



FN281 Personal Financial Management

Present to

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Thammasat University

Introduction

This report uses financial models to present a current financial situation and planned finances. While the plan may consist of strategies of specific personal finance, like the budget, investments, taxes, or retirement. Each strategy is carefully evaluated for its effects to all other person's finance.

The assumptions are used to promote a discussion of appropriate actions that may need to be taken, to help you manage the financial situation conditions in the future.

Personal Details

Name : Mark

Age : 20 years old

Status : Single

Gender : Male

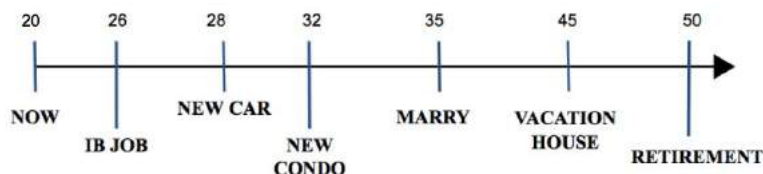
Occupation : Student

Residential Status : Parent's house

Current life

Mark lives in Bangkok, Thailand. He lives with his parents and 1 brother in the middle of the city, Silom. He graduated at Thammasat University in Bachelor of Economics faculty with GPA 3.6. After graduation, he got a certificate from the Chartered Financial Analyst (CFA). He likes maths and loves to check stocks with his parents. Since his dad is an investor, Mark is trained to trade stocks. Therefore, he graduated from Monetary and financing major. He has raised up in a rich family which is able to support everything he loves. He wants to be successful like his parents. His parents are wide visions so they teach Mark to save money for his future so he has some money in his account. They knew that he had to go to the university everyday so his parents bought him a car of his convenience since the first year of Bachelor. He got a scholarship right after he graduated from BE in MBA, The University of Manchester.

Financial Goals and Timeline



Balance Sheet		25	
Assets:	amount	%	
Savings	250,000.00	27.78%	
Provident Fund	0.00	0.00%	
Total Monetary Assets	250,000.00	27.78%	
Car	650,000.00	72.22%	
House	0.00	0.00%	
Personal Properties	0.00	0.00%	
Total fixed Assets	650,000.00	72.22%	
Total Assets	900,000.00	100.00%	
Liabilities			
Liabilities:			
Car Loan	0.00	0.00%	
Mortgage Balance	0.00	0.00%	
Total liabilities	0.00		
Net wealth	900,000.00		

At age 25, after graduation, now his net worth(A-L) equals to 900,000. His goal at age 26 is working as an IB at Phatra. Furthermore, his goal is to own new car and a condo. He also want to marry at the age around 35. In addition, before retirement, he want to have his own vacation house in Samui. Finally, he want to retire early at the age 50.

ASSUMPTION

Inflation rate : Daily expense 2% interest rate of saving 0.5%
 Condo 1.5% return from investment 6%
 House 2%

Age 26-31

After graduation at MBA, Thammasat. He is 26 years old. With CFA certification, he could apply for a top rank of investment company in Thailand. He gets a job at Phatra, investment banking. Phatra investment banking has to work very hard but it gets high salary. He wants to work hard this period of time so he could retire earlier. Since Phatra is at Rama IV road and he has the car that his parents bought for him, so he doesn't have to use BTS. The salary starts at THB 55,000 with bonus 12 months at the end of the year. This year, he invests in stocks THB 300,000 which returns back 6% annually. He also chooses to invest in provident funds because he wants to reduce tax. After he works for a year, his salary rises up to 60,000 per month. When he turns 27 years old. He invests more in stocks since he could save more money, from THB 300,000 to THB 400,000. At the end of this year, he has money to buy asset.

When he turns 28 years old, he decide to buy a car because he has the job which gets high salary and quiet honorable. Even he has some money he still has to borrow from bank. He decides to buy Honda Accord (hybrid) because it's japanese brand with high quality and price is reasonable. Hybrid car is fuel economy. The car cost THB 1,659,000. The down payment of car 20% of car equal to THB 331,800. He also buys a car insurance because he concerns of safety and don't want to take risk if there is an accident. He chooses Viriyah Insurance which liabilities to damage to life, body, or health of third parties, property damage for third party, damage to the insured car due to fire/theft, and damage to the insured car. This year, he uses his savings to down payment the car. 4 years after down payment, he needs to pay installments with THB 30,360 each month for 4 years which is 48 times.

