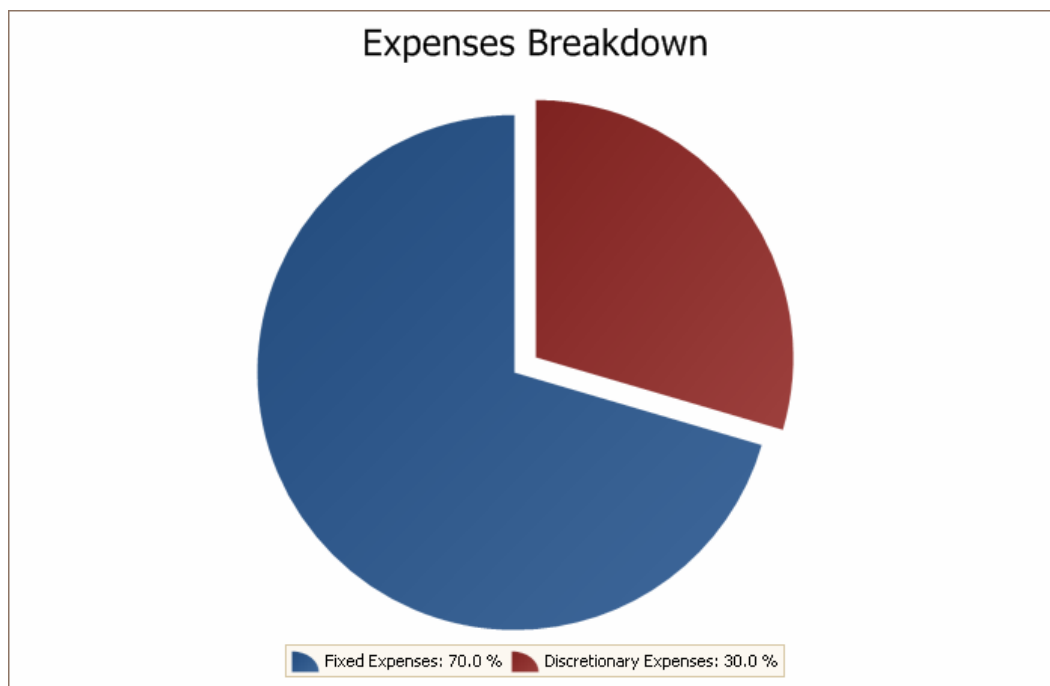
<b>Subscriptions : Clubs / Magazines</b>	Rs1,500 p.a.
<b>New / Replacement Items</b>	Rs10,000 p.a.
<b>Holidays / Travel</b>	Rs70,000 p.a.
<b>Total Discretionary Expenses:</b>	Rs3,26,500 p.a.
<b>Total Expenses:</b>	Rs11,05,300 p.a.
<b>Total Income:</b>	Rs23,40,000 p.a.
<b>Net Cashflow:</b>	Rs12,34,700 p.a.



### Income Breakdown Chart









### Expenditure Breakdown Chart



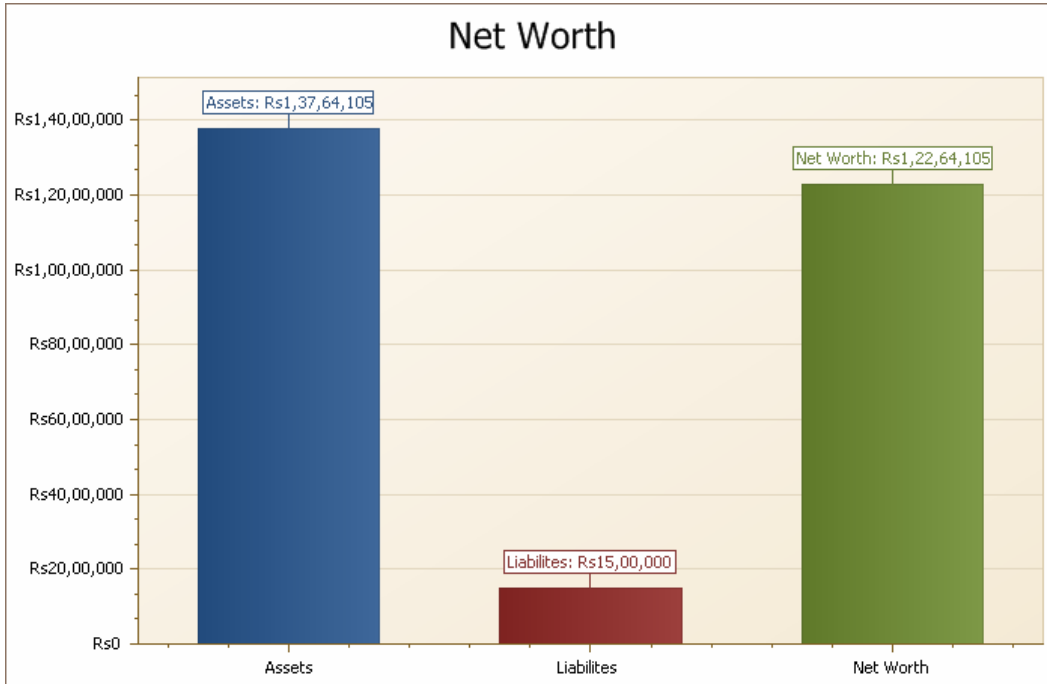
## Your Net Worth

A Net Worth statement defines what you have after your liabilities have been defined. It is your personal economic position based on the value of all assets (long term assets) minus the value of all liabilities. This analysis is often used by third parties to assess your credit worthiness. Used over time it is a valuable measure of how successful you are in securing your financial health, and increasing wealth overtime.

