

## EXPRESS CLINIC



NAME: **AMOGH DESHMUKH, 32**

RESIDES IN: MUMBAI

PROFESSION: BANKER

NET ANNUAL INCOME  
**(₹ 20 LAKH)**

**OTHER DETAILS:** WIFE SUPRIYA, 31, HOMEMAKER, SON RAGHAV 3, AND DAUGHTER ROHINI, 3 MONTHS

### STATUS & GOALS

HE WANTS TO BUY A HOLIDAY HOME THIS YEAR. HIS MAIN GOALS ARE: EDUCATION AND MARRIAGE OF BOTH CHILDREN, PLAN FOR A COMFORTABLE RETIRED LIFE

### NEEDED

A financial plan that can fulfill his goals and provide a steady income after retirement.

MONTHLY INCOME (Post Tax) **₹1,66,000**

TOTAL EXPENSES **₹1,53,000**

NET MONTHLY SURPLUS **₹13,000**

### GOALS

IN ORDER OF PRIORITY

#### SON'S EDUCATION

(Assuming inflation 10% by 2025)

CURRENT VALUE

**₹ 30,00,000**

FUTURE VALUE

**₹ 1.14cr**

#### SON'S MARRIAGE

(Assuming inflation 8% by 2033)

CURRENT VALUE

**₹ 10,00,000**

FUTURE VALUE

**₹ 54,36,000**

#### DAUGHTER'S EDUCATION

(Assuming inflation 10% by 2028)

CURRENT VALUE

**₹ 30,00,000**

FUTURE VALUE

**₹ 1.51cr**

#### DAUGHTER'S MARRIAGE

(Assuming inflation 8% by 2036)

CURRENT VALUE

**₹ 10,00,000**

FUTURE VALUE

**₹ 68,48,000**

#### RETIREMENT PLANNING (2037)

(Assuming inflation at 6% p.a and life expectancy 80 years)

#### MONTHLY EXPENSE LEVEL

**₹ 35,000**

#### FUTURE VALUE (2037)

**₹ 2,58,000**

#### CORPUS REQUIRED

**₹ 6.83 crore**

### OBSERVATIONS

He is heavily invested into real estate and has multiple liabilities. He shells out Rs 70,000 a month on EMIs and has committed savings of Rs 48,000 per month.

### FINDINGS

#### EMERGENCY FUND:

Balance in savings bank is Rs1 lakh. He has set aside Rs 16 lakh in FDs and RDs of different tenures.

#### HEALTH INSURANCE:

**₹ 3 LAKH**

cover provided by employer for self, spouse and two children. There is no personal health insurance cover. Employer provided cover is grossly inadequate.

#### LIFE INSURANCE:

16 traditional life insurance policies, one ULIP and a term plan of Rs 5 lakh. Total risk cover available from all the policies Rs 14 lakh. The total premium outgo is Rs 83,000 per year. In addition there is an employer-provided group term insurance of Rs 25 lakh.

#### INVESTMENTS:

There are two flats of total value Rs 1.6 crore. One is used by Amogh's family and another by his parents.

#### RETIREMENT:

There is no focus towards retirement planning.

#### LIABILITIES:

Total loans outstanding are Rs 42 lakh. EMIs paid are: Rs 35,000 for home loan, Rs 9,000 for vehicle loan, Rs 26,000 for personal loan.

### RECOMMENDATIONS

**EMERGENCY FUND:** Maintain Rs 1 lakh in flexi-savings account. Keep about Rs 2 lakh in ultra short term mutual funds.

**Express Tip:** Always keep 3-6 months of expenses in ready to use form. Do not forget to include EMIs in the expenses. Too much money in emergency fund can affect portfolio returns.

**HEALTH INSURANCE:** Immediately buy personal health insurance cover of at least Rs 5 lakh each for self and spouse and Rs 3lakh for

each child. This should cost around Rs 25, 000 per annum.

**Express Tip:** Funds required for hospitalisation can lead you to debt crisis if money is short. Keep personal health cover apart

PLAN BY: **KIRAN TELANG,**  
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](mailto:expressmoney@expressindia.com)

### INVESTMENTS

# Make the most of market volatility

Do not try to time the market. It is prudent to keep the focus on long-term growth and invest patiently says Ritu Kant Ojha

**D**URING periods of extreme exuberance (like in gold) or pessimism (like in equity) in the asset prices, investors tend to change their investment strategy based on hearsay, or hype around a product or an asset class and end up losing opportunities to make money in the long term. The investor today is spoilt for choice with options of stocks, fixed maturity plans, equity funds, quarterly investment plans, liquid funds, fixed deposits, non-convertible debenture, gold and a lot more. However, before one takes a call on any investment option, a holistic view of the portfolio and the risk appetite needs to be taken in view along with consideration of the tax treatment. The returns vary depending upon the inherent risk of the asset class, time horizon and risk appetite of an investor.