Age 32-44

At age 32, Mark will buy a condominium in Rama IV area because he can easily go to his workplace and he plan to marry when he is 35 years old so he need a condominium to stay with his wife. A condominium cost THB 7,900,000. The down payment of condominium is 20% of its price which equal to THB 2,000,000 so the finance balance is THB 5,900,000. He need to pay by installments for 10 years with 6.75% interest so he has to pay THB 70,900 monthly or THB 850,500 annually by part of his own saving.

When he's 33 years old, he starts to allocate some part of his income for parent's expenses because at this age he gain more salary and has some left after cover all of his expenses. So he starts to give his parents by THB 30,000 per month. Even though it still cannot cover all of the expense, somehow the rest amount of the expense will be support by his brother.

Mark will be married when he's 35 years old because he has to spend a lot of money at a few years ago, so this is the perfect time to married. He use THB 500,000 in his wedding ceremony. And he plan to has no child. His salary is around THB 150,000 with bonus 20 months at this age.

He will be done with paying installments for his condominium at age of 41, so he has one condominium and one car as his assets.

And when he's 42 years old, he will invest in LTFs or Long-term equity funds because he can receive tax benefit and If he has invested in LTFs in accordance with the conditions of the Revenue Department, he can claim a tax deduction of not more than 15% of his taxable income, and not more than THB 500,000 in total for that tax year. (Long-Term Equity Fund (LTF) are a family of equity funds (which invest heavily in listed companies in the Stock Exchange of Thailand) that have an investment policy to put at least 65 percent of the fund's net asset value (NAV) into stocks.

There are two types of the LTF: LTF with and without dividend payout policy. Each type of fund has different characteristics. Simply put, LTF with dividend policy enable fund-holders to receive a consistent stream of income throughout the holding period (subject to fund performance), but they are liable to pay a 10 percent withholding tax on dividends. On the other hand, LTF without dividend payment policy, despite lack of consistent income stream from dividends, offer investors the opportunity to reap the windfall of higher capital gains, because investment return from this type of fund will be re-invested to generate even higher returns (also, subject to fund performance).

Age 45-50

At the age of 45, Mark have to consider about the risk of his life when getting old, so he start to buy an life insurance at THB 11,196 per year until 60 and then it will secure him until age of 99, in order to manage the risk when he died and insurance company will pay an amount to cover his death. In addition,he reallocate his investment from invest 100 percent in stock to 20% in stock 40% in mutual fund and 40 % in bond, by assume that they give return of 6%,5% and 2%,respectively (The weighted average return from investment is 4%) to diversify investment risk as his ability to comeback(if his investment become loss) is lower than before.

At the age 45, it is appropriate period to acquire a house, 5 years before his retirement and already accumulate a huge amount of saving (as he want to retire soon to pay off his intense job in investment banking job). He plan to have a vacation house in samui island that around THB 6,800,000 in the present and it will be worth THB 11,156,000 at age 45 with 2% inflation rate on house, so he can finance a mortgage loan by pay THB 2,156,000 in down payment and pay THB 103,341 on installment every months for 10 years and the loan payment can be deduct on taxable income. After accumulate much money in saving account he retire at age of 50 then let the return on investment and interest rate to be the main source of income.

After retirement

At age of 51 after retirement, he will receive cash from provident fund with the return of 4 % per years of THB 7,728,162. He buy LTF in order to deduct the amount taxable income, when he retire, he has no point to hold LTF anymore when he do not get any income. Hence, he selling LTF after 9 years of holding it with the return of 4% per year, so he get THB 5,291,398. After retire, the only income that he get is from investment so he invest the large amount on his investment or he invest THB 3,000,000 more after receive return on provident fund and LTF, and it is the last investment for him.

