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"Creating Wealth Through Wisdom"

# THE THAKKAR'S FINANCIAL PLAN

# आपका DREAM PLAN

**"Planning is the Characteristic of  
Intelligent Behaviour. Be Intelligent."**

# Value Wealth Advisory Services

"Creating Wealth through Wisdom"



## PLAN TYPE: - DOUBLE INCOME & KIDS

(The Following plan illustrates the Goals and Financial Planning of the Thakkar Family. A Family of Four, the Thakkar's reside in Baroda, Gujarat. They approached Value Wealth Advisory Services to chart out a financial Plan for them and create a roadmap in such a way that they attain all their Goals).

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## **PERSONAL DETAILS**

<b>Details</b>	<b>Mr. Manthan</b>	<b>Mrs. Purna (Spouse)</b>	<b>Ayush (Son)</b>	<b>Neha (Daughter)</b>
<b>Age</b>	<b>35 Years</b>	<b>31 Years</b>	<b>7 Years</b>	<b>4 Years</b>
<b>Profession</b>	<b>Regional Head at Nirmal Bang Securities</b>	<b>Sr Analyst at TCS</b>	<b>Student</b>	<b>Student</b>
<b>Health Status</b>	<b>Normal</b>	<b>Normal</b>	<b>Good</b>	<b>Good</b>
<b>Financially Dependent</b>	<b>No</b>	<b>Partially</b>	<b>Yes</b>	<b>Yes</b>

## **ACTION PLAN**

<b>Area Of Financial Planning</b>	<b>Existing</b>	<b>Recommended</b>
<b>Health Insurance</b>	No Health Insurance	<ul style="list-style-type: none"> <li>• We recommend you to buy a Family Floater Health Insurance Cover of Rs. 10 Lakhs.</li> </ul>
<b>Risk Management (Life Insurance)</b>	2 Traditional Policies that Provide a Cover of Rs. 10 Lakhs at a Premium of Rs. 12,000 Monthly	<ul style="list-style-type: none"> <li>• Surrender Both Traditional Policies</li> <li>• Buy a Term Plan of Rs. 1 Cr with Critical Illness Rider of Rs. 30 Lakhs</li> <li>• Buy a Individual Personal Accidental Insurance Policy of Rs. 1 Cr</li> </ul>
<b>Contingency Fund</b>	Savings Account Rs.1.50,000	<ul style="list-style-type: none"> <li>• Convert your Fixed Deposit of Rs. 1 Lakh Only into a Flexi F.D &amp; Earmark the Money for Contingency Fund</li> </ul>
<b>Fixed Deposit</b>	5 Fixed Deposits Totally Worth Rs. 5 Lakhs @ 9% P.a	<ul style="list-style-type: none"> <li>• Redeem your F.D' and reinvest in diversified Equity mutual fund medium term goals.</li> </ul>
<b>Will</b>	No Will	<ul style="list-style-type: none"> <li>• We recommend you to update your nominees in all investments and Draw a will.</li> </ul>



### GOALS OF THE SENIOR THAKKAR'S (MANTHAN & PRERNA)

Manthan + Prerna	Priorities
Buying a New Car	HIGH
International Vacation	LOW
Retirement	HIGH

### GOALS OF THE JUNIOR THAKKAR'S (AYUSH & NEHA)

	Ayush	Neha
Graduation	HIGH	HIGH
Post Graduation	MEDIUM	MEDIUM
Marriage	LOW	HIGH

We have divided the financial plan of the Thakkar Family into 3 Categories: -

1. **Present Standing:** - In this part we analyse their Current Net Worth, Cash Flow and Existing Investments and provide correction steps.
2. **Goal Analysis:** - Here we Analyse, Quantify and link their goals to financial resources and ascertain how to bridge the gap between Current Scenario and Goals.
3. **Risk Management:** - We recommend the right amount of Insurance Coverage, both life and health required by the Thakkar Family.

