

Marks Allocation

Section	Maximum Marks	Weightage for Scoring Plan
Executive summary	20	7%
Additional Assumptions and Data Interpolation	10	26%
Data collection - Personal	10	
Data collection - Net Worth	10	
Data collection - Cash Flow	10	
Data collection - Investments	10	
Data collection - Goals	20	
Issues and problems	10	
Analysis and Strategies - Insurance	20	37%
Analysis and Strategies - Retirement	20	
Analysis and Strategies - Investment	30	
Analysis and Strategies - Tax Planning	20	
Analysis and Strategies - Estate Planning	20	
Synthesis	30	23%
Plan Presentation	40	
Plan Review	20	7%
Total	300	100%

Executive Summary

(20 marks)

Guidelines :

The Financial Plan should include an executive summary that outlines:

- The client's financial objectives and goals; as well as issues and concerns;
- Relevant financial data and key findings; and
- The candidate's recommendations, including a clear action plan for the client(s) and how the recommendations address the client's needs, concerns and objectives.

The executive summary should be able to stand alone as an independent document – a “snapshot” of the Financial Plan as a whole.

Executive Summary:

General and Key Assumptions

Assumptions regarding pre-tax returns on various asset classes (1-3) Years

Equity & Equity MF schemes/ Index ETFs	11.00% p.a
Balanced MF schemes	9.00% p.a
Bonds/Govt. Securities/ Debt MF schemes	7.00% p.a
Liquid MF schemes	5.50% p.a
Gold & Gold ETF	6.50% p.a
Real Estate appreciation	7.00% p.a
Bank/Post Office Term Deposits (> 1 year)	7.25% p.a
Public Provident Fund/EPFO	8.00% p.a

Assumptions regarding economic factors:

Inflation	5.00% p.a
Expected return in Risk free instruments	6.00% p.a

Cost Inflation Index:

1981-82	100
1982-83	109
1983-84	116
1984-85	125
1985-86	133
1986-87	140
1987-88	150
1988-89	161
1989-90	172
1990-91	182
1991-92	199
1992-93	223
1993-94	244
1994-95	259
1995-96	281
1996-97	305
1997-98	331
1998-99	351
1999-00	389
2000-01	406

2001-02	426
2002-03	447
2003-04	463
2004-05	480
2005-06	497
2006-07	519
2007-08	551
2008-09	582
2009-10	632
2010-11	711
2011-12	785
2012-13	852
2013-14	939
2014-15	1024
2015-16	1081
2016-17	1125

Additional Assumptions and Data Interpolation

(10 marks)

Guidelines

The additional assumptions used by the candidate to determine the outcomes of the analysis and related calculations are crucial to the overall viability of the financial plan. Inappropriate assumptions can lead to suboptimal or incorrect recommendations.

The candidate must clearly identify assumptions, provide suitable support (e.g. by naming a recognized, reputable source) and understand the impact of the assumptions within the body of the financial plan.

Data Collection

(10 marks)

Guidelines :

Personal information sheet

Purpose: To provide quick reference for vital household data.

	Self	Spouse
Name		
Age		
Marital Status		
Place of Permanent Residence		
Place of Employment		
Professional Status		
Length of Service		

Details of Dependents

Name	Age	Relationship	Earning Status

Data Collection

Guidelines :

Personal balance sheet

Purpose: To determine your current financial position. (Instructions: List the current values of the asset categories below; list the amounts owed for various liabilities; subtract total liabilities from total assets to determine net worth.)

