

**K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH**

**Vidyavihar, Mumbai- 400077**

**Program: PGDM-FS (Batch 2016-18), Tri-V**

**Subject: Wealth Management**

**(End Term Examination)**

**Maximum Marks: 50**

**Date: 28 December, 2017**

**Duration: 3 hours**

- 1. Attempt question 1 which is compulsory**
- 2. Attempt FIVE questions from the rest.**
- 3. Exam will be in lab**

**QUESTION 1**

**20 marks**

- a) Mr. Anant is currently 36 years and plans to retire at the age of 65. He earns Rs.35,00,000 p.a. as an event manager and earns an increase of about 6% every year. He currently has Rs.3,70,000 saved for his retirement in an equity fund that earns an average 18% pa. He is also depositing an amount of Rs.9000 in a PPF account with an expected return of 6.7%. His equity fund will continue till retirement and later place it in a money market fund that will earn a 6% return because he does not want to take much risk. He contributes 4,50,000 of his income every year into a pension scheme which fetches a moderate 8percent. He expects to require 90 percent of his income as retirement income for at least 30 years after retirement. Inflation is assumed as 3.5%. Anant is concerned that he might not have enough money for his retirement.
- i. How much money Anant would have in his savings kitty when he retires at 65?
  - ii. Determine whether Ananth can retire at 60 years of age instead of 65 if he starts saving @ Rs.6 lacs.
  - iii. If Anant wants to retire at 60 years but does not want to save more than Rs.450000, provide some alternatives to meet the retirement needs.  
(10 Marks)
- b) What will be the buying power of ` 5000 after 15 years if inflation is 8% pa? (2 Marks)
- c) Ritika pays her mortgage of `12 Lakh for 15 years at an interest rate of 1% per month. Ritika makes the payments on a monthly basis. What is the total amount of interest that Ritika will pay over the term of the mortgage? (4 Marks)
- d) Sushant is 60 retired and planning for his retirement. At present he spends ` 2.4 lakhs p.a. and wishes to maintain the same standard of living after retirement. He has an accumulated amount of `75 lakhs at the time of retirement. If the inflation is 6.5% p.a. and interest on investment is 9.25% p.a, how long would this money last if he uses `25 lakhs for buying a house out of the

accumulated money?

(4 marks)

### Question 2

- a) Calculate taxable value of pension and gratuity of Prasanna, a Government employee who retired on 30<sup>th</sup> April 2014 and received ` 1,75,000 as gratuity and ` 5,400 p.m. as pension upto 31st October 2014. On 1<sup>st</sup> November he commuted 70% of his pension for `1,80,000. He had a total of 35 years and 8 months service. (4 Marks)
- b) What is risk profiling? Write very briefly. (2 Marks)

### Question 3

- a) Discuss briefly the services offered by Banks under the Wealth Management Services.
- b) Distinguish Liquidity Ratio and Debt Payments Ratio (2 Marks)

### Question 4

- a) As a wealth Manager how would you educate your client on the alternatives scenarios in Estate Planning (4 Marks)
- b) Two best alternatives to a Bank fixed Deposit and compare the risk-return (2 Marks)

### Question 5

- a) How do you arrive at the insurable amount for an individual's life? (4 marks)
- b) As a wealth manager, State what tools would you use to understand the personal financial data of your clients? (2 Marks)

### Question 6

(6 Marks)

List out the following investments in their order of Risk

|   |                          |
|---|--------------------------|
| Treasury Bills                                | Deposits with SREI 'AA+' |
| Sectoral Mutual Funds                         | Liquid Funds             |
| Index Mutual Funds                            | Private Equity           |
| Birla Monthly Income Funds                    | Arbitrage Fund           |
| Bank Fixed Deposits                           | Balanced Fund            |
| Tax Free Bonds of National Highway Authority  | Largecap Fund            |
| Deposit of Godrej Consumer Products Ltd 'AAA' | Midcap Fund              |

**Question 7**

(6

Marks)

Write a note on any TWO of the following terms:

- a) Rupee Cost Averaging and Value Cost Averaging
- b) Distinguish Liquidity Ratio and Debt Payments Ratio
- c) Importance of Time Horizon in Financial Planning

-----All the Best!-----