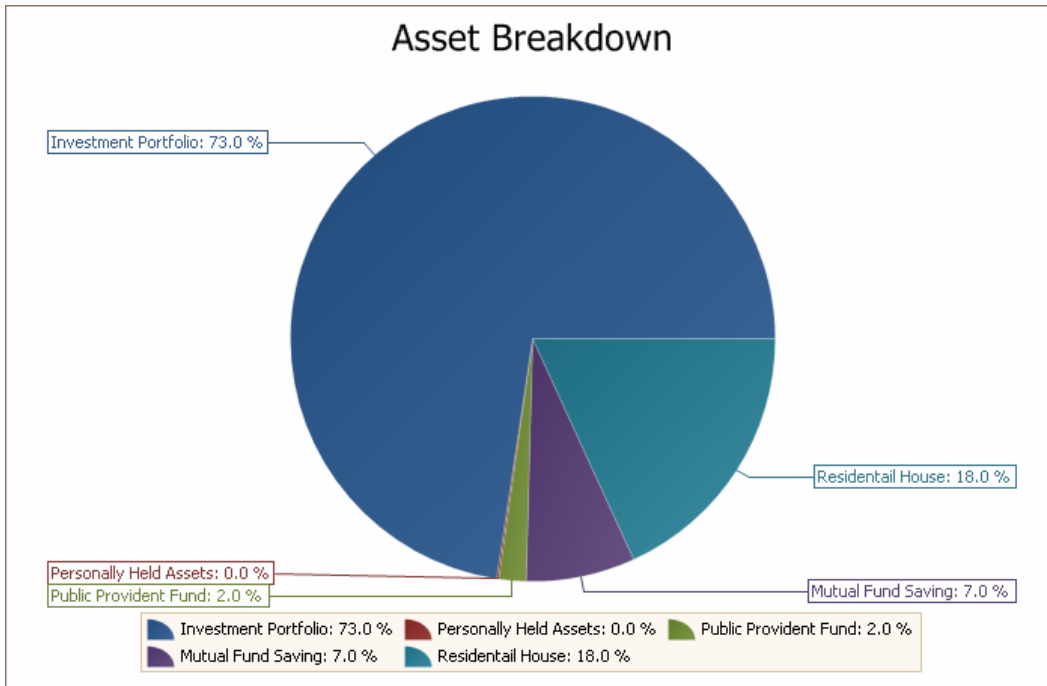
### Net Worth Analysis

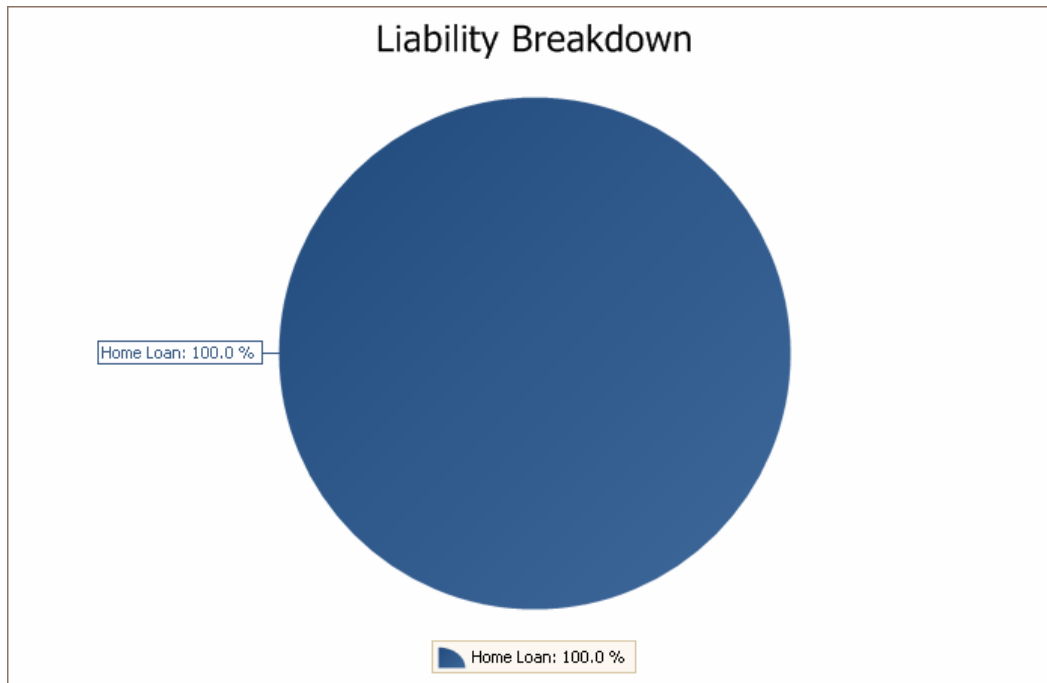
Investments		Current Valuation
	<b>Portfolio</b> Investment Portfolio	Rs99,94,836
	<b>Portfolio</b> Personally Held Assets	Rs19,269
	<b>Public Provident Fund</b> Public Provident Fund	Rs2,50,000
	<b>Mutual Fund Savings/SIP</b> Mutual Fund Saving	Rs10,00,000
<b>Total Investments:</b>		Rs1,12,64,105
Other Assets		Current Valuation
	<b>Residential Property</b> Residential House	Rs25,00,000
<b>Total Other Assets:</b>		Rs25,00,000
Liabilities		Current Valuation
	<b>Housing Loan</b> Home Loan	Rs15,00,000
<b>Total Liabilities:</b>		Rs15,00,000
<b>Total Assets:</b>		Rs1,37,64,105
<b>Net Worth:</b>		<b>Rs1,22,64,105</b>





### Asset and Liability Breakdown Charts





A relatively low Debt Client, which ensure protection of the family incase of any unforeseen event.

## Investment Asset Allocation

*“Do not put all your eggs into one basket”*

### **Diversification over Asset Sectors.**

This maxim can be applied to both Asset Allocation and the underlying investments used in each of your Asset Sectors.

It is beneficial to spread your investments over a range of assets. In different years often a different asset is the best-performing one. It is difficult to predict which Asset Sector will perform best in any given year. Trying to pick the best Assets Sector and knowing when to move to another is speculative.

It is prudent to following a consistent plan which weights your exposure to a range of Asset Sectors in line with your Investor Profile. Historical analysis of each Asset Sectors behavior determines how much exposure you should have to each sector. Your Investor Profile has been aligned with a Strategic Asset Allocation (the long term view) and this can be modified by Tactical adjustments (what happening now). A mixture of Asset Sectors is more likely to maximize returns and minimize risk providing with you the best opportunity to reach your Goals. The past is not a guarantee of the future but it can be a guide.

### **Diversification Over / Within Investments.**

Investment diversification within your Asset Sector compliments Asset Allocation. While a portfolio can be diversified over a range of Asset types it can also be diversified over the range of investments types. The intent is to reduce your exposure to the specific risk of one investment.

The results from your risk profile assessment indicate that you are a Growth investor:

Pi money seeks to manage your portfolio within the criteria set and will seek to give you exposure to Funds that are performing in the top quartile and to adjust your assets allocation to meet current economic conditions whilst maintaining your Investment Profile. Most investments are medium to long-term. Fixed interest is medium to long-term. Fixed Interest Trusts 1-3 years; shares 5 years; property 5-7 years.

