FN281 : Personal Finance

Group Assignment Report

Semester 2/2017

Submitted by

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Introduction

This report is a part of group assignment FN281 or personal finance class. The objective of the assignment is to make students become more well-prepared and initiate student to practically plan a personal financial goal from now until retirement of one particular person. Student obtained the existing information according from the related website which can be categorized into several aspects, including achievements, career planning and development, spending plan and etc. Using these statement of financial position such as balance sheet and cash flow analysis to make the information more accurate.

Current life situation of Thanabordee

Thanabordee is a second-year student at Thammasat University. He receives an income of 12,000 baht every month from his parents for daily life expense and living alone in condominium at Lumpini Park Pinklao. He has a car that his parents gave him since he gets into Thammasat University. The given car is an old car toyota yaris that have been used for more than 5 years. Furthermore, he has a total of 101,508 baht in his saving account and this money is accumulated from red envelope in Chinese new year plus the amount he has saved in each month since he was young. Thanabordee realises, he has to start planning for his future life as he will graduate in the next couple years. Hence, he decides to create a financial goal and what he expects to achieve before retirement. He separates his goal into several phases.

Achievement:

- **At age 24-27:** By a small room in condominium. The cost around 1,190,000 baht. Also, buy a several type of insurance
- **At age 28-34:** Buy a SUV car cost around 1,193,000 baht. Also, married and plan to save money for child
- **At age 35-40:** Have one child which cost around 272,965 per year and buy a house.
- **At age 41-60:** Buy life insurance and save money for retirement

Career planning and development

After graduation, he would like to work in a job that related to finance and decide to become a finance analyst