Self

Balance Sheet as of	
Assets	Liabilities
Liquid assets	Current liabilities
Cash Balance	Credit Card Outstanding
Bank Account (Savings account)	Car Loan
Bank Fixed Deposits	Education Loan
Others	Others
<i>Total liquid assets</i>	<i>Total current liabilities</i>
Household assets & possessions	Long-term liabilities
Current market value of home	Home Loan
Market value of Car	Others
Jewelry	
Others	
Others	
<i>Total household assets</i>	<i>Total long-term liabilities</i>
Investment assets	Total Liabilities
Savings certificates	
Stocks and bonds	
PPF /EPF	
Mutual funds	
Others	
<i>Total investment assets</i>	
Total Assets	

Net Worth (Assets minus Liabilities)	
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Combined Net Worth of the Family (optional)	
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(10 marks)

Spouse (optional)

Balance Sheet as of	
Assets	Liabilities
Liquid assets	Current liabilities
Cash Balance	Credit Card Outstanding
Bank Account (Savings account)	Car Loan
Bank Fixed Deposits	Education Loan
Others	Others
<i>Total liquid assets</i>	<i>Total current liabilities</i>
Household assets & possessions	Long-term liabilities
Current market value of home	Home Loan
Market value of Car	Others
Jewelry	
Others	
Others	
<i>Total household assets</i>	<i>Total long-term</i>
Investment assets	Total Liabilities
Savings certificates	
Stocks and bonds	
PPF /EPF	
Mutual funds	
Others	
<i>Total investment assets</i>	
Total Assets	

Net Worth (Assets minus Liabilities)	
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Data Collection

(10 marks)

Guidelines :

Personal cash flow statement

Purpose: To maintain a record of cash inflows and outflows for a month (or three months).

Cash Inflows		Surplus/Deficit	
Salary (take-home)		<u>Allocation of surplus</u>	
Other income (House Property):		Mandated savings towards Financial Goals (SIPs)	
Other income (Business):		Additional Reserves including Contingency Provisions	
Other Income (dividends, interest, etc)		Net after all deployments	
Total Income			
Cash Outflows			
<u>Fixed expenses (of Non-discretionary)</u>			
House Maintenance / Water and Municipal taxes			
Power, Telecom, Fuel, Transportation			
EMIs			
Loan payments (principal)			
Insurance (Life, Health, Mortgage and Auto)			
Food & Clothing			
Education Expenses			
Rent			
Other			
<i>Total fixed outflows</i>			
<u>Variable expenses (including Discretionary)</u>			
Personal care			
Medical expenses			
Recreation/ Entertainment			
Gifts			
Donations			
Vacation & Travelling			
Other			
Other			
<i>Total variable outflows</i>			
Total Outflows			

Data Collection - Investment Products

(10 marks)

Guidelines :

Savings/investment portfolio summary

Required rate of return to reach the client's objectives;

- Whether the client's investment return expectations are consistent with the client's risk tolerance;
- Achieving the client's investment income needs;
- The characteristics of the client's investment holdings;
- The implications of the client acquiring/disposing of assets; and
- Whether the client's asset holdings are consistent with the client's risk tolerance and required rate of return.

Summary of Client's Current Holdings of investments

Description	Purchase price	Purchase Date	Quantity	Current Value	Level of Risk	Contracted Yield or Expected Return from Product	What goal, if any, the investment is linked	Income or Capital Appreciation	Maturity/planned disposal, if any, in short (< 1), Medium (1-3), long (> 5) term	Comments
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Goals and Objectives

(20 marks)

Guidelines :

Goal setting sheet

Purpose: To identify personal financial goals and create an action plan. (Based on personal and household needs and values, identify specific goals that require action).

Short-term monetary goals (< 1 year)

Description	Amount (Corpus) needed	Months to achieve	Action to be taken	Priority	Reference

Intermediate (1 - 3 years)

Description	Amount (Corpus) needed	Months to achieve	Action to be taken	Priority	Reference

Long-term (> 3 years) monetary goals

Description	Amount (Corpus) needed	Years to achieve	Action to be taken	Priority	Reference

Non-monetary goals

Description	Resource Type	Time frame	Action to be taken	Priority	Reference

Analysis - Insurance Needs

(20 marks)

Guidelines .