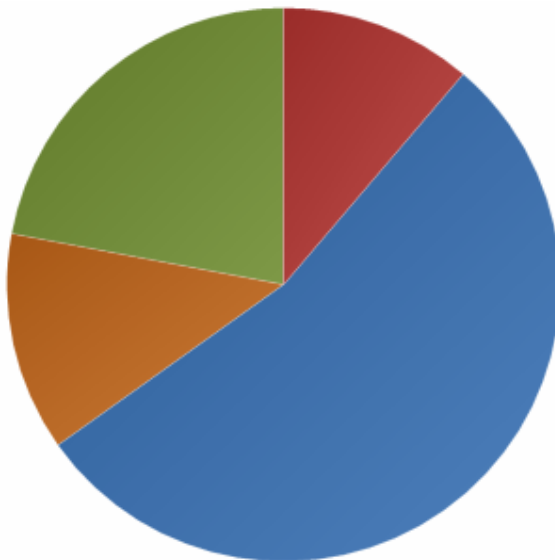
Returns will always be dependent on current economic conditions and no absolute guarantee is possible.

At each review you are confirming the strategy adopted as detailed above. If this is no longer appropriate you should notify your advisor.

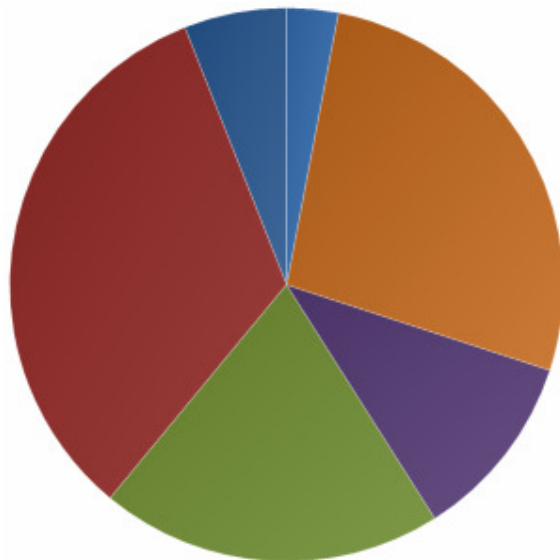
Client Questionnaire	Defensive	Conservative	Balanced	Growth	Aggressive
<b>Cash</b>	12.0%	10.0%	8.0%	3.0%	1.0%
<b>Debt</b>	68.0%	60.0%	42.0%	27.0%	9.0%
<b>Gilt</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Property</b>	6.0%	6.0%	8.0%	11.0%	12.0%
<b>Equity</b>	5.0%	10.0%	15.0%	20.0%	21.0%
<b>International Equity</b>	9.0%	14.0%	27.0%	33.0%	42.0%
<b>Alternative Assets</b>	0.0%	0.0%	0.0%	6.0%	15.0%

## Asset Allocation - Growth

Current Portfolio Asset Allocation

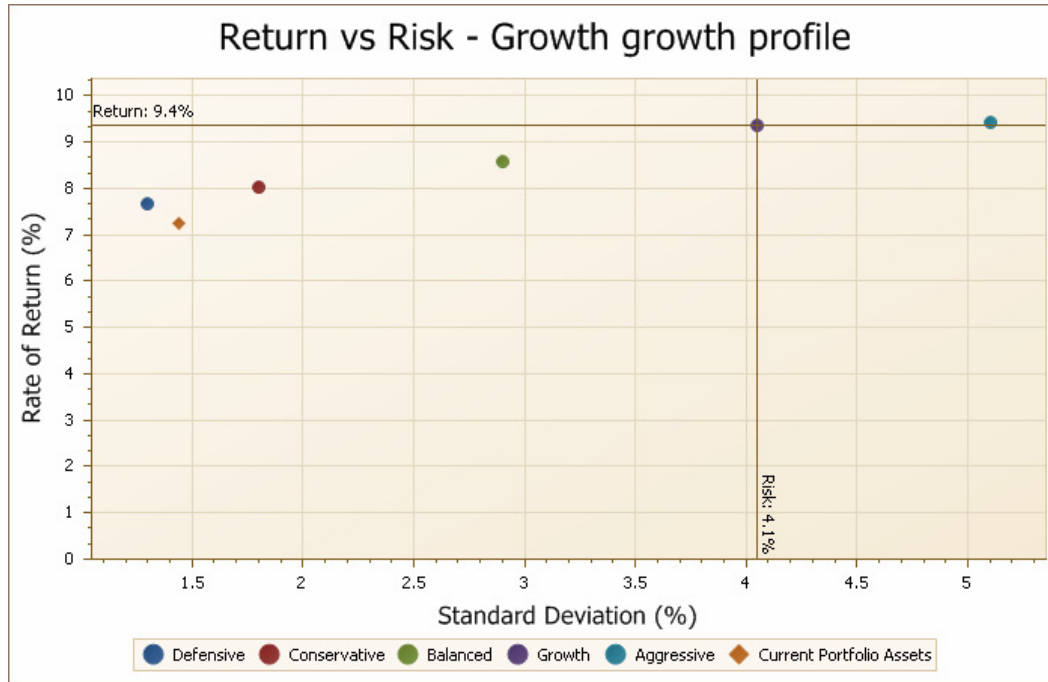


Recommended Growth Asset Allocation



Sector	Current Percentage	Recommended Percentage	Difference
<b>Unclassified</b>	11.2 %	0.0 %	-11.2 %
<b>Cash</b>	53.9 %	3.0 %	-50.9 %
<b>Debt</b>	12.8 %	27.0 %	14.2 %
<b>Gilt</b>	0.0 %	0.0 %	0.0 %

<b>Property</b>	0.0 %	11.0 %	11.0 %
<b>Equity</b>	22.0 %	20.0 %	-2.0 %
<b>International Equity</b>	0.0 %	33.0 %	33.0 %
<b>Alternative Assets</b>	0.0 %	6.0 %	6.0 %
<b>Risk</b>	1.4 %	4.1 %	2.6 %
<b>Rate of Return</b>	7.3 %	9.4 %	2.1 %



The Risk vs. Return Graph provides an indicative view of how your chosen Investor Profile relates to your current investments. Ideally, existing investments should be as close as possible to your Current Portfolio Assets marker in the above chart. There is no merit in taking more risk (Volatility) for no increased gain.

In this way your assets allocation, as recommended by us, seeks to minimize risk and optimize returns.

