EXPRESS CLINIC

NAME: **ANKUR GUPTA**, 31

RESIDES IN: DELHI

PROFESSION: CHEST SPECIALIST, WORKS WITH A REPUTED HOSPITAL

NET ANNUAL INCOME

(₹ 4,80,000)

OTHER DETAILS: LIVES WITH PARENTS, NO DEPENDENTS, PLANS TO GET MARRIED SOON

STATUS & GOALS

CURRENTLY HIS SAVINGS AND INVESTMENTS INCLUDE ONLY THE CASH BALANCE HE MAINTAINS IN HIS BANK SAVINGS ACCOUNT. SINCE HE IS ON A CONTRACT, HE IS NOT ENTITLED FOR EMPLOYEE BENEFITS LIKE EPF AND GRATUITY. HE HAS NOT EXPOSED HIMSELF TO ANY KIND OF RISK AND THEREFORE NOT DEVELOPED ANY EXPECTATION OF RETURNS FROM HIS SAVINGS. HE HAS FOUR GOALS: A HONEYMOON TRIP NEXT YEAR, PURCHASING A CAR IN THREE YEARS, PLANNING FOR HIS FAMILY AND HIS RETIREMENT.

NEEDED

A structured approach to savings and investments to secure his financial future.

MONTHLY INCOME (Post Tax) **₹40,000**

TOTAL EXPENSES **₹34,500**

NET MONTHLY SURPLUS **₹5,500**

GOALS

IN ORDER OF PRIORITY

HONEYMOON TRIP (2012)
EXPENSE REQUIRED **₹ 50,000**

CAR PURCHASE (2014))
PRESENT COST **₹ 5 lakh** FUTURE COST **₹ 5.3 lakh**

RETIREMENT PLANNING (2040-41)
Adequate income post-retirement His estimate of post-retirement life is 20 years

FINDINGS

EMERGENCY FUND:
₹ 2.8 LAKH
Maintained in savings bank account and Fixed Deposits.

HEALTH INSURANCE:
Not covered by any company. No health insurance from employer.

LIFE INSURANCE:
₹ 70 LAKH
A meagre insurance cover from ULIP. Insurance requirement by Human Life method - Rs 70 lakh

EXISTING INVESTMENTS:
₹ 10,000 P.A
Investment in ULIP with premium of Rs 10,000 per anum.

Investment in LIC money back plan with premium Rs 20,000 per anum.

Bank recurring deposit of Rs 2,000 per month yielding return of 7.5 per cent per anum, compounded quarterly.

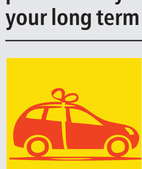
RECOMMENDATIONS

EMERGENCY FUND: Maintain Rs 75,000 as emergency fund. Invest Rs 50,000 in money manager funds and keep the balance in savings. Increase it proportionately as you get married and as liabilities get added.

Express Tip: **Emergency Funds are created to meet any immediate contingencies in future. Keep funds in the highly liquid instruments like FDs, Money Market Funds and Savings A/C.**

HONEYMOON EXPENSE: Allocate existing recurring deposit investment for this goal. Avoid investing this sum in any high risk instrument. *Return Assumed: 6% per anum*

Express Tip: **Expenses like these should be planned only when you have provided for your long term goals.**



BUYING A CAR:
Defer this decision by another two years till your financial situation stabilises. Investment to be allocated in systematic investment plans (SIPs) in mutual funds is Rs 2,000 per month. This will provide for maximum down payment.

Return Assumed- 12% per anum

Express Tip: **Buying a car is a lifestyle decision. Resist your temptation and purchase a car that is most economical to you.**

PLANNING FOR THE FUTURE:
Although the decision is still ahead, rise in cost of education and inflation requires a good period of time for your money to grow. Current expenses are too high to save for your long term goals. Reduce unnecessary expenditure and utilise savings towards your financial goals. Start building a nest through SIPs in a mutual fund and PPF account.

Express Tip: **Even when family planning is some years ahead, saving for it early can help you in reaching the desired corpus comfortably.**

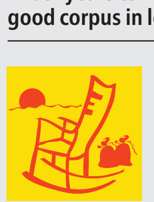
HEALTH INSURANCE:
Buy a standalone health insurance for Rs 3 lakh each.

Look at features like maternity expenses which you will have to bear going forward.

Express Tip: **Health insurance should be the priority after life insurance. Purchase as soon as you start working and enhance it as and when your family size increases.**

LIFE INSURANCE:
A term cover of Rs 70 lakh is recommended from any life insurance company with low premium rates. Although online insurance is cheap, one should evaluate companies on different parameters to avoid any dissatisfaction later.