## CURRENT CASH FLOW

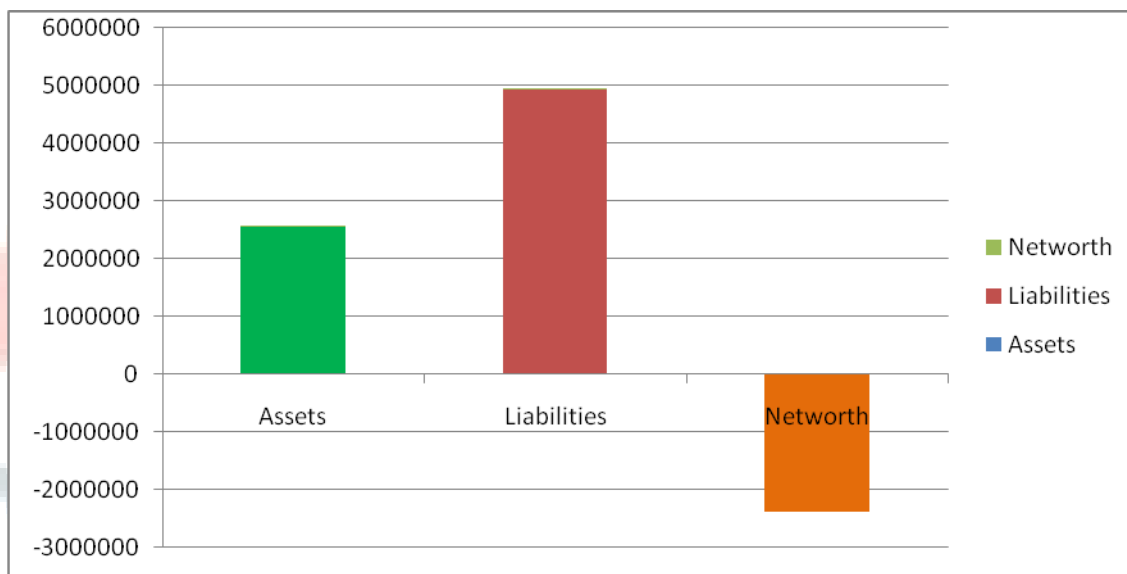
PRERNA'S TAKE HOME Rs. 55,000			MANTHAN'S TAKE HOME Rs. 1,00,000			
Household Expenses Rs. 15,000	Lifestyle Expenses Rs. 8,000	Childrens Expenses Rs. 10,000	LOAN EMI Rs. 40,000	Insurance Premiums Rs. 8,999	R.D & PPF Rs. 10,000	SURPLUS Rs. 41,298

## IMPORTANT OBSERVATIONS FROM THE THAKKAR'S CASHFLOW

- The Thakkar's (Manthan and Prerna) both bring home a combined salary of Rs. 1,55,000.
- Off this after amounting for all the above expense heads, they have a Surplus of Rs.41,298, which is currently lying around in their savings account;
- We recommend that they invest this surplus amount in different asset class to help them achieve their goals.

## NETWORTH ANALYSIS

Simply put net worth is the sum total of your assets less your Liabilities. It is Important to know how many assets we have to protect or Cover our Family in case of any Crisis

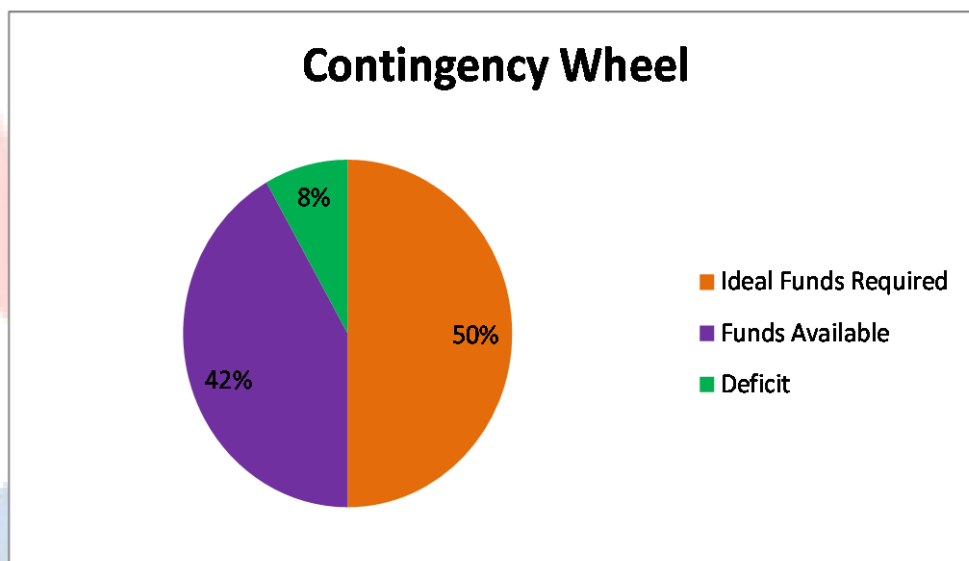


The thakkar's Reside in their Baroda flat, whose current valuation is Rs. 60 Lacs. They have a Home loan on this flat of Rs. 45 Lacs and have a Current vehicle loan of Rs. 3.5Lacs.