**Notes on Risk: There are many forms of risk that have to be taken account of. For example:**

- **Inflation Risk:** If the inflation rate exceeds your after tax returns then you are going backwards! You are losing your buying power. This often happens to those who just remain in cash and / or fixed interest.
- **Market Risk:** An investment will participate in a particular investment sector e.g. Domestic Share Market and often, regardless of the actual holding, will experience the impact of market sentiment both positive and negative. This can be driven by either economic factors or human behavior and is often a combination of both. Some funds use technical investment tools to manage and this.
- **Specific Risk:** If funds are placed into an asset which is not diversified within itself then the outcome will be dependent on that one placements performance. Grouped Investment Funds / Mutual Funds seek to mitigate this by diversifying the risk.
- **Currency Risk:** If investments are held outside of the country in which you live and in which you intend to use these funds then differential in currencies can have significant impact on the purchasing power of your portfolio. Hedging strategies are a way of managing this.
- **Default Risk:** This occurs when the issuer of a security is unable to repay a loan. Research Houses / Rating Agencies seek to quantify the probability of this happening.
- **Sector Risk:** There are times when one sector is depressed while the others are buoyant. Diversification over different asset classes seeks to mitigate this.

- **Duration Risk:** Locking into a long term investment based on current economic assumptions when these assumptions can change. E.G Locking into a low interest rate Fixed Interest Security for 10 years means the value of the Bond, if tradable, will go down if not held to maturity if interest rates rise. In addition there is the missed opportunity of higher rates in the future. Few can see 10 years ahead!

**A well designed portfolio will address all of these issues No Pilot takes off without a pre-flight check!**

## Your Goals

*Goals are dreams with deadlines. ~ Diana Scharf Hunt*

A review of your Goals enables you clarify where you want to get to and why. It will assist you in determining if your Goals are achievable and what you have to do to make them happen. Having clear achievable Goals is motivational.

*Obstacles are those frightful things you see when you take your eyes off your goal. ~ Henry Ford*

Goal based planning works by using your financial resources, such as your Investment Portfolio, and aligning them on a priority basis against your chosen goals.




## Basic Assumptions

This plan uses the following basic assumption when doing the analysis: -

- Aditya Mishra's preferred retirement age is 65 with a life expectancy of 80.
- Pallavi's preferred retirement age is 65 with a life expectancy of 80.

## Your Current Goals

Your current goals are shown in the table below along with which financial resource is available to fund the goal.

Priority	Goal Name	Goal Description	Corpus Required	Available Resources
1	 <b>Retirement - Living Expenses Retirement Plan</b>	Rs6,00,000.00 every year from when Aditya Mishra retires (2022) until when Aditya Mishra expires (2037) at 6 % inflation.	Rs3,09,94,902	<ul style="list-style-type: none"> <li>• Portfolio: Investment Portfolio</li> <li>• Portfolio: Personally Held Assets</li> </ul>
2	 <b>Marriage Rita's Wedding</b>	Rs10,00,000.00 in 2030 at 7 % inflation.	Rs38,69,684	<ul style="list-style-type: none"> <li>• Portfolio: Investment Portfolio</li> <li>• Portfolio: Personally Held Assets</li> <li>• Public Provident Fund : Public Provident Fund</li> </ul>
3	 <b>Emergency Fund</b>	Rs2,00,000.00 in 2010 at 5 % inflation.	Rs2,00,000	<ul style="list-style-type: none"> <li>• Portfolio: Investment Portfolio</li> <li>• Portfolio: Personally Held Assets</li> </ul>

4  **Asset Purchase Major Purchase**

Rs1,00,00,000.00 in 2020 at 7 % inflation. Rs1,96,71,514

- Mutual Fund Savings/SIP: Mutual Fund Saving
- Portfolio: Investment Portfolio
- Portfolio: Personally Held Assets
- Public Provident Fund : Public Provident Fund




The following chart illustrations the cost of your goals over time. The cost of your goals will increase over time due to inflation.



Multiple Goals can be analyzed not by chronological order but on the basis of priority

## Current Financial Resources

Your current financial resources are shown below.

	Name	Value	Estimated RoR	Available From	Available For	Contributions
	<b>Portfolio Investment Portfolio</b>	Rs99,94,836	6.99 %	This year	All goal needs	
	<b>Portfolio Personally Held Assets</b>	Rs19,269	14.00 %	This year	All goal needs	
	<b>Public Provident Fund Public Provident Fund</b>	Rs2,50,000	8.00 %	Locked until 2020	All goal needs	



**Mutual Fund Savings/SIP**  
**Mutual Fund Saving**

Rs10,00,000

10.00 % This year

Asset Purchase -  
Major Purchase

Deposit:  
Rs1,00,000.00 in  
2010

You also have these additional income sources available which can be used to fund your goals.

Income Name	Income Description	Available For
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PPF is a 15 year lock in product, which can be used to fund goals only after 2020

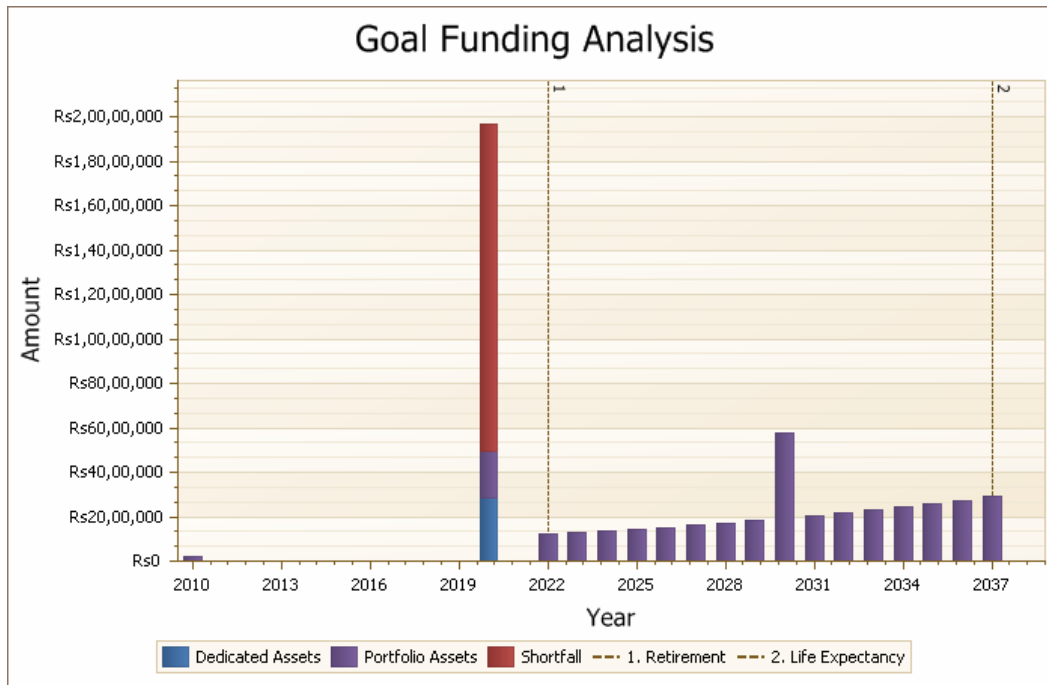
## Goal Analysis

The following analysis is based on the chosen priority order of your goals. This means that a lower priority goal that happens next year will not take priority over a longer term higher priority goal. For example a purchase of a car now may compromise the deposit of a house in 5 years time.