Express Tip: **Term insurance premium rates depend highly on age. Buying one in the initial years can save you enough to create a good corpus in longer term.**



RETIREMENT PLANNING:
As per expense replacement method, he will need a retirement corpus of Rs 4.3 crore to meet expenses for 20 years post retirement.

Investment to be allocated in SIPs is Rs 15, 747 per month

Return Assumed: 12% per anum

Express Tip: **The longer is the horizon for retirement the higher will be the corpus required due to inflation effect. Saving early is the only option in reaching the desired goal.**

EXISTING INVESTMENTS:
Money back plans are probably, the costliest plans as they provide benefits at every specified interval during the policy term. With net return of 4-5 per cent, they are unable to beat inflation. Hence, stop contributing and convert your policy to paid up. ULIPs are good if the product has low cost structure and your time horizon is more than 15 years. If otherwise, surrender and invest proceeds in the right instruments. Bank RD should be considered after taking tax into consideration and only for very short term goals.

Express Tip: **Invest your savings very wisely. A choice of wrong instrument can make your financial goal unachievable.**

CONCLUSION

Resist the temptation to spend everything during early years of your life. Along with help from a financial planner, read and understand yourself how money market works as all your investments, savings and insurance go through this route.

PLAN BY: JITENDRA P.S.SOLANKI,
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 LOAN

Go ahead, do not time the interest rate cycle

Once you have identified a property, it may not be the right strategy to wait for the interest rates to come down, finds **Ritu Kant Ojha**

C R SASIKUMAR

IF YOU are one of those looking to buy a house, the timing may seem perfectly imperfect. Property prices are far from cooling off and the interest rates are going up pushing EMIs higher with each hike in the key policy rates by the Reserve Bank of India. It is a common perception among a lot of prospective home buyers that it is better to wait for the interest rates to cool down before taking the decision to go ahead and buy their dream home. That may not be a smart strategy to adopt if the aim is to find a roof over one's head.

INTEREST RATE HIKES

Policymakers believe that inflation is the by-product of growing demand in India and the only possible way out is to curb demand by increasing the interest rates. This has led the Reserve Bank of India to hike key policy rates eleven times consecutively. Since home loan lenders cannot absorb the rate hikes, they pass it directly to the borrowers resulting in higher interest rates and hence higher equated monthly instalments (EMIs). The home loan interest rate which was in the range of 8 per cent to 8.75 per cent an year ago, now hovers around 10-10.5 per cent. Its biggest impact is on the eligibility of a borrower. Borrowers will now have to adjust their budgets to meet the increased outflow. Over the past one and a half years, the hike in lending rates have been at frequent intervals. This has left borrowers with little time to adjust their finances to meet the increasing EMI burden. "The interest rate hike is resulting in the home loan eligibility of the borrowers coming down significantly while the property prices have risen during the same period. With the expectation of the interest rates to go further up, the home loan borrowers - both current and prospective are quite worried", says Vipul Patel, Director, Home Loan Advisors - a Mumbai-based home loan advisory firm.

IS TIMING A CORRECT STRATEGY?

Affordability takes a hit when the interest rates go up, which may give rise to doubts in the minds of the buyers on the timing of the property purchase. Buying property is a high value purchase and is one of the most important financial goals in one's life. It usually takes several months of hunting and research before one decides and finalises a property. Timing the purchase based on interest rates has its own set of inherent risks and is not a prudent strategy to adopt. "If you are looking at buying a property for your end-use, it is better not to time the purchase based on the prevailing interest rates. However, look at buying ready to move-in property even if it is priced a little higher than the under-construction one as you would not want to get stuck in a situation where you are paying a high EMI on delayed project", suggests Harsh Roongta, CEO, Apnapaisa.

SHOULD A BUYER GO AHEAD?

If a buyer decides to wait for interest rates to come down, the same property at the same price may not be available at a later stage. It is not uncommon to see the residential prices moving up by 10 per cent in an year's time. Interest rates typically move in a cycle and take time to go up or come down significantly. "Once you have identified a property for personal consumption, go ahead and buy it . If you have opted for floating rate of interest, the problem will be solved when the interest rates come down. It is a 20 year product and within 2 years of time the EMIs should correct once the interest rates start cooling off", suggests Suresh Sadagopan, CEO, Ladder 7 Financial Advisories.

"In case a person is not able to buy a property because of the eligibility issues, due to interest rate hikes, s/he should be prepared to wait for at least 12 to 18 months which is the minimum time expected for cooling-off of the interest rates. Near future may only see increase in rates", says Satkam Divya, Business Head, Rupeetalk. However, the same logic may not apply to those looking at investing in real estate by taking home loan. "If you are an investor then its better to wait for some more time for the interest rates to taper off", says Suresh Sadagopan.