Since no Income (Rental or any other) is drawn from this property it is not included in calculating their net worth. Hence their net worth is indicating in Negative.

## CONTINGENCY FUND

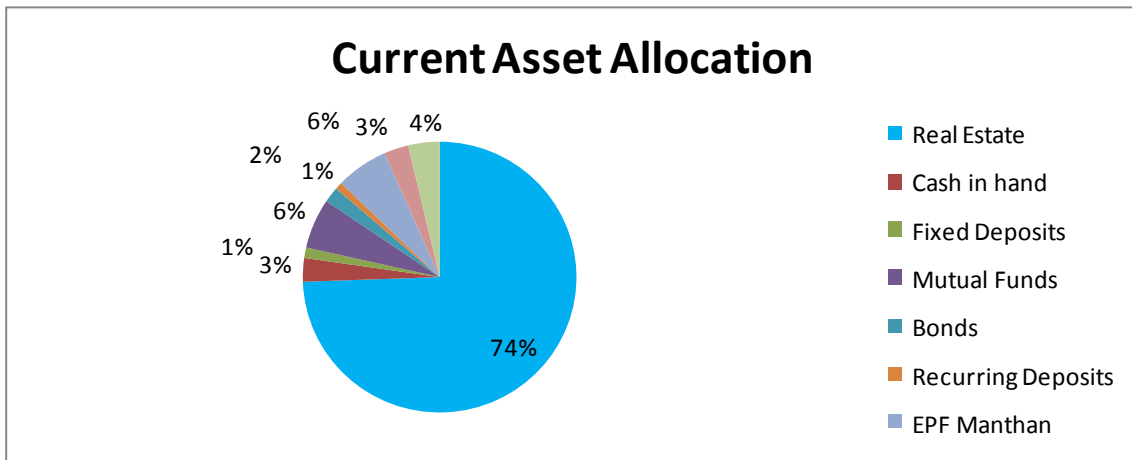
Your Contingency Fund includes Household, Medical, Dependent Expenses and health insurance premium. Every Family must have a contingency fund worth 6 Months of the above mentioned expenses.



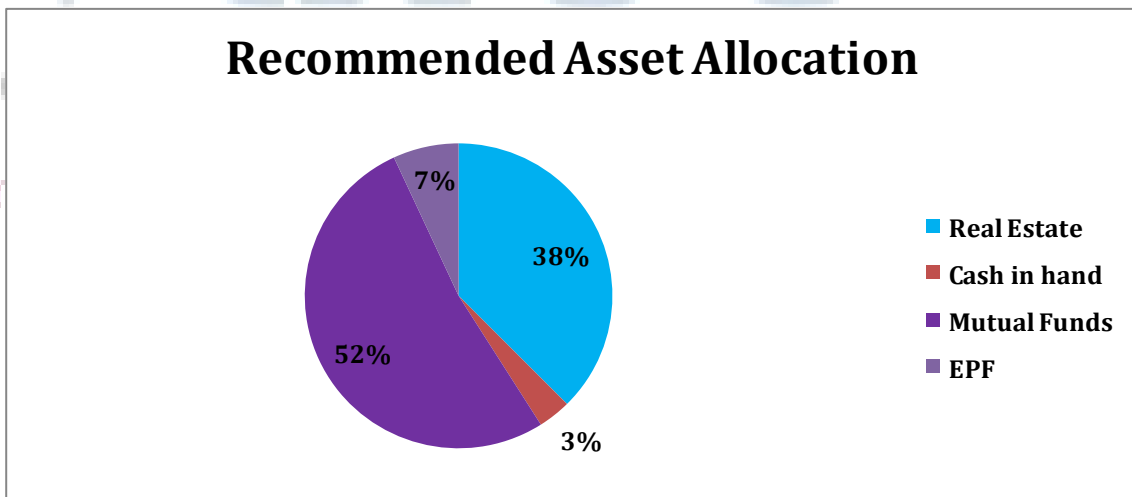
Note:- In Your Case you ideally need Rs. 1,79,496 as Contingency Fund. Off this Your combined Savings account provides Rs. 1,50,000. You still need Rs. 29,496. We recommend keeping aside one-month's Surplus in a Liquid fund to complete your Contingency Fund.



## ASSET ALLOCATION



When the Thakkar's approached us for Financial Planning, they were worried about their Asset Allocation Strategy and rightly so. They are heavily skewed towards real estate, which comprises of nearly 74% of their portfolio. To Balance this out, they have very little money in Financial Assets and hence we have reworked their asset allocation and suggested them the following new Asset Allocation.