Remember the power of compounding investment returns. A small change in your portfolio today will make a significant difference in 20 years time!

The current analysis indicates that you will not be able to fund all your goals. The following plan will give you a range of options to help you address this issue.

Priority	Goal Name	Total Corpus Required	Projected Amount available	% Goal Funded	Additional Deposit	Additional Regular Savings
1	 <b>Retirement - Living Expenses Retirement Plan</b>	Rs3,09,94,902	Rs3,09,94,902	100%	-	-
2	 <b>Marriage Rita's Wedding</b>	Rs38,69,684	Rs38,69,684	100%	-	-
3	 <b>Emergency Fund</b>	Rs2,00,000	Rs2,00,000	100%	-	-
4	 <b>Asset Purchase Major Purchase</b>	Rs1,96,71,514	Rs49,36,699	25.10%	Deposit Rs60,27,772 this year at 9.4 %.	Save Rs8,95,785 annually until 2020 at 9.4 %.



## Retirement - Living Expenses - Retirement Plan

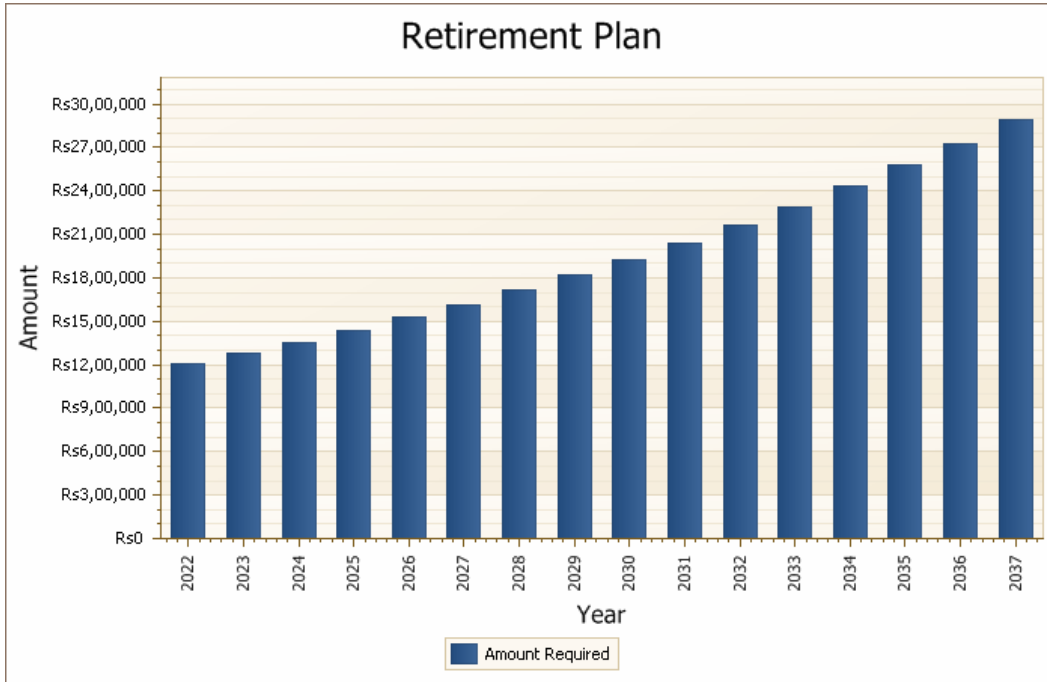
You have indicated that the Retirement Plan goal is your number one priority. You currently have sufficient assets and savings available to fund your Retirement - Living Expenses goal.

### Current Goal Assumptions

The following table details the key assumptions used.

	Aditya Mishra	Pallavi
<b>Retirement Age/Year</b>	65 / 2022	65 / 2022
<b>Life Expectancy</b>	80 / 2037	80 / 2037
<b>Goal Objective</b>	Rs6,00,000.00 every year from when Aditya Mishra retires (2022) until when Aditya Mishra expires (2037)	
<b>Number of years to reach goal</b>	12	
<b>Total Goal Cost</b>	Rs3,09,94,902	
<b>Inflation Rate</b>	6.00 %	
<b>Total Amount Funded</b>	Rs3,09,94,902	
<b>Short fall</b>	Rs0	
<b>% Goal funded</b>	100 %	
<b>Potential Funding Sources</b>	<ul style="list-style-type: none"> <li>Portfolio: Investment Portfolio. Amount used Rs3,09,94,902</li> <li>Portfolio: Personally Held Assets</li> </ul>	





### Advice

You currently have sufficient assets and savings available to fund your Retirement - Living Expenses goal. It is recommended that you: -

- Review your Asset Allocation.

### Action Plan

Your Current Action plan should consist of:

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

### Marriage - Rita's Wedding

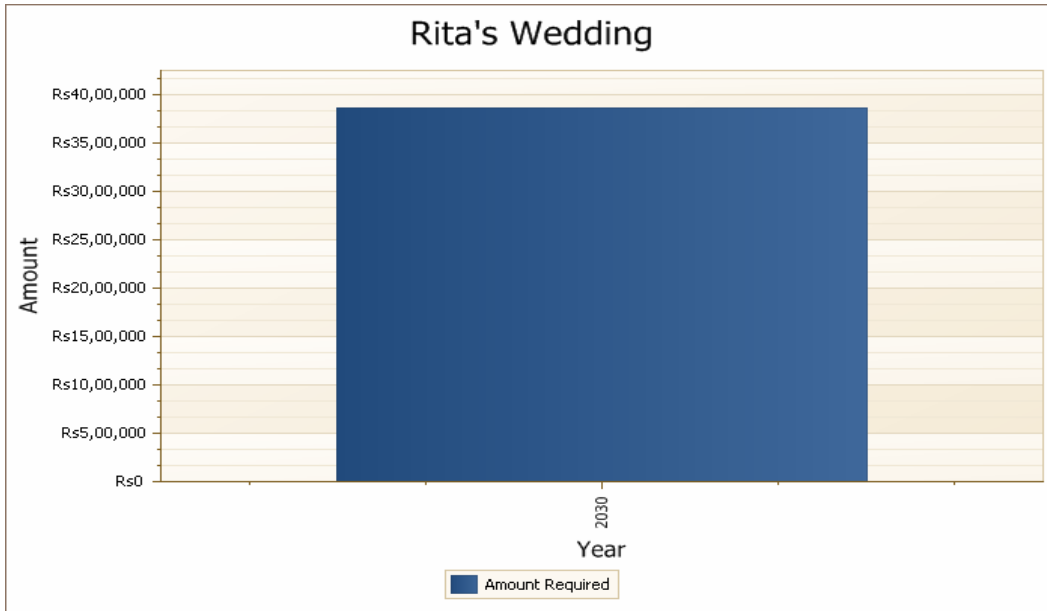
You currently have sufficient assets and savings available to fund your Marriage goal.

