

EXPRESS CLINIC



NAME: ANISH KUMAR, 36

RESIDES IN: PUNE

PROFESSION: AGM MARKETING IN AN ENERGY COMPANY

NET ANNUAL INCOME

(₹ 11.63 LAKH)

STATUS & GOALS

ANISH IS STAYING IN A RENTED APARTMENT BUT WILL SOON BE SHIFTING TO SELF-OWNED FLAT. THE FAMILY'S MONTHLY EXPENSES ARE NOT MANAGED PRUDENTLY AND INVESTMENTS PRIMARILY CONSIST OF MUTUAL FUNDS, DIRECT EQUITIES AND INSURANCE POLICIES. A MAJOR PART OF HIS EARNINGS IS GOING TOWARDS EMIS. HIS PRIMARY CONCERN IS TO FUND HIS SON'S EDUCATION AND MARRIAGE, WORLD TOUR, RETIREMENT AND LEAVE A GIFT FOR HIS SON.

NEEDED

A financial plan that will help him reach all his financial goals by making changes in his current portfolio and investing in right products.

MONTHLY INCOME (Post Tax)

₹96,950

TOTAL MONTHLY EXPENSES

₹78,487

NET MONTHLY SURPLUS

₹18,463

GOALS

IN ORDER OF PRIORITY

SAMAR'S ENGINEERING EDUCATION

(2021) (Inflation 10%)

CURRENT VALUE

₹ 10 lakh

FUTURE VALUE

₹ 23.57 lakh

SAMAR'S MARRIAGE

(2032) (Inflation 7%)

CURRENT VALUE

₹ 5 lakh

FUTURE VALUE

₹ 19.35 lakh

WORLD TOUR

(2016) (Inflation 7%)

CURRENT VALUE

₹ 7 lakh

FUTURE VALUE

₹ 9.18 lakh

HOME INTERIORS

(Next Year)

CURRENT VALUE

₹ 3.5 lakh

RETIREMENT PLANNING (2035)

(Inflation considered -7%, Life expectancy -80 years)

DESIRED ANNUAL INCOME

₹ 7.2 lakh

FUTURE VALUE

₹ 36.52 lakh

CORPUS REQUIRED

₹ 5.53 crore

OBSERVATIONS

Anish has ₹4 lakh as bank balance. His investment in stocks amount to ₹3 lakh and mutual funds ₹4 lakh. He has an outstanding home loan of ₹38.07 lakh and car loan of ₹4.30 lakh. Anish is having many liabilities in comparison to his investments. He is looking for a luxurious lifestyle after retirement which look a bit difficult right now. Things may look better once outstanding loans are fully repaid and spouse starts working.

FINDINGS

LIFE INSURANCE

He is having insurance cover of ₹45 lakh but that is still insufficient.

LIABILITIES

Home loan and car loan EMIs are around 35 per cent of net income.

EXISTING INVESTMENTS

Major investments are being done in direct stocks and in mutual funds through SIP.

RECOMMENDATIONS

EMERGENCY FUND

If current savings are used up for home interiors, there will be hardly any amount left for emergency fund. Need to maintain ₹3 lakh for emergency fund purpose, with ₹1 lakh in savings account and the rest in short term funds.

Express Tip: Keep 4-6 months emergency fund to prepare for any unforeseen event.

HEALTH INSURANCE

Anish is having sufficient insurance for present needs. He and his wife should continue the cover of ₹5 lakh for self, ₹4 lakh for spouse and ₹2 lakh for child.

Express Tip: Family floater can be a good option to cover entire family.

LIFE INSURANCE

He requires insurance of ₹1.61 crore. There is a gap of ₹1.20 crore, which can be filled by taking a term plan. He should buy a comprehensive accidental policy of ₹1 crore.

Express Tip: Disability insurance is a must for every bread winner, even more important than

health insurance or term plan.

CHILDREN'S FUTURE



For his son's education, allocate present savings of ₹7 lakh in mutual fund and equities. Return assumed: 14 per cent p.a. For son's marriage, the sum desired cannot be realised looking at current situation. Anish should reduce it to half and start a monthly contribution of ₹2,200 in balanced mutual funds. Return assumed: 11 per cent p.a.

Express Tip: The moment the child receives the first monetary gift, open a PPF account in his name. Do ensure that whatever child receives it should be used only for his benefit.

RETIREMENT FUNDING

Anish will require a corpus of ₹5.13 crore at retirement. He is contributing ₹72,000 per year in EPF, leading to ₹2.69 crore at the time of retirement. For bridging the gap he should immediately start monthly contribution of ₹10,000 in diversified mutual fund through SIP and ₹5,000 in PPF.