As you can see we have recommended the Thakkar's to limit their exposure to real estate and not buy any more real estate assets and increase their equity exposure by raising their Systematic Investments in Equity-Oriented schemes and funds.

## GOAL SYNOPSIS

Goals	Years to Achieve Goals	Future Value	Resources Used	Deficit	Further Investment Required (Rs/Month)
Contingency Fund	-	3,00,000	Savings A/C Fixed Deposit (1 Lac)	Nil	Nil
Ayush Graduation	8 Years	10,71,794	Diversified Equity Mutual Funds	42,799	300
Neha Graduation	12 Years	15,52,924	MF & LIC Policy Proceeds	Nil	Nil
Ayush Post Graduation	10 Years	31,38,428	MF & LIC Policy Proceeds	28,43,200	10800
Neha Post Graduation	14 Years	37,97,494	Diversified Equity Mutual Funds	27,16,674	5,177
Neha Marriage	19 Years	83,54,496	Fresh Investment Required	1,11,00,374	7,000
Current Surplus					41298
Fresh Systematic Investment to be made					22300
Net Surplus					18998

## ESTATE PLANNING

### Estate planning guidance

<b>Do's in Estate Planning</b>	<b>Don'ts in Estate Planning</b>
Write and register a Will with the Registrar which clearly defines your assets and its distribution pattern	Don't forget to keep your spouse and family members informed of your assets
Take the help of a professional – a trustworthy lawyer to write the Will	You may or may not disclose the existence of your Will and its location to your loved ones
Choose an Executor carefully as he will be in charge of executing your Will after your death	Don't assume your children will handle your estate appropriately after your death; Property has been a main cause for family disputes in many cases
Name your son's wife & your grandchildren in Will as it will help in terms of taxes. Create HUF	Don't presume your family members will accept your decision in your Will; hence don't be vague in your Will
Investigate the need for a Trust, and if you find the need is appropriate, pick a reliable person as a trustee	Don't think your estate planning is over and done once you write a Will; it needs periodic review
Understand the laws which govern your family and write the Will accordingly	Don't forget to name successors in your Will. For example, you may name your spouse as the sole beneficiary; but what happens if both you and your spouse die in an accident?

## MONEY TIPS

<p><b>Emergency / Contingency Fund</b></p>	<ul style="list-style-type: none"> <li>• Emergency Fund is the foundation of Personal Finance &amp; ensures that any short term Emergencies like a job loss, or a medical emergency, natural calamities etc does not let the financial plan fall off the track</li> <li>• One must have a minimum of 6 months of compulsory saving of household expenses, any Loan EMI's as a contingency fund.</li> <li>• One can invest for Emergency fund in a Liquid Fund -MF or Short Term FD's as it gives 8.5-9.5 % return and money can be withdrawn as per your requirement.</li> </ul>
<p><b>Have adequate Insurance Coverage</b></p>	<ul style="list-style-type: none"> <li>• Have Adequate Life Insurance Coverage: In case something happens to you, your family should get a lump sum amount so that there is zero financial impact in your absence.</li> <li>• Even if your employer is providing health insurance, it is still highly recommended that you have a Lifelong independent health insurance cover for you, your family &amp; dependent parents.</li> <li>• Apart from Life &amp; Health Insurance coverage, you need to cover yourself against accidents by getting an IPA &amp; critical illness cover to cover yourself against rising medical costs and critical illnesses like Cancer etc.</li> </ul>
<p><b>Start Saving Early &amp; Have disciplined Approach</b></p>	<p style="text-align: center; color: #f08080; opacity: 0.5;">"Creating Wealth Through Wisdom"</p> <ul style="list-style-type: none"> <li>• Have a disciplined approach to investing. Know why you are investing, understand the nature &amp; quantify your Goal and invest accordingly.</li> <li>• Start early. The basic rule of wealth creation is to start as early as possible and take advantage of the Power of Compounding (Einstein's 8<sup>th</sup> Wonder of the world).</li> </ul>
<p><b>Tag Investments with Goals</b></p>	<ul style="list-style-type: none"> <li>• Align and tag your investments to Goals according to their time horizon and maturity and risk.</li> <li>• The Goals can be divided into 3 categories</li> <li>❖ Short Term (1-3 years) : - Buying a car, International &amp; Domestic Vacation, Home Renovation etc</li> <li>❖ Medium Term (3-5 years): - School Fees of kids, Down payment for house purchase Etc.</li> <li>❖ Long Term (Above 5 years): - Child Higher Education, Child Marriage, Retirement Corpus.</li> </ul>