### EQUITY MUTUAL FUNDS

For investors having medium to long term horizon (more than 3-4 years), equity mutual funds can be a good bet, according to the experts. Some of the top performing funds have given annualised returns (in a systematic investment plan) in excess of 30 per cent in the last 3 years and above 20 per cent in the last 5 years. What has been constant in the last 3-5 years has been equity market volatility. However, top equity mutual funds have been able to beat the volatility and give consistently good returns during the same period. For those sitting on the sidelines waiting for the equity markets to 'bottom out', Alexander Treves head of investment, India, Fidelity International suggests "the best way to beat stock market volatility is through regular investing, or the systematic investment plans, wherein monthly investment amount tends to be low. Longer term investors pay an average price for units over time and this helps beat volatility."

### DEBT FUNDS

Debt funds are a good option for risk averse investors or those that have a short term horizon. For very short term — say 90 days — quarterly investment plans or QIPs present a good option which offer about 9 to 9.5 per cent pre-tax returns. For those with a slightly longer time-horizon, income funds and fixed maturity plans can be a good option. "With the end of the interest rate cycle, income funds would do particularly well. The other option is actively managed debt funds where a fund manager takes the call on the



### WEALTH CREATORS

Scheme	Name	3 Year
Magnum Emerging Biz	34.06	
Religare Mid N Small Cap	31.30	
Birla Sun Life MNC	30.68	
Religare Mid Cap	29.79	
HDFC Mid-Cap Opportunities	29.77	

Returns (SIP) annualised, as on August 9, 2011 (Source: Value Research)

### WEALTH CREATORS

Scheme	Name	5 Year
IDFC Premier Equity	20.50	
Birla Sun Life MNC	19.63	
ICICI Pru Discovery Inst I	19.02	
Birla Sun Life Div Yield Plus	18.28	
UTI MNC	18.20	

### TOP PERFORMING DEBT FUNDS

Scheme Name	3 Year	5 Year
ICICI Prudential Gilt Investment PF	15.09	12.14
Birla Sun Life GSF Long-term	13.30	8.90
Canara Robeco Income	12.08	10.57
JM G-Sec Regular Plan	11.91	8.83
JM Short-term Reg	10.46	9.20

### FIXED DEPOSITS

Bank	3 Year	5 Year
Andhra Bank	9.40	9.00
SBI	9.25	9.25
Kotak Mahindra Bank	9.25	9.25
PNB	9.25	9.00
Canara Bank	9.00	9.00

(Source: Apna Paisa)

duration, type and timing of the papers that the fund invests into", suggests Suresh Sadagopan, CEO, Ladder7 Financial Advisories. According to the experts, if the need for liquidity is more than 3 years away, it is better to be in equity than in a debt product.

### FIXED DEPOSITS AND NCDs

In 2008, fixed deposit rates ranged between 5-6 per cent compelling retail investors to look at other investment options to earn higher

returns. However, with double digit FD offerings from banks, which is relatively secure, retail investors are increasingly looking at them as an attractive investment option. This, coupled with market volatility, also explains the minimal retail participation in the last one year in the equity markets. Non convertible debentures (NCDs) on the other hand are offering up to 2 per cent above the FD rates. Experts advise factoring in post tax returns of various investment op-

portunities along with the relative risk they carry. An investors would do well to check the ratings of an NCD before locking one's money.

### GOLD

During periods of excessive inflation, market turmoil, deflationary shock, or war, gold has been viewed as a form of insurance and refuge. Gold has generally exhibited negative or very low correlation of returns with almost all other asset classes. Post US downgrade and the subsequent impact on world indices, money has been moving into gold taking it to historical highs. With the volatility in the equity market, many retail investors want to move to gold in the expectation of better returns, especially with the marriage season starting in next 3 months during which the gold demand goes up. Gold has given over 16 per cent returns since July 1 this year. However, experts have a different take on this. "Do not go overboard with gold now. Portfolio exposure to gold must be restricted to 15-20 per cent. Correction in the prices of gold might come anytime. It will be a smart strategy to liquidate some portion of your gold holdings and move into equities," says Jayant Pai, VP, PPFAS.

