

## Planning for Wedding Bells of Daughter's

Mr. Vijay Khanna, 52 years old is a very successful business man. He owns a restaurant which he has built himself & which has grown into one of the best restaurants in his city. He is a self made man and his whole life has gone in to building his restaurant business. His wife Mrs. Ankita Khanna 50 years old is a house wife and they have two daughters, Poonam - 24 years old and Pooja - 22 years old. Poonam is working as a teacher in a CBSE school and Pooja is a budding fashion designer.

Mr. Khanna has a net annual income (post tax) of Rs.24 lacs, but his family has a very high standard of living, especially his daughters and the total yearly expenditure comes to around Rs.18 lacs. He is totally focused on his business and has immense knowledge about his business, but when it comes to his investments he is not too savvy and only opts for traditional investment instruments like NSC, PPF & LIC endowment policies.

His main financial goal is the marriage of both his daughters. The custom of the community he is of, requires that the girl's parents only spend for the marriage and marriages usually are grand affairs. He plans to get Poonam married in the next one year and Pooja married within next 3 years. For both of the marriages they plan to spend Rs.25 lacs each. His main worry is that though he has a lot of savings, but will it meet the expenses. His second worry is whether he will have any funds left for his estate i.e. leave back funds for his wife & daughters on his demise.

### Existing Assets

He has Rs.20 lacs in PPF, Rs.5 lacs in NSC & 10 LIC endowment policies with total Sum Assured of Rs.10 lacs. As he believes only in traditional investments he has no equity in his portfolio. He has not invested much in financial instruments compared to many people in his status as he has to invest a lot of his savings in updating his restaurant, as this industry requires something new to be offered to clients every 2-3 years. The PPF is in its last year, NSC is maturing in the coming year & the LIC policies have the following maturity schedule; Rs.10 lacs in 2 years, Rs.10 lacs in 3 years & Rs.10 lacs in 4 years.

### Poonam's Wedding Goal

He requires Rs.25 lacs for elder daughter's wedding. Keeping in mind inflation at 7% he can expect the expenses to be around Rs.26.75 lacs. His existing assets have two investments which can be allocated to this goal. The first is PPF of Rs.20 lacs maturing this year and second NSC of Rs.5 lacs maturing in the coming year. Thus in the next one year he has Rs.25 lacs coming in for this goal. The shortfall is of Rs.1.75 lacs. He has a monthly surplus of Rs.50,000/- and can set aside 3 ½ months surplus for this goal. This surplus can be kept in a one year Bank Fixed Deposit or Ultra Short term

Debt Funds, which will give him around 6-7% return and will also be easily accessible. The PPF & NSC proceeds can also be reinvested in short term FD's or Ultra Short term Debt Funds, till they are needed for the wedding.

### Pooja's Wedding Goal

The fund of Rs.25 lacs required for his second daughters wedding in 3 years will become Rs.30 lacs post 7% inflation. For Poonam's wedding he had several assets conveniently maturing at the right time. But for Pooja's wedding he will have two chunk of assets available i.e Rs.10 lacs LIC maturity proceeds in 2 years and additional Rs.10 lacs LIC maturity proceeds in 3 years. Thus he will have a short fall of Rs.10 lacs. (The third batch of LIC maturity proceeds comes in 4 years). For this shortfall he will need to set aside some savings out of his monthly surplus of Rs.50,000/-. Keeping in mind the time horizon of 3 years, he cannot invest in very risky assets & accordingly he cannot expect very high returns on these savings. If an average return of 8% p.a. is assumed he needs to invest around Rs.25,000/- p.m. for next 3 years. These investments can be made in debt funds, Bank FD's etc. MIP's with dividend re-investment option can also be kept in mind. This will lead him to achieve this financial goal too.

### Goal-Asset Mapping

Goals	Poonam's Wedding (1 Yr)	Pooja's Wedding (3 Yrs)	Estate planning
<b>Current Cost</b>	25 Lacs	25 Lacs	N/A
<b>Future Cost</b>	26.75 Lacs	30 Lacs	N/A
<b>Amount from Current Assets</b>	25 Lacs (PPF & NSC)	20 Lacs (LIC Maturity)	10 Lacs (LIC Maturity)
<b>Shortfall</b>	1.75 Lacs	10 Lacs	N/A
<b>New Monthly Investments</b>	50000 for 3.5 Months	25000 for 3 Years	Monthly Surplus as long as possible
<b>Asset Allocation</b>	Liquid Assets giving 6% p.a. returns	Debt-oriented portfolio giving 8% p.a. returns	Equity-oriented portfolio giving 12% p.a. returns

### Estate Planning

Mr. Khanna would like to leave back as much as possible for his wife and two daughters. The first thing he would need to make is a Will and he will need to keep updating his Will as and when more assets are created. He would like to leave most of his estate back for his wife and thus he should mention in his Will that the existing residential property and the restaurant business and property is passed on to her. He should start sharing his business details with his wife. Incase his wife unfortunately dies before him he can allocate either of his properties to each of his daughters.

To increase his assets as far as his estate is concerned he will be receiving Rs.10 lacs LIC maturity proceeds in four years which can be reinvested in a growth portfolio, keeping in mind that he does not require the fund for himself. Also his monthly surpluses, which will increase after his both daughters marriage as their expenses will now not be borne by him, can be invested in a growth portfolio consisting of primarily equity and giving a return of at least 12%. This monthly surplus can come upto Rs.1.1 lac post his daughters wedding assuming his income remains stable. Thus as and when he invests he should make sure his Nominations and Will is updated.

## **Conclusion**

Thus we can see that Financial Planning can meet the requirements of any one. Mr.Khanna has a successful and well established business and would like to die with his boots on and thus may not require a retirement planning per se but he does have needs relating to his estate. Also though he has ample assets still there is a slight short fall for his daughters wedding and with proper allocation and required savings he can achieve this goal too. With periodic reviews and updating of the Will he will achieve his estate planning goals too.

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