## VALUE WEALTH ADVISORY SERVICES

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<p>Have Equity in your Investment Portfolio</p>	<ul style="list-style-type: none"><li>• A general thumb rule says that 100 minus your current age should be your equity portfolio. So, if you are 25 years old, your equity portfolio should be atleast 75% and so on.</li><li>• Equity as an asset class has proved time &amp; again that it can provide inflation- adjusted returns and are also tax efficient.</li></ul>
<p>Review and Rebalance your portfolio Periodically</p>	<ul style="list-style-type: none"><li>• George Woodberry once said "left to themselves, things tend to go from bad to worse".</li><li>• You need to review the performance of your investments periodically (Every month, quarter, semi annually) and take decisions to switch out of non- performing assets and switch over to Productive schemes &amp; avenues</li></ul>
<p>Will &amp; Nominee Update Estate Planning</p>	<ul style="list-style-type: none"><li>• In case, you die without a will (died Intestate) your wealth/ property shall be divided as per the Hindu Succession Act, 1956/ Indian Succession Act, 1925 which prescribes the method of division between the various relatives.</li><li>• In absence of a nomination or a joint ownership, your spouse or family may face considerable difficulty getting moneys from banks and financial institutions who will insist on a probated copy of will or a succession Certificate from the court to release the money.</li><li>• To avoid this hardship for your family member, it is advisable to create a simple will.</li></ul>

## FAQ FOR SAMPLE FINANCIAL PLAN

### **•I liked the sample plan. What should I do next?**

We suggest you to call us & finalize the engagement. Then in the assessment stage, you will have to provide your financial details. We will then share Draft Plan and post mutual agreement, share the final plan. The engagement takes about 6-8 weeks. This can be more or less depending upon your specifics. Once the plan is finalized, the Execution & Quarterly Review phase starts.

### **• I & my spouse are in our 30's. Will Financial Planning at this stage be helpful to us?????**

Yes, definitely. At this age, you will find lot of value in Personal Budgeting, Risk Management, Goals and Investment Planning and Retirement Planning. There is no age limit to financial planning, as it an on-going process and is helpful at all stages of life.

### **The figures quoted on the sample plan indicate that this is only for people with large incomes. How will financial planning be of any help to me when my income is much less than this?**

The figures in the Sample Plan are only for an illustration purpose. Every client has a different situation & we find that our clients find value in Financial Planning at all levels. When your income levels are not very high, may be, it is all the more important for you to focus on your savings and investments, manage risks, articulate financial goals and identify your Financial Roadmap.

## **DISCLAIMER**

A Financial Plan Is A Generic Direction To Your Cash Flow Over A Period Of Time. Your Financial Future Condition May Alter Due To Changes In The Income/Expense Patterns, New Family Commitments Etc Which May Prompt You To Alter Some Aspects Of Your Goals And Add New Goals. Therefore this Financial Plan & the Cash Flow Depicted In It Should Be Used To Give You a Long Term Direction For Managing Your Personal Finances While Taking Immediate Actions As A Step Towards Accomplishing Your Financial Objectives.

These Recommendations Are Subject To Review At The Time When You Are Actually Taking Actions as Recommended Because Of Changes In Taxation and other circumstances. If Considerable Time Has Elapsed Since The Date Of This Plan, You Should Not Act On Any Specific Recommendation Without Further Consideration With The Planner.

Returns From Each Recommended Investments Will Vary In Line With Market Conditions And Investments Policies Of The Fund Manager. Income And Growth Assumptions Are Intended As A Guide Only & Should Be Treated With Caution. The Planner Should Not Be Held Responsible For The Accuracy Of The Same. Most Equity/Growth Investments Are Long Term In Nature & Significant Variations Including Capital Loss, May Occur Over Short Periods. Neither the Authorized Representative & nor the Company Guarantees the Performance or Returns of Capital of Any of These Investments. Performance of Investments Are Subject To Market Risks. Past Performance Of A Particular Asset Class Or Investment May Not Be The True Indicator Of Their Performance In Future.

These Recommendations Are Based On The Information You Have Supplied. If Any Material Information Has Been Withheld Or Any Inaccuracy Is Present, Then These Recommendations May Not Help You To Achieve Your Financial Goals.

While We Have Made Every Attempt To Ensure That The Calculations Contained In This Financial Plan Are Correct And Complete, Kindly Note The Plan May Contain Inaccuracies Or Errors Due To Manual Computer Interface Involved In making The Calculation And We Expressly Exclude Liability Of Any Such Inaccuracies and Errors. In The Case Where an Error or Omission Is Involved, You Can Request Us to Rectify the Errors; We Shall Do the Needful at our earliest.