### REAL ESTATE

Those looking at investing in real estate would do well to wait a little longer as according to the experts, there might be a correction in the property prices in the near future and the upside looks limited. However, those looking at buying a property for their end use must not try to time the market or the interest rate cycle and go ahead with the purchase, say experts. Harsh Roongta, CEO, Apnaisa suggests, "the end users who have identified a property and are planning to buy it through a home loan must not wait for the interest rates to come down and go ahead with their purchase. Once the interest rates come down, the floating rate would adjust accordingly. However, look at buying a ready to move property as a lot of projects are getting delayed due to project funding issues that developers across India are facing."

### TIMING THE INVESTMENT

The cardinal mistake which many retail investors make is to time their investments, especially into equity markets. Davind M Darst, in his book 'The art of asset allocation' says "many investors have a tendency to overrate their investment acumen, the probability and/or precision of their forecasts, the likely values of future outcomes, and the dependability and worth of their financial decisions. Quite a few investors prefer the apparent comfort of investing along with mass opinion and consensus thinking."

It is a common phenomenon that the retail investors typically enter a market only in the last leg of any rally and sell off when they actually should be buying. It will be a prudent strategy to keep the focus on long term growth and keep investing patiently. ♦

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### TAKING WINGS



SHYAM PANDEY

Avitus

ABOUT ME	
Name	Shyam Pandey
Age	28
Hometown	Akbarpur/Delhi
Family background	First gen entrepreneurs
More than 1 company?	Yes
Education	MBA (JIMS Delhi)
Former employer	Thomson Prometric (now ETS Prometric)
Favorite book/movie	Book: Autobiography of a Yogi, Think & Grow Rich, Alchemist

### MY BUSINESS

Company Name	: Avitus (first company founded)
Founded in	: 2009
Headquartered in	: Chennai
Company website/URL	: <a href="http://www.avituslifestyle.com">www.avituslifestyle.com</a>
Industry	: Fashion/Retail
Stage of the company	: Scaling up
Source of idea	: Discussion

### NUMBER CRUNCHING

No. of employees	: 6
No. of locations	: 1
Turnover	: Below ₹5 cr
Profits	: ₹75 lakh
Primary source of initial funding	: Friends and self
Raised institutional capital?	: Not yet

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

### MY GAMEPLAN

AVITUS was conceived to establish a leadership position in lifestyle products' market(s) through promoting brands like LoCUS and Sorrel (both registered trademarks held with Avitus) and making a mark in the global fashion scene. Discerning customers will get a taste of our unique brand experience. These brands will be trend setters and will encompass heritage, as well as contemporary designs and styles. Our basic frame of thought procedure is reflected in our tag line - We Create Elegance. We believe that our products are creating a mark of elegance, undoubtedly it will become more evident as we penetrate the world markets. We plan to ensure that our product quality never erodes, even if we have to incur higher costs.

#### The best advice I got...

1) Winning is always a team effort, it's the team which wins, individuals contribute towards a common goal. Aspire for team growth, cooperative efforts and effective associations, and success is bound to be yours. Stay focused, have faith in yourself and your team, demonstrate flexibility, be among the first ones to anticipate change.

2) Integrity and loyalty based on mutual understanding always pays, being true to oneself is the basis for becoming true to everybody else. Organisations are living organisms, in which people live, breath, develop, inspire as well as get inspired; therefore one should never

lose focus of people, for people are organisations, and all structures and networks ultimately are meant for people.

3) Negative posturing and mindsets are stumbling blocks to success. Success is based on experiencing all thoughts and inputs, but filtering them through the lenses of efficiency and productivity.

#### The defining moment...

After the launch, I visited a store at one of most prestigious malls in Delhi and was told by the sales staff, people are buying the product with an image of a major foreign brand being launched in Indian market. It gave us confidence that we are on track

#### What keeps me awake at night...

The dream of creating a thriving business conglomerate in the fast-moving business environment, which could empower me to create a philanthropic system to serve the needy in years to come.

#### I thought I would give up...

There were moments when the going got tough. I could overcome them by being focused and flexible, creating a win-win situation for the parties concerned, and luckily, life/people showed their trust in me

#### My word of advice for others...

● If the dream is strong enough, facts do not count.  
● Things that matter the most must never be at the mercy of things that matter the least. ♦