Assumptions: Saving growth increase 5 per cent every year and rate of return 11 per cent p.a.

Express Tip: Continue investing in PPF and EPF till retirement as it will help in achieving retirement corpus. Now you can invest up to ₹1 lakh per year in PPF.

LIFESTYLE GOALS

Anish has goals like world tour and purchase of a property for his son as a gift. All of the current savings and future net cash flows have been allocated for basic goals. The lifestyle goals can only be achieved through additional savings i.e. reducing expenses and increasing cash flow when the car loan is paid or when his wife starts working. He is planning to move to a new house in February and needs ₹3.5 lakh for interior work. He has this in his bank account, but now he should think of reducing this expense and allocate towards emergency fund.

Express Tip: It is necessary to have a financial plan to prioritise goals and differentiate between needs and wants.

CONCLUSION

A financial plan takes into account the inter-related nature of various goals and helps in deploying the finances so that the high priority goals are given precedence and are met. It removes uncertainty and brings about peace of mind.

PLAN BY: HEMANT BENIWAL, CERTIFIED FINANCIAL PLANNER, MEMBER OF THE FINANCIAL PLANNERS' GUILD, INDIA (www.fpgindia.org)

For expert guidance on your financial planning email us your details at expressmoney@expressindia.com

HOME INSURANCE

Take a home cover and sleep well

As devil is in the detail, do not forget to study the policy closely and make itemised declaration of household belongings

RITU KANT OJHA

CRICKET maestro Sachin Tendulkar made headlines last week when bought a home insurance cover of Rs 100 crore. He is not only aware about the risks on the cricket field, he seems to be well informed of the risks like fire, natural calamity, burglary and theft. Reports suggest Tendulkar took an insurance cover of ₹25 crore for household items in his Bandra home. The question one may ask is: why would a person as rich as Tendulkar need to cover his home and belongings?

You would get the answer once you try and imagine a situation wherein you come back from the office to find someone has broken your lock and taken away jewellery, electronic equipment etc setting you back by several lakhs of rupee.

Similarly, things bought through years of savings would vanish in a matter of minutes due to fire or natural calamity. While you cannot do much to prevent such incidents, beyond basic security measures, a household insurance is something you must have in your kitty. Such policies are available at a premium that on an average cost ₹5 per day.

It is a policy that is designed to cover various risks and contingencies that any home owner might face. However, the insurance company may be quick to reject the claim if the fine print has not been understood.

The value of home structure is assessed by multiplying the area by the rate of construction, as on

the date of taking the policy. For example, if your home is 1,000 square feet and the construction rate per square feet is ₹500, then the sum insured for your home's building structure would be Rs five lakh. While the home loan providers may insist on insurance for the entire loan amount, you need to take into account cost of construction on the built-up/carpet area and exclude the land cost which is not covered.

On the other hand, the belongings inside the house are assessed on their market value. This means that the claim would be paid on the value of purchasing a similar new item, minus depreciation for the usage.

There are several clauses which you must look at before choosing which policy suits you best.

WHAT IS COVERED

Home insurance normally covers most of the natural and man-made calamities.

- Fire
- Lightning
- Explosion/implosion
- Aircraft damage
- Impact damage
- Riot, strike, malicious and terrorism damage
- Storm, cyclone, typhoon, tempest, hurricane, tornado, flood and inundation
- Subsidence and landslide including rockslide
- Bursting and/ or overflowing of water tanks, apparatus and pipes
- Missile testing operations
- Leakage from automatic sprinkler installation
- Bush fire
- Earthquake

The buildings and contents are covered for these perils. The sum insured is

either on the re-instatement value or the market value. However, remember that depreciation would be applicable while calculating claim amount.

● Burglary and theft

Remember to check the policy wordings carefully as there is a technical difference between a theft, robbery and burglary. According to HDFC Ergo general insurance, "burglary is said to take place when there is a forceful entry into the premises in order to rob while theft is said to take place when there is a robbery without any evidence of a forceful entry in the premise."

The damage caused due to housebreaking and theft is normally covered.

● Optional cover for terrorism

Most general insurance companies provide a cover for acts of terrorism at an additional premium which you can opt for.

COMMON EXCLUSIONS

While insurers may have different list of exclusions and the policy must be checked for exact wordings, normally any loss or damage suffered to the following is treated as an exception and are difficult to claim. The exclusions are the trickiest part and must be checked from the insurer should there be any confusion.

