

"A man is
great by
deeds, not by
birth"

-Chanakya

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INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

IIMK/CS/197/FIN/2023/07

March 2023

**Self-Funding a House Purchase: An Illustration of
Effective Financial Planning**

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Self-Funding a House Purchase: An Illustration of Effective Financial Planning

Abstract:

The most important lesson from the case is how individuals staying in company accommodation might use their HRA benefit to finance home purchases. By self-financing, they can save on EMI payments and establish a long-term appreciating asset. In addition, the case examines the advantages of taking out a loan, which can assist individuals in optimising their investment goals while maintaining their monthly cash flows. It describes the methods required to determine the appropriate loan amount that satisfies a person's monthly investment goals. In addition, the case demonstrates how the time value of money ideas, such as a growing annuity and tax considerations, can be utilised effectively in financial planning. It emphasises the significance of the time value of money in financial planning and the advantages of investing in assets that appreciate over time.

Additionally, the case contains a scenario analysis that illustrates the effect of interest rate changes on monthly cash flows. It illustrates how small changes in interest rates may majorly impact a person's cash flow and stresses the significance of proper financial planning. Ultimately, the case investigates the numerous alternatives available to borrowers, including maintaining an investment fund using the HRA cash inflow. Overall, the case provides a detailed guide to good financial planning for those seeking to self-finance a home purchase while maximising investment goals and preserving monthly cash flows.

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