### Current Goal Assumptions

The following table details the key assumptions used.

	Aditya Mishra	Pallavi
<b>Retirement Age/Year</b>	65 / 2022	65 / 2022
<b>Life Expectancy</b>	80 / 2037	80 / 2037
<b>Goal Objective</b>	Rs10,00,000.00 in 2030	
<b>Number of years to reach goal</b>	20	
<b>Total Goal Cost</b>	Rs38,69,684	

<b>Inflation Rate</b>	7.00 %
<b>Total Amount Funded</b>	Rs38,69,684
<b>Short fall</b>	Rs0
<b>% Goal funded</b>	100 %
<b>Potential Funding Sources</b>	<ul style="list-style-type: none"> <li>• Portfolio: Investment Portfolio. Amount used Rs38,69,684</li> <li>• Portfolio: Personally Held Assets</li> <li>• Public Provident Fund : Public Provident Fund</li> </ul>



### Advice

You currently have sufficient assets and savings available to fund your Marriage goal. It is recommended that you: -

- Review your Asset Allocation.

### Action Plan

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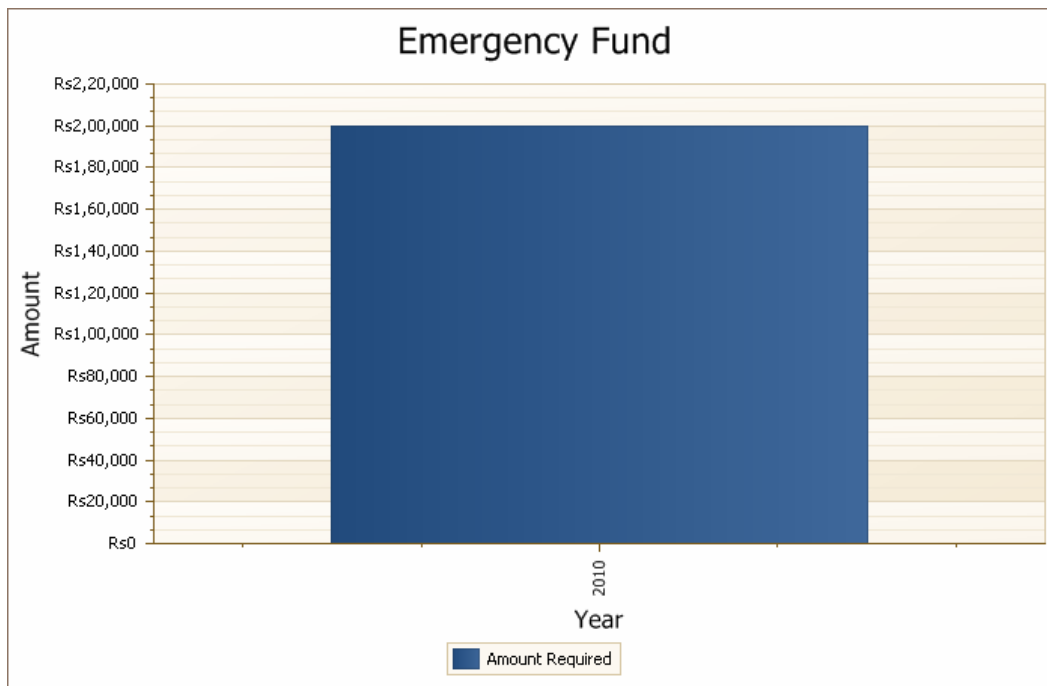
## Emergency Fund

You currently have sufficient assets and savings available to fund your Emergency Fund goal.

### Current Goal Assumptions

The following table details the key assumptions used.

	Assumptions
<b>Goal Objective</b>	Rs2,00,000.00 in 2010
<b>Number of years to reach goal</b>	0
<b>Total Goal Cost</b>	Rs2,00,000
<b>Inflation Rate</b>	5.00 %
<b>Total Amount Funded</b>	Rs2,00,000
<b>Short fall</b>	Rs0
<b>% Goal funded</b>	100 %
<b>Potential Funding Sources</b>	<ul style="list-style-type: none"><li>• Portfolio: Investment Portfolio. Amount used Rs1,80,731</li><li>• Portfolio: Personally Held Assets. Amount used Rs19,269</li></ul>



## Advice

You currently have sufficient assets and savings available to fund your Emergency Fund goal. It is recommended that you: -

- Review your Asset Allocation.

## Action Plan

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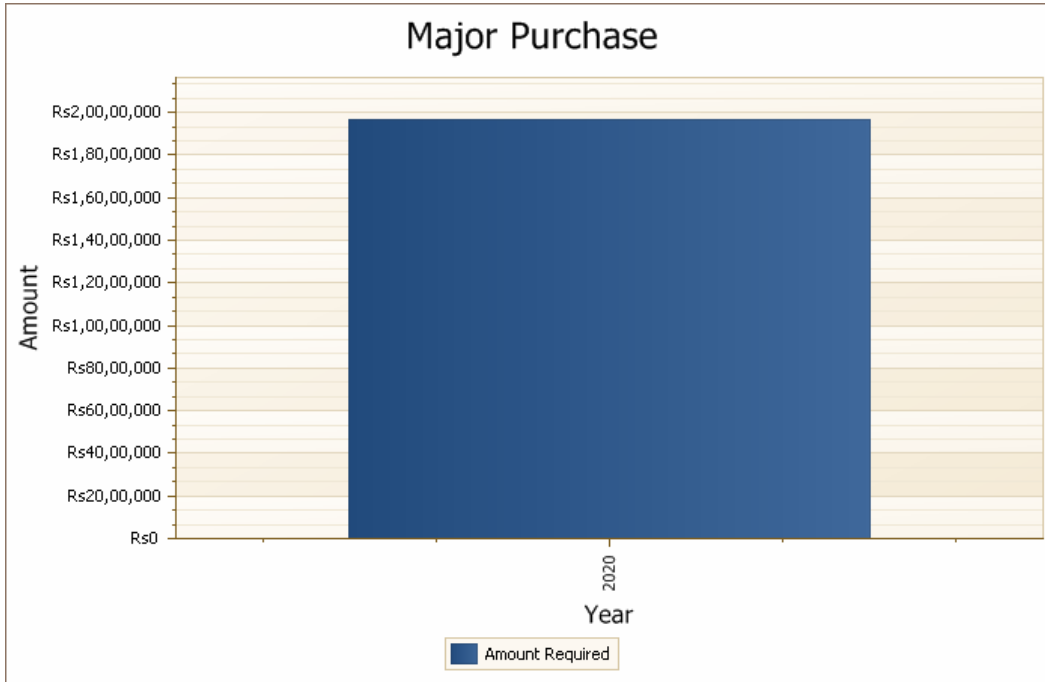
## Asset Purchase - Major Purchase