1. Life Cover: **Insurance needs of the Client and Family**

Purpose: To establish a record of the current versus an ideal required insurance coverage

Methodology: Employ suitably the Income Replacement of Client and the Family's Expense Replacement methods to arrive at the right cover

Alternatives Explored: Client's preference to manage risks with alternative strategies, viz. Asset cover to buying insurance cover

2. Health cover and riders for Critical Diseases, Disability, Accident, etc.

3. Property insurance and other assets cover such as car

1. Life Cover of the Client (and Spouse)

A.Enumerated with expense replacement method

Current expenses considered for replacement

Outstanding mortgage and other loans

Financial Goals, if any, to be considered

Spouse's lifetime expenses, if any, to be considered

Life Cover enumerated

B.Enumerated with income replacement method

Current income from profession

Expected growth in annual income

Life Cover enumerated

Method considered from the above and and Required Cover rationalized

Existing Value of Life Insurance Policies	Required Cover	Shortfall / Surplus	New / Surrender / Switch Insurance policies	Funding Medium for Premium	Comments, References & Explanations
Existing Value of Health Insurance Policies	Required Cover	Shortfall / Surplus	New / Surrender / Switch Insurance policies	Funding Medium for Premium	Comments, References & Explanations
Existing Value of General Insurance Policies (Car, Home, Fire, etc.)	Required Cover	Shortfall / Surplus	New / Surrender / Switch Insurance policies	Funding Medium for Premium	Comments, References & Explanations

Time-bound Strategies for Insurance Planning

Analysis - Retirement Needs

(20 marks)

Guidelines :

1. Estimation of Retirement Corpus at normal retirement age
2. Estimation of other supplementary sources of retirement funds, Pension/Annuity, Assets which could be converted to regular income
3. Assumption of basic parameters of life, rates of investment returns and inflation, pre-and-post retirement
4. Estimation of all current contributions to retirement funds - sources like provident fund - employee and employer, other statutory/voluntary products like NPS/PPF, etc.
5. Estimation of additional funds required now, increasing periodically till retirement, to be invested at certain rate of return for achieving retirement goal
6. Post-retirement investments, e.g. annuities for the desired stream of cash flows on a regular basis
7. Other aspirational goals, e.g. charity, bequeath and requirements, e.g. medical reserve

Guidelines :

Forecasting retirement income

Purpose: To determine the amount needed to save each year to have the necessary funds to cover retirement living costs.(Estimate the information requested below).

Current Household Expenses	
Those Current Expenses that would be needed going in to Retirement	
Inflation - Adjusted household expenses at Retirement	
Expected Income from pension, contracted annuity, if any, rental income, etc. post-retirement	
Net Income sought from Corpus to be additionally accumulated	
Total Additional Corpus Required (considering longevity, return, inflation post-retirement)	
Corpus likely to be accumulated through pension, PPF, EPF, etc.	

Corpus supplemented by sale of illiquid assets, if any	
Net Additional corpus to be accumulated	
Present Resources available towards Retirement Goal	
Funding investment vehicle , e.g. asset allocation and its expected return up to retirement	
Needed periodic investment	
Comments, References & Explanations	

Additional Notes :-

Analysis of post-retirement needs:

- (1) Medical
- (2) Housing
- (3) Gifts/Bequeath
- (4) Vacation
- (5) Starting a Venture

Analysis of Early Retirement - Scenario

Analysis of Early Retirement - Scenario

Analysis of Postponing Retirement - Scenario

Analysis - Investment Planning for Defined Goals

(30 marks)

Guidelines :

1. Plan of Accumulated and Regular Additional Investments linked to achieving various financial goals
2. Rationalization of Investments as per the General Risk Profile of Client and Risk Capacity for Defined Goals
3. Strategic Asset Allocation - General/Goal Specific and Tactical Shifts (Rebalancing) foreseen
4. Computing Targeted Return to achieve Specific Goals
5. Wealth Creation and other Charitable Goals
6. Any other objectives and process adopted to achieve.