Income Statement	26		
	Monthly	Annual	%
Income :			
Base salary	55,000.00	660,000.00	56.35%
Traveling allowance from company	6,000.00	72,000.00	6.15%
Less: Provident Fund	(5,500.00)	(66,000.00)	-5.64%
Bonus income		660,000.00	56.35%
Income Before Taxes, etc.	55,500.00	1,326,000.00	113.21%
Less: Income Taxes, etc.*		(156,000.00)	-13.32%
Return from Investment	-	-	-
Interest Income		1,250.00	0.11%
Disposable Income		1,171,250.00	100.00%
Total Income		1,171,250.00	
Expenses/Taxes:			
Investment		300,000.00	40.98%
Mortgage Payment	0.00	0.00	0
Car installment	0.00	0.00	0
Parent support	0.00	0.00	0.00%
Life Insurance	0.00	0.00	0.00%
Utilities Expenditures	2,000.00	24,000.00	3.28%
Food Expenditures	20,000.00	240,000.00	32.79%
Transportation Expenditures	6,000.00	72,000.00	9.84%
Other Expenditures	8,000.00	96,000.00	13.11%
Total Expenses		732,000.00	100.00%
Net Income		439,250.00	

Income Statement	27		
	Monthly	Annual	%
Income :			
Base salary	60,000.00	720,000.00	56.41%
Traveling allowance from company	6,000.00	72,000.00	5.64%
Less: Provident Fund	(6,000.00)	(72,000.00)	-5.64%
Bonus income		720,000.00	56.41%
Income Before Taxes, etc.	60,000.00	1,440,000.00	112.81%
Less: Income Taxes, etc.*		(185,000.00)	-14.49%
Return from Investment		18,000.00	1.41%
Interest Income		3,446.25	0.27%
Disposable Income		1,276,446.25	100.00%
Total Income		1,276,446.25	
Expenses/Taxes:			
Investment		400,000.00	47.58%
Mortgage Payment	0.00	0.00	0.00%
Car installment	0.00	0.00	0.00%
Parents support	0.00	0.00	0.00%
Life Insurance	0.00	0.00	0.00%
Utilities Expenditures	2,040.00	24,480.00	2.91%
Food Expenditures	20,400.00	244,800.00	29.12%
Transportation Expenditures	6,120.00	73,440.00	8.74%
Other Expenditures	8,160.00	97,920.00	11.65%
Total Expenses		840,640.00	100.00%
Net Income		435,806.25	

Income Statement	28		
	Monthly	Annual	%
Income :			
Base salary	65,000.00	780,000.00	56.19%
Traveling allowance from company	6,000.00	72,000.00	5.19%
Less: Provident Fund	(6,500.00)	(78,000.00)	-5.62%
Bonus income		780,000.00	56.19%
Income Before Taxes, etc.	64,500.00	1,554,000.00	111.95%
Less: Income Taxes, etc.*		(213,500.00)	-15.38%
Return from Investment		42,000.00	3.03%
Interest Income		5,625.00	0.41%
Disposable Income		1,388,125.00	100.00%
Total Income		1,388,125.00	
Expenses/Taxes:			
Investment		400,000.00	25.59%
Mortgage Payment	0.00	0.00	0.00%
Car installment	30,360.00	364,320.00	23.31%
Down payment of car		331,800.00	21.23%
Parents support	0.00	0.00	0.00%
Life Insurance	0.00	0.00	0.00%
Car Insurance and Maintainance		17,599.00	1.13%
Utilities Expenditures	2,080.80	24,969.60	-14.26%
Food Expenditures	20,808.00	249,696.00	-142.65%
Transportation Expenditures	6,242.40	74,908.80	-42.79%
Other Expenditures	8,323.20	99,878.40	-57.06%
Total Expenses		1,563,171.80	100.00%
Net Income		-175,046.80	

*note : we use some part of our saving

Income Statement	29-31 (4 years)		
	Monthly	Annual	%
Income :			
Base salary	75,000.00	900,000.00	55.97%
Traveling allowance from company	6,000.00	72,000.00	4.48%
Less: Provident Fund	(7,500.00)	(90,000.00)	-5.60%
Bonus income		900,000.00	55.97%
Income Before Taxes, etc.	73,500.00	1,782,000.00	110.82%
Less: Income Taxes, etc.*		(270,500.00)	-16.82%
Return from Investment		90,000.00	5.60%
Interest Income		6,550.00	0.41%
Disposable Income		1,608,050.00	100.00%
Total Income		1,608,050.00	
Expenses/Taxes:			
Investment		400,000.00	32.07%
Mortgage Payment	0.00	0.00	0.00%
Car installment	30,360.00	364,320.00	29.21%
Parents support	0.00	0.00	0.00%
Life Insurance	0.00	0.00	0.00%
Car Insurance and Maintainance		17,599.00	1.41%
Utilities Expenditures	2,164.03	25,968.38	2.08%
Food Expenditures	21,640.32	259,683.84	20.82%
Transportation Expenditures	6,492.10	77,905.15	6.25%
Other Expenditures	8,489.66	101,875.97	8.17%
Total Expenses		1,247,352.34	100.00%
Net Income		360,697.66	