Your available savings and assets are not enough to fully fund the Asset Purchase goal with only 25.10% of the goal funded. This leave a shortfall of Rs1,47,34,815.

## Current Goal Assumptions

The following table details the key assumptions used.

	Assumptions
<b>Goal Objective</b>	Rs1,00,00,000.00 in 2020
<b>Number of years to reach goal</b>	10
<b>Total Goal Cost</b>	Rs1,96,71,514
<b>Inflation Rate</b>	7.00 %
<b>Total Amount Funded</b>	Rs49,36,699
<b>Short fall</b>	Rs1,47,34,815
<b>% Goal funded</b>	25 %
<b>Potential Funding Sources</b>	<ul style="list-style-type: none"><li>• Mutual Fund Savings/SIP: Mutual Fund Saving. Amount used Rs28,29,537</li><li>• Portfolio: Investment Portfolio. Amount used Rs15,67,429</li><li>• Portfolio: Personally Held Assets</li><li>• Public Provident Fund : Public Provident Fund. Amount used Rs5,39,733</li></ul>



## Advice

Your current gap in meeting your goal is Rs1,47,34,815. To fully fund your goal you will need to consider one of the following options: -

Option	Description
<b>Option 1</b>	<b>Additional Lump Sum Investment:</b> Set aside a lump sum of Rs60,27,772 this year invested at 9.4 %.
<b>Option 2</b>	<b>Additional Regular Savings:</b> Save an additional Rs8,95,785 per year starting this year invested at 9.4 %.
<b>Option 3</b>	<b>Delay your goal.</b> Delaying your goal by a few years gives you more time to save and take advantage of the effects of compounding interest.
<b>Option 4</b>	<b>Decrease the cost of your goal:</b> If you cannot delay your goal you might then consider reducing the overall cost of your goal.
<b>Option 5</b>	<b>Review your Asset Allocation:</b> You also might be able to review your asset allocation to a higher rate of return, however this will introduce more risk into your portfolio and should only be used for your long-term, no essential goals where you can afford to take the increased risk.

## Action Plan

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## Insurance

Insurance is the process of reimbursing or protecting you from contingent risk of losses through financial means, in return for relatively small, regular payments to an insurance company. The alternative is for you to have sufficient resources to cover the loss and self insure.

If you have dependants that rely on your income then they are at risk if your income stops through either death or sickness. You may have a significant health event which requires a high medical cost to treat. Health Insurance may be able to mitigate the cost. If you do not have the substantial funds required to self insure you may fund your savings for future Goals “robbed”. Insurance compliments good cash flow management as a tool for preserving your wealth.

### Do remember:

Insurance will only cover events that do not exist at the time of purchasing insurance. It covers the unknown only.

You should never replace insurance unless you have the replacement in place.

### Life Insurance.

If someone is dependent on you then you may need insurance. You may be the major income earner and in a business situation you may be a “Key Person” without whose contribution the income from the company would be diminish.


### Income Protection Insurance.

For most people the ability to earn is their greatest asset. If you total your lifetime salary over it is not an insignificant amount. There are a variety of ways to protect your ability to earn with Insurance products. Some can provide a partial replacement of Income while others can provide a lump sum related to defined health events.

### Health Insurance.

Health Insurance means that medical issues can be attended to quickly without a large expense or depletion your savings.

## Life Insurance Analysis Summary




	Cover Required	Current Cover	% Covered	Difference
 <b>Life Insurance</b> <b>Aditya Mishra</b>	Rs58,83,020	Rs10,00,000	17%	Shortfall of Rs48,83,020

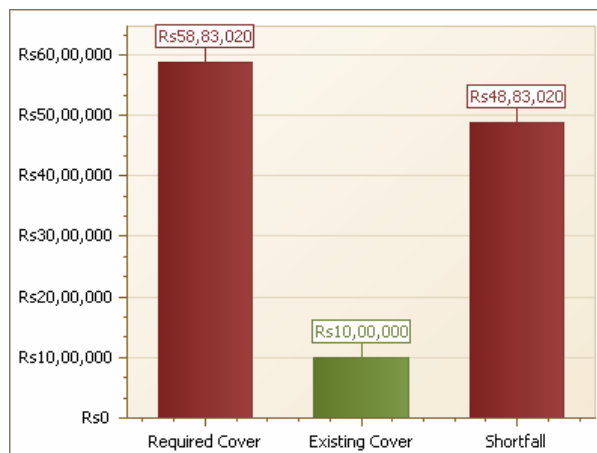
## Life Insurance Analysis for Aditya Mishra

### Current Life Insurance Situation

The following table details the key assumptions used.

Immediate Cash Needs	
<b>Funeral Expenses</b>	Rs50,000
<b>Legal Expenses</b>	Rs25,000
<b>Total Immediate Cash Needs:</b>	Rs75,000

Replacement Income	
Income of Rs10,00,000 for 10 years	Rs68,08,020
<b>Total Replacement Income:</b>	<b>Rs68,08,020</b>
Debt Repayment	
 <b>Housing Loan Home Loan</b>	Rs15,00,000
<b>Total Liabilities:</b>	<b>Rs15,00,000</b>
Surplus Assets	
 <b>Residential Property Residential House</b>	Rs25,00,000
<b>Total Surplus Assets:</b>	<b>Rs25,00,000</b>
<b>Total Needs:</b>	<b>Rs83,83,020</b>
<b>Total estimated coverage required:</b>	<b>Rs58,83,020</b>
Existing Life Insurance Policies	
 <b>Life Insurance LIC Endowment Policy</b>	Rs10,00,000
<b>Total Existing Life Insurance Cover:</b>	<b>Rs10,00,000</b>



## Advice

You currently do not have enough existing life insurance cover for Aditya Mishra with only 17% of the life insurance needs funded. This leaves a shortfall of Rs48,83,020 worth of cover.