- Consumable articles
- Money/ securities/ stamps/ stamp collection
- Bullion and livestock
- Motor vehicles and pedal cycle
- Deeds/ bonds/ bills of exchange/ promissory notes/ shares
- Books/ manuscripts

INSURANCE

Ensure a perfect wedding



SANJAY DATTA

A WEDDING is one of the most important occasions that take place in a person's life. This extravagant event demands a lot of emotions, hard work, time, patience apart from huge amount of money that is put into it. The 'Wedding Day' continues to be one of the most capital intensive events in ones life.

The wedding function is a one time event and therefore most of the insurance companies in India offer wedding insurance as a part of an event insurance product, which can be customised to suit the needs of a wedding function. All ceremonies associated with wedding like Mehendi, Sangeet, cocktail party, the main wedding and the reception can be covered under wedding insurance.

In the current market scenario the major coverages under a wedding insurance policy are as below:

- Cancellation or postponement of the wedding ceremony due to fire, natural calamities like flood and inundation earthquake etc, riot and strike non appearance of bride, groom and

other family members or the named person due to accidental death, personal injury either temporary or permanent and illness resulting in hospitalisation.

In case of cancellation or postponement due to the above mentioned reasons the wedding insurance will pay the non refundable expenses incurred for wedding function like printing of cards, advances paid for booking the venue, to the caterer, decorators,

calamities like flood and inundation earthquake, riot and strike, burglary and theft.

● The bride, the groom, family members and the guests can also be covered for accidental death, permanent partial disablement and permanent total disablement on named basis under wedding insurance.

Wedding insurance can be tailored according to ones requirements. Before selecting the wedding



music arrangements, hotel room and travel bookings etc.

● Wedding insurance covers the physical loss/ damage caused to property like decoration material, shamiana, hired sets, jewellery, precious metals and stones, gift material received during the wedding due to fire, natural

policy one should have clear idea about few points like:

● When and for how much period one needs to buy a wedding insurance policy. One should take insurance prior to the actual start of the wedding event and the policy should end with the end of functions to be covered. The starting date of the policy



"Unless declared" is the term you must be most cautious about. Prepare a list of items to be insured. A valuation certificate of jewellery can come handy.

● Loose precious stones, jewellery and valuables

DEVIL IS IN THE DETAIL

"Unless declared" is the term you must be most cautious about. An insurance company has no magic wand to find out, after a claim has been made, whether what you are claiming is correct or not except when some concrete proof is provided.

A lot of people do not make itemised declaration of their belongings and repent at the time of claim settlement. Make a list of each and every item and indicate the value against it. Do make sure to keep the bills and other proof of purchase as you may be asked to produce it at the time of claim settlement.

Jewellery is one of the most common and high value item which is normally ignored by the insured. "It is always better to prepare a list of such items to be insured. A valuation

certificate of gold and other jewellery can come handy," said Tapan Singhel, chief marketing officer, Bajaj Allianz General Insurance.

Another important point that needs to be checked is the sub-limits mentioned in the policy. The claim is subject to various caps on computers, refrigerators, gold jewellery, etc. This might come as a shock at the time of claim settlement so understand the policy before signing on the dotted line. As soon as you spot a loss, make sure to inform the insurer immediately. In case of a theft, file a first information report (FIR) in the nearest police station and inform the insurer.

Fire, earthquake or any other natural calamity do not give any advance warning before coming. Similarly, increasing cases of burglary, theft, and terrorism call for a careful assessment of risk and cover it through an insurance policy. ♦

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whole event, the organising costs etc. In most of the cases, the premium rate varies between 0.75 - 1.5 per cent of the total sum insured. For a wedding budget of ₹10 lakh the premium would be between ₹7,500-15,000.

A wedding policy can be taken 3 days in advance of the wedding event. But one should take the policy minimum 15 days in advance as the arrangements and preparation start at least 15 days prior to the actual date of function.

The India market for wedding insurance is at a very nascent stage and is growing as the awareness increases. The large part of the market potential is still unexplored.

Many of us live in this myth that wedding insurance is only for a big budget wedding or HNI's as they end up spending crores for a wedding. But that is not true; a small or medium budget wedding which involves expenditure anywhere between 5 to 6 lakh rupees also needs a wedding insurance policy keeping in mind the contingencies during the event. Natural calamities and violence may lurk in the background.

But when the option of peace of mind is available in market, one should definitely go for it to truly make the special day more memorable for everyone involved. ♦

—Author is Head, Underwriting and Claims, ICICI Lombard