Income Statement	32		
	Monthly	Annual	%
Income :			
Base salary	85,000.00	1,020,000.00	54.97%
Traveling allowance from company	6,000.00	72,000.00	3.88%
Less: Provident Fund	(8,500.00)	(102,000.00)	-5.50%
Bonus income		1,020,000.00	54.97%
Income Before Taxes, etc.	82,500.00	2,010,000.00	108.32%
Less: Income Taxes, etc.*		(302,500.00)	-16.30%
Return from Investment		138,000.00	7.44%
Interest Income		10,160.00	0.55%
Disposable Income		1,855,660.00	100.00%
Total Income		1,855,660.00	
Expenses/Taxes:			
Investment		400,000.00	10.69%
Mortgage Payment	70,900.00	850,800.00	22.73%
Car installment	0.00	0.00	0.00%
Downpayment of condominium		2,000,000.00	53.43%
Parents support	0.00	0.00	0.00%
Life Insurance	0.00	0.00	0.00%
Car Insurance and Maintainance		17,599.00	0.47%
Utilities Expenditures	2,207.31	26,487.75	0.71%
Food Expenditures	22,073.13	264,877.52	7.08%
Transportation Expenditures	6,621.94	79,463.26	2.12%
Other Expenditures	8,659.46	103,913.49	2.78%
Total Expenses		3,743,141.01	100.00%
Net Income		-1,887,481.01	

*note : we use some part of our saving

Income Statement	33-34 (2 years)		
	Monthly	Annual	%
Income :			
Base salary	130,000.00	1,560,000.00	59.02%
Traveling allowance from company	6,000.00	72,000.00	2.72%
Less: Provident Fund	(13,000.00)	(156,000.00)	-5.90%
Bonus income		1,560,000.00	59.02%
Income Before Taxes, etc.	123,000.00	3,036,000.00	114.87%
Less: Income Taxes, etc.*		(579,800.00)	-21.94%
Return from Investment		186,000.00	7.04%
Interest Income		800.00	0.03%
Disposable Income		2,643,000.00	100.00%
Total Income		2,643,000.00	
Expenses/Taxes:			
Investment		400,000.00	18.60%
Mortgage Payment	70,900.00	850,800.00	39.56%
Car installment	0.00	0.00	0.00%
Car Insurance and Maintainance		17,599.00	0.82%
Parents support	30,000.00	360,000.00	16.74%
Life Insurance	0.00	0.00	0.00%
Utilities Expenditures	2,428.04	29,136.53	1.35%
Food Expenditures	24,280.44	291,365.27	13.55%
Transportation Expenditures	7,284.13	87,409.58	4.06%
Other Expenditures	9,525.40	114,304.84	5.31%
Total Expenses		2,150,615.21	100.00%
Net Income		492,384.79	

Income Statement	35-41 (7 years)		
	Monthly	Annual	%
Income :			
Base salary	150,000.00	1,800,000.00	45.82%
Traveling allowance from company	6,000.00	72,000.00	1.83%
Less: Provident Fund	(15,000.00)	(180,000.00)	-4.58%
Bonus income		3,000,000.00	76.36%
Income Before Taxes, etc.	141,000.00	4,692,000.00	119.43%
Less: Income Taxes, etc.*		(1,074,200.00)	-27.34%
Return from Investment		282,000.00	7.18%
Interest Income		29,000.00	0.74%
Disposable Income		3,928,800.00	100.00%
Total Income		3,928,800.00	
Expenses/Taxes:			
Investment		400,000.00	18.16%
Mortgage Payment	70,900.00	850,800.00	38.62%
Car installment	0.00	0.00	0.00%
Car Insurance and Maintainance		17,599.00	0.80%
Parents support	30,000.00	360,000.00	16.34%
Life Insurance	0.00	0.00	0.00%
Utilities Expenditures	2,670.85	32,050.18	1.45%
Food Expenditures	26,708.48	320,501.80	14.55%
Transportation Expenditures	8,012.54	96,150.54	4.36%
Other Expenditures*	10,477.94	125,735.32	5.71%
Total Expenses		2,202,836.83	100.00%
Net Income		1,725,963.17	
*Additional expense at age 35			
Wedding expense		500,000.00	