(Include only those goals which are relevant to your selected case and personal assumptions)

Financial Goal	Goals			Strategy Outlined including Investment Vehicle	Quantum of funds allocated	Time Period to achieve	Analysis (% achievable in 1/3/5 years)
	Short Term (< 1)	Medium Term (1-3)	Long Term (> 5) term				
Contingency Fund							
Debt Repayment							
Car Acquisition							
Education of Children							
Vacation / Holidays							
Higher Education Outlay							
House Acquisition							
Marriage Funds							
Retirement Corpus							
Any Other							

Analysis - Tax Efficiency

(20 marks)

Guidelines :

Tax planning activities

Purpose: To estimate current income tax liability and to consider actions that can prevent tax penalties and may result in tax savings.

- The client's current and future tax position;
- The suitability of existing tax strategies and structures; and
- The financial impact of tax planning alternatives on the client.

A. Income Tax

1. Current Gross Income and available deductions

2. Net Income and Total taxes paid

3. Future expected Income and estimated taxes at current rates

4. Tax efficiency measures (to be) initiated for a consistent strategy

2. Investment Products taxation

Existing Investment and Financial Products and their taxation

Product	Income	Taxability	Expected Capital Gains	Taxability

Time-bound Strategies for Tax Planning

Analysis - Estate Planning

(20 marks)

Guidelines :

Estate planning activities

Purpose: To develop a plan for estate planning and related financial activities. (Respond to the following questions as a basis for making and implementing an estate plan)

- Succession planning consequences;
- The client's net worth at death;
- Risks and benefits in alternative asset ownership and transfer alternatives;
- Potential expenses and taxes due at the client's death;
- The liquidity of the client's estate at death; and
- Liquidity of heirs at client's death

Has any succession planning Done?	
What will be the expected network at death? (including ancestral properties, jewellery, real estate, etc)	
Are the financial records, including recent tax forms, insurance policies, and investment and housing documents, organized and easily accessible?	
Is the will current? What type of Will is created? Location of copies of your will. Name and address of the lawyer.	
What type of Will is created? What are the costs associated with the will?	
Name and address of the executor	
Have any funeral expenses and burial arrangements been made?	
Has the client prepared a letter of last instruction? Where is it located?	

Has any trusts been created ? Name and location of financial institution.	
What type of trust has been created? Who are the beneficiaries of the Trust? Is there any special needs of the beneficiaries	
What is the income generated and tax consequences of the trust?	
What are the assets under the trusts?	
Has the client gifted any assets- taxable or non- taxable to anyone? Does he plan to do so?	

Time-bound Strategies for Estate Planning

The recommendations in this report are based on information that you provided. Before reviewing the estate plan or implementing any of the recommendations that follow, please verify the following data and assumptions.

Particulars	Clients	Clients Family Member /	Total Family
NET WORTH (Asset -Liabilities)			
Special Provisions			
Life insurance on Self			
Life insurance cash values			
Estate share of joint property			
ESTATE NET WORTH			

Synthesis and Inter-relationship between various financial planning components

(30 marks)

Guidelines :

1. Overall efficiency of delivering Plan means there is no bias due to personal inclination to achieve a specific goal.
2. The recommendations are not idealistic or generic but they best suit the client's situation including Risk characteristics, attitudes and overall objectives.
3. There is integration of strategies and recommendations across the areas of financial management, asset management, risk management, tax planning, retirement planning and estate planning to reduce overlap and increase efficiency of plan delivery.
4. The individual goals are stress tested and rationalized to avoid a given strategy to be abruptly shunned/modified, and also across the whole plan.
5. Certain contingencies including unemployment for certain period and death of client considered to have least impact on the continuation of the plan implementation and delivery.
6. Any other modification or monitoring strategy considered to achieve synchronization.