## Action Plan

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## Appendix 1: Glossary of Terms used in Financial Planning

### Asset Allocation

Asset Allocation is the process of selecting amongst asset classes such as equity debt gilt property and gold. A large part of financial planning consists of finding an asset allocation that is appropriate for a given person in terms of their appetite for and ability to shoulder risk

### Compounding

The effect of compounding depends on the frequency with which interest is compounded and the periodic interest rate which is applied. Therefore, in order to define accurately the amount to be paid under a legal contract with interest, the frequency of compounding (yearly, half-yearly, quarterly, monthly, daily, etc.) and the interest rate must be specified

### Goals

There are many types of financial goals. Here are some of more common goals for everyday parlance

1. Get out of debt — “I will completely eliminate my debt in 3 years.”
2. Saving for retirement — “I will save for my retirement years.”
3. Saving for college education — “I will save for college education for my son”
4. Saving for a House Purchase — “I will save for down payment on my first home.”
5. Saving for a down payment for your car — “I will save for down payment on my new car.”

After you set your goals, the next step is to prioritize them. Although it's nice to be able to accomplish them all, sometimes that is simply not possible. You may have to make some changes and accept some compromise. After your goals are prioritized, the next step is to review them and identify actions you should take to accomplish each goal.

### Diversification

Portfolio diversification is the means by which investors minimize or eliminate their exposure to company-specific risk, minimize or reduce systematic risk and moderate the short-term effects of individual asset class performance on portfolio value.

Well-conceived portfolio diversification will result in the construction a well-diversified portfolio that will serve you well in achieving your long-term investment goals. And defining an investment universe that is sufficiently broad to ensure that the highest level of diversification consistent with your risk tolerance can be achieved is the single most important step in constructing your portfolio.

### Inflation

Inflation, a universal concept, is an economy-wide sustained trend of increasing prices from one year to the next. The rate of inflation is important as it represents the rate at which the real value of an investment is eroded



and the loss in spending power over time. Inflation also tells investors exactly how much of a return (%) their investments need to make for them to maintain their standard of living.

### **Insurance**

Traditionally, Life insurance has always been a way to protect your survivors and dependents against financial hardship. Simply put, Life insurance offers financial protection to you and your loved ones when you retire, die or are unable to continue providing financially due to unforeseen incidents. While nothing can substitute your loss, insurance at least takes care of the financial gap created by your absence or the absence of an active income source. It thus tries to eliminate risk by substituting certainty for uncertainty

However Life Insurance has evolved over time. Today it is a smart savings and investment option and can offer market linked returns. With the right life insurance policy you can be assured of maintaining your standard of living and even improve it. You can plan for your aspirations and time your policies to get you a lump sum amount just when you need it or you can simply make your money grow for the rainy day. It can help you meet your child's educational needs, their marriage expenses or for purchasing that dream home that you've always wanted.

### **Monte Carlo**

Risk is part of all investments. Monte Carlo simulation allows for better decision making under uncertainty. Monte Carlo simulation performs risk analysis by building models of possible results by substituting a range of values—a probability distribution—for any factor that has inherent uncertainty. It then calculates results over and over, each time using a different set of random values from the probability functions. Depending upon the number of uncertainties and the ranges specified for them, a Monte Carlo simulation could involve thousands or tens of thousands of recalculations before it is complete. Monte Carlo simulation produces distributions of possible outcome values.

By using probability distributions, variables can have different probabilities of different outcomes occurring. Probability distributions are a much more realistic way of describing uncertainty in variables of a risk analysis

### **Risk Profiler**

Risk profiling can help you make decisions that are suitable to you, as it is a method of measuring personal tolerance to investment risk. In simple terms, how much risk an individual is willing to make, or not make. Risk tolerance can be seen as the sum of all the 'fear/greed' trade-offs available.

Once we have obtained your investor profile, we then examine the most suitable strategy. Once we have decided on the strategy we then look at the investment options available to you. This process results in your funds being invested across many investment sectors so that they are fully diversified as to your wishes and also your tolerance levels.

### **Net Worth**

The Net Worth Statement tells you what you're worth financially. Use it to list all your assets and liabilities (your debts and expenses) and then subtract the sum of your liabilities from your total assets.

When completing your net worth information, use a specific date -- perhaps the end of a calendar quarter or the end of the year -- so you can use the same date to recalculate it annually. Remember, the higher your net worth, the better. A low or negative net worth tells you that you'll need to work on your Cash Flow statement to find ways of increasing your savings. The goal is to have a greater net worth each year. (As you build your assets, carefully evaluate the appropriateness of protecting them with life insurance.)

## Appendix 2: Disclaimer / Disclosure Statement

The recommended products and strategies in this Goal Based Plan have prepared especially for you. These recommendations given here flow out of an analysis of your Investor Profile and your Goals and Objectives as presented to us.

In addition, it is important to be aware of the following:

- All market linked investment returns will reflect the performance of the underlying assets of the products you have chosen and will go up and down with the value of the products assets.
- With all international investments you are exposed to the added risk of currency fluctuations.
- Most Investments are medium to long term and the minimum investment term must be considered before making an investment (Fixed Interest Trusts 1-3 years; Shares 5 years; Property 5-7 years).
- Any report product information goods services or advice ("advice") given to you has been prepared from the information supplied to us from you. Any decisions made by you in reliance upon or in relation to such advice are to be made by you and not by us. You are therefore exclusively responsible for all acts and decisions in making any decisions in reliance on any advice or materials supplied to us by you.
- Any calculated projections or any predictions given by us to you are not guaranteed and are merely an expression of opinion only and are not intended for other than illustration purposes only.

Whilst every care has been exercised and the advice and the statements made are based on information believed to be accurate that no liability is accepted by us or our employees or officers or outside suppliers of information for any error or omission contained herein. It is strongly recommended that this qualification be borne in mind when making any decisions in reliance upon any of the advice contained herein. You are exclusively responsible for all such decisions. Further, our responsibility in connection with any materials or advice given by us to you is supplied to you alone and neither we nor our employees either directly or indirectly accept any responsibility howsoever arising on any grounds whatsoever to any other party.