Income Statement	42-44 (3 years)		
	Monthly	Annual	%
Income :			
Base salary	200,000.00	2,400,000.00	45.58%
Traveling allowance from company	6,000.00	72,000.00	1.37%
Less: Provident Fund	(20,000.00)	(240,000.00)	-4.56%
Bonus income		4,000,000.00	75.97%
Income Before Taxes, etc.	186,000.00	6,232,000.00	118.37%
Less: Income Taxes, etc.*		(1,473,000.00)	-27.98%
Return from Investment		426,000.00	8.09%
Interest Income		80,000.00	1.52%
Disposable Income		5,265,000.00	100.00%
Total Income		5,265,000.00	
Expenses/Taxes:			
Investment		500,000.00	25.46%
LTF		500,000.00	25.46%
Mortgage Payment	0.00	0.00	0.00%
Car installment	0.00	0.00	0.00%
Car Insurance and Maintainance		17,599.00	0.90%
Parents support	30,000.00	360,000.00	18.33%
Life Insurance	0.00	0.00	0.00%
Utilities Expenditures	2,724.27	32,691.18	1.66%
Food Expenditures	27,242.65	326,911.83	16.65%
Transportation Expenditures	8,172.80	98,073.55	4.99%
Other Expenditures	10,687.50	128,250.03	6.53%
Total Expenses		1,963,525.59	100.00%
Net Income		3,301,474.41	

Income Statement	45		
	Monthly	Annual	%
Income :			
Base salary	220,000.00	2,640,000.00	46.95%
Traveling allowance from company	6,000.00	72,000.00	1.28%
Less: Provident Fund	(22,000.00)	(264,000.00)	-4.69%
Bonus income		4,400,000.00	78.25%
Income Before Taxes, etc.	204,000.00	6,848,000.00	121.78%
Less: Income Taxes, etc.*		(1,649,881.00)	-29.34%
Return from Investment		312,000.00	5.55%
Interest Income		113,000.00	2.01%
Disposable Income		5,623,119.00	100.00%
Total Income		5,623,119.00	
Expenses/Taxes:			
Investment		500,000.00	9.52%
LTF		500,000.00	9.52%
Mortgage Payment	103,341.00	1,240,092.00	23.61%
Vacation home down payment		2,156,000.00	41.05%
Car installment	0.00	0.00	0.00%
Car Insurance and Maintenance		17,599.00	0.34%
Parents support	30,000.00	360,000.00	6.85%
Life Insurance	0.00	11,196.00	0.21%
Utilities Expenditures	2,778.75	33,345.01	0.63%
Food Expenditures	27,787.51	333,450.07	6.35%
Transportation Expenditures	8,336.25	100,035.02	1.90%
Other Expenditures	10,901.25	130,815.03	2.49%
Total Expenses		5,251,717.10	100.00%
Net Income		371,401.90	

Income Statement	46-50 (5 years)		
	Monthly	Annual	%
Income :			
Base salary	250,000.00	3,000,000.00	48.10%
Traveling allowance from company	6,000.00	72,000.00	1.15%
Less: Provident Fund	(35,000.00)	(420,000.00)	-6.73%
Bonus income		5,000,000.00	80.17%
Income Before Taxes, etc.	221,000.00	7,652,000.00	122.68%
Less: Income Taxes, etc.*		(1,931,281.00)	-30.96%
Return from Investment		372,000.00	5.96%
Interest Income		144,400.00	2.32%
Disposable Income		6,237,119.00	100.00%
Total Income		6,237,119.00	
Expenses/Taxes:			
Investment		500,000.00	15.21%
LTF		500,000.00	15.21%
Mortgage Payment	103,341.00	1,240,092.00	37.74%
Car installment	0.00	0.00	0.00%
Car Insurance and Maintenance		17,599.00	0.54%
Parent support	30,000.00	360,000.00	10.95%
Life Insurance		11,196.00	0.34%
Utilities Expenditures	3,056.63	36,679.51	1.12%
Food Expenditures	30,566.26	366,795.07	11.16%
Transportation Expenditures	9,169.88	110,038.52	3.35%
Other Expenditures	11,991.38	143,896.53	4.38%
Total Expenses		3,286,296.63	100.00%
Net Income		2,950,822.37	