Area	Identification of Problem	Synthesis Used, if any	Recommendation and Resulting Strategy
Cash Flow Management	Budgeting to make efficient spending decisions; sufficient cash flow projected in the medium and long term to fund financial goals; Adequacy of contingency fund and other provisions		
Liquidity Management	Ensuring no idle funds except for very short periods mostly towards immediate goal requirement; Financing is matched with goal terms, e.g. long-term financing only for long-term goals; Bucketing planned for major goals for sufficient liquidity and efficiency of returns		
Debt Management	Ensuring no huge outgo of interest on borrowings; having a plan to get rid of costly debt in short to medium term; using credit instruments smartly to manage short-term liquidity		
Insurance Management	Ensuring outgo on insurance premiums to be a safe percentage of total income while deriving desired protection; having a specific risk well protected as per the client's special circumstances		

Investment Management	Linking investments to specific goals keeping in view their liquidity, income generating/capital appreciation potential and tax efficiency; investments to correspond to client's risk tolerance as well as the nature of goal		
Retirement Management	Monitoring all assets/investments identified for retirement goal and ascertaining their potentiality to deliver the desired outcome of income/corpus when needed; Early retirement vs. longevity; Smooth convertibility to income from accumulated assets for tax efficiency		
Tax Management	Ensuring tax efficiency at all stages of planning; All acquisition and disposal of assets/investments should have taxation in perspective; Balance need to be struck between tax savings and returns aspect of such savings along with their liquidity		
Estate Management	Ensuring that succession plan is in place at all stages of life and revised periodically; such Plan to include all movable and immovable assets, their liability aspects as moderated periodically; in case of business, the rightful owner and business continuity should be clearly defined		

Plan Presentation

(40 marks)

1. Guidelines:

The financial plan developed by the candidate should clearly demonstrate that he or she is capable of delivering a viable written financial plan for the profiled client, supported by appropriate assumptions, sound decision-making and relevant data. Within the financial plan, the candidate should cover all of the required Financial Planning Components and appropriate professional skills. Explanations should be clear and concise, and in lucid language.

2. Engagement letter

- (a) The candidate should be required to include in the Engagement Letter the scope of services, whether advice, or execution or both, as well as the extent of services, viz. few or all components of Financial Planning.
- (b) The mutual roles and responsibilities and timeframes for various triggers including Plan Review should be specified.
- (c) The letter may contain specifically the remuneration aspect, whether fee-only, commission, fee plus commission, AUM, or offset model.
- (d) Any conflicts of interest, immediate or foreseen in the future, should be clearly mentioned.
- (e) The candidate's disclosure of identity of his or her own or the firm represented, the relationship between the adviser and the firm, and other statutorily required disclosures should be mentioned.
- (f) The termination requirements of the engagement should be clearly mentioned.

3. PLAN PRESENTATION :

(The candidate may include elaborate tables as separate sheets, graphs, or such other appendices which enhance the plan presentation)

ACTUAL ENGAGEMENT LETTER:

Review Plan

(20 marks)

Guidelines :

The candidate should recommend an appropriate review cycle in the financial plan, determine benchmarks for measuring success against the client's current expectations, and identify each party's responsibilities to review the financial plan.

Issues the candidate could address include:

- The level of review service to be provided;
- The frequency of financial plan reviews;
- Other features and benefits associated with the review process;
- The cost of financial plan reviews;
- Anticipated changes in the client's situation (e.g. birth, death, marriage, etc.); and
- Anticipated legal changes.

Take a differing view of your Assumptions of Returns on **Equity** and **Debt** only, and fill the following table:

Financial Goal	Goals Short Term (< 1) Medium Term (1-3) Long Term (> 5) term	Current Status	Review Recommendation	Target preponed /extended
Contingency Fund				
Debt Repayment				
Car Acquisition				
Education of Children				
Vacation / Holidays				
Higher Education Outlay				
House Acquisition				
Marriage Funds				
Retirement Corpus				
Any Other				