Before taking the final call on the choice of a lender, do not forget to compare the terms and conditions of the home loan contract of various banks and NBFCs. There are several hidden clauses such as legal charges, pre-payment penalty, charges on balance transfer of loan etc which may hit you several years down the line when you want to prepay your home loan or make balance transfer to some other lender. Therefore, make sure to compare and discuss with the respective lenders, all such clauses which may create problems at a later stage.

Once a home loan is taken, the lender normally would increase the tenure whenever the interest rates are hiked. This makes business sense for the lenders as they earn interest for longer period. However, pre-paying some part of the loan would bring down the impact of the rate hike. It may be a smart strategy to build a cushion of liquid investments over time so that it can be used to pay off a part of the home loan to decrease the EMI burden, should interest rates go up in the next cycle. ◆

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RATE HIKE IMPACT

INTEREST (%)	ELIGIBILITY (Rs lakh)
8.5	62.22
9	60.02
9.5	57.93
10	55.96
10.5	54.09
11	52.32.
11.5	50.64

Source: Home Loan Advisors (Eligibility for Rs 1lakh income per month)

KEY TAKEAWAYS

- Be clear whether you are going to be an end user or only an investor
- Higher the interest rate, lower is the eligibility on a home loan
- Opt for a floating rate of interest
- Ignore prevailing interest rates and go ahead after identifying property
- Build a cushion to meet exigencies

Interest rates typically move in a cycle and take time to go up or come down. If you wait for rates to come down, then the house may not be available at the same price

■ **TAKING WINGS**

KUSHAL SHARMA, SANTHOSH SHARMA
StudyShare

ABOUT ME

Name	Kushal Sharma, Santhosh Sharma
Age	23, 26
Hometown	Delhi, Bangalore
Family background	First gen entrepreneurs
More than 1 company?	No
Education	Both are MBA (FMS)
Graduated from	**Kushal:** B.E. (NSIT) **Santhosh:** M.Tech.
	(IIT Kanpur)
Former employer	**Kushal:** N/A
	Santhosh: ANZ Bank
Favorite book/movie	**Book:** Stay Hungry, Stay Foolish; **Movie:** Social network **(Kushal)**
	Book: Good to Great; **Movie:** Social Network **(Santhosh)**

MY BUSINESS

Company Name	: StudyShare
Founded in	: Dec, 2010
Headquartered in	: New Delhi
Company website/URL	: www. studyshare.in
Industry	: Online Education
Stage of the company	: Scaling up
Source of idea	: Being from middle class family, experienced the difficulty first hand, resulting in studyshare

NUMBER CRUNCHING

No. of employees	: 0-4
No. of visitors/month	:>32,000
Pageviews per month	:>70,000
Registered Members	: 2,000
Turnover	: NA
Primary source of initial funding	: Self
Primary source of additional funding	: Angel Investor
Raised institutional capital?	: No

MY GAMEPLAN

StudyShare (www.studyshare.in) was started on December 20, 2010 by two students of FMS, Delhi - Kushal Sharma and Santhosh Sharma (The core team as of now has four members).

StudyShare is a one-stop website to facilitate sharing of study-related resources free of cost among students across India. It includes following services:

Sharing of ebooks (upload and download), sharing of two-minute tutorials platform to sell/buy books, tips and tricks, sectoral analysis, and an answers section.

These are dispersed in each of the following categories:

College specific resources, placement related resources, entrance examination resources, certification preparation resources, and famous books

The best advice I got…

The team, the perseverance, the execution and the idea are the pillars of a successful firm. The key to success lies in having alternate plans and being flexible in your strategy. Never rest on your oars, the moment you do, you will stagnate.

The defining moment…

When, in the waiting room during our summer internship selection, the core team members first discussed about doing something in the online education space. Fifteen days later, the website was up and running. The other defining moment came soon, when within two months of our inception, we were listed as one of the top 30 startups in India by IIT Delhi. It gave us the confidence and exposure to other like-minded individuals.

What keeps me awake at night…

Thinking about how to constantly improve, innovate and create value to our users. Moreover, since we are catering to a very large market, understanding the market nuances and executing a penetration strategy is definitely on our minds all the time.

I thought I would give up...

When we had financial issues and when we had academic constraints. There was a time when we were working 18 hours a day, just to be able to strike a balance between studyshare and others. But the support of our family, help from our friends and encouragement from our faculty at FMS, Delhi has always been bestowed on us; enabling us to not only just survive, but also to constantly improve.

My word of advice for others...

Dream big, build a team, and go for it. It is always a good practice to discuss, get views and feedback from your peers because - firstly, it helps in your strategy and secondly, gives you customer feedback. Also, keep a vigilant eye on your competitors and market; it's a game of innovation and smartness. Lastly, networking can be immensely helpful, as you can gain from others' experiences, not only professionally, but also personally. ◆

National Entrepreneurship Network, a non-profit organisation that supports high-potential entrepreneurs, contributes to this weekly feature