house price 11,156,000 down 2,156,000 r 6.75 10 y
mortgage 103,341

Income Statement	51		
	Monthly	Annual	%
Income :			
Base salary	0.00	0.00	0.00%
Traveling allowance from company	0.00	0.00	0.00%
Bonus income		0.00	0.00%
Income Before Taxes, etc.	0.00	0.00	0.00%
Less: Income Taxes, etc.*		0.00	0.00%
Return from Provident Fund		7,728,162.00	56.58%
Return from LTF		5,291,398.00	38.74%
Return from Investment		432,000.00	3.16%
Interest Income		206,378.00	1.51%
Disposable Income		13,657,938.00	100.00%
Total Income		13,657,938.00	
Expenses/Taxes:			
Investment		3,000,000.00	56.54%
Mortgage Payment	103,341.00	1,240,092.00	23.37%
Car Insurance and Maintenance		17,599.00	0.33%
Car installment	0.00	0.00	0.00%
Parent support	30,000.00	360,000.00	6.78%
Life Insurance	0.00	11,196.00	0.21%
Utilities Expenditures	3,148.32	37,779.89	0.71%
Food Expenditures	31,483.24	377,798.93	7.12%
Transportation Expenditures	9,444.97	113,339.68	2.14%
Other Expenditures	12,351.12	148,213.43	2.79%
Total Expenses		5,306,018.92	100.00%
Net Income		8,351,919.08	

Income Statement	52-54		
	Monthly	Annual	%
Income :			
Base salary	0.00	0.00	0.00%
Traveling allowance from company	0.00	0.00	0.00%
Bonus income		0.00	0.00%
Income Before Taxes, etc.	0.00	0.00	0.00%
Less: Income Taxes, etc.*		0.00	0.00%
Return from Provident Fund		0.00	0.00%
Return from Investment		552,000.00	70.91%
Interest Income		226,400.00	29.09%
Disposable Income		778,400.00	100.00%
Total Income		778,400.00	
Expenses/Taxes:			
Investment		0.00	0.00%
Mortgage Payment	103,341.00	1,240,092.00	53.00%
Car Insurance and Maintenance		17,599.00	0.75%
Car installment	0.00	0.00	0.00%
Parent support	30,000.00	360,000.00	15.39%
Life Insurance	0.00	11,196.00	0.48%
Utilities Expenditures	3,305.74	39,668.89	1.70%
Food Expenditures	33,057.41	396,688.87	16.95%
Transportation Expenditures	9,917.22	119,006.66	5.09%
Other Expenditures	12,968.67	155,624.10	6.65%
Total Expenses		2,339,875.52	100.00%
Net Income		-1,561,475.52	

Income Statement	55 onward		
	Monthly	Annual	%
Income :			
Base salary	0.00	0.00	0.00%
Traveling allowance from company	0.00	0.00	0.00%
Bonus income		0.00	0.00%
Income Before Taxes, etc.	0.00	0.00	0.00%
Less: Income Taxes, etc.*		0.00	0.00%
Return from Provident Fund		0.00	0.00%
Return from Investment		552,000.00	70.91%
Interest Income		214,410.00	27.54%
Disposable Income		766,410.00	98.46%
Total Income		766,410.00	
Expenses/Taxes:			
Investment		0.00	0.00%
Mortgage Payment	0.00	0.00	0.00%
Car Insurance and Maintainance		17,599.00	0.75%
Car installment	0.00	0.00	0.00%
Health insurance	0.00	46,890.00	2.00%
Life Insurance	0.00	11,196.00	0.48%
Utilities Expenditures	1,983.44	23,801.33	1.02%
Food Expenditures	19,834.44	238,013.32	10.17%
Transportation Expenditures	5,950.33	71,404.00	3.05%
Other Expenditures	25,937.35	311,248.19	13.30%
Total Expenses		720,151.85	30.78%
Net Income		46,258.15	

expense drop 40%

double because of medical expense