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Case Study

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Generating Sustainable Cash Flows during Retired Life: A Comprehensive Retirement Plan

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Mr. Ranjan is working as a IT project head with a MNC. He is 40 year old and completed his B.Tech from one of the reputed engineering colleges from India. He has also completed MS in Computer Engineering from a reputed US university. He has a working experience of close to 18 years in various IT domains. He is well placed in his job. On the family side, he is married with two kids. His wife Rema is a home maker. Ranjan is earning very well and currently his take home salary is 30 lakh per annum. He has been very particular about his saving right from the start of his career. He invested in two houses worth Rs 1 crore each. He stays in one house and given the other house on a rent of Rs 30000 per month. He has also taken a 20 year old housing loan of Rs 50 lakh each for both the houses. His combined EMI for both the houses is around Rs 1 lakh per month. He also has a car EMI(Equated Monthly Instalment) of Rs Rs 10000 per month. Apart from real estate, he invests in Gold ETFs and Fixed deposits. He started investing in mutual funds in 2006 through SIPs. But he stopped the SIPs in 2008 when he lost almost 60% of his invested money. He never touched stock market after that. He has a medical insurance and a term insurance worth 1.5 crores. Ranjan developed the habit of reading investment books of late. He got fascinated by the concept of power of compounding, cost of capital, inflation etc. After reading multiple books, he became worried about his investments in fixed deposits since after tax returns from fixed deposits are below inflation. He is also much worried about his investments in second house as there are better apartments available for lower price. Moreover his rental yield is very low when you look at other investment options.

Recently, Ranjan met his college mate Mr. Jagan, in a marriage function, who runs a wealth management firm in the city. Ranjan shared his concerns with Jagan. Jagan assured to help him out. They met one week later in Jagan's office. Jagan convinced him about the fallouts of investing excessively on real estate, gold and fixed deposit. To his surprise, Jagan observed that Ranjan has a fixed deposit worth Rs 10 lakh in a low rated fixed deposit with a retail chain where the interest rate is 10.5%. On checking, Jagan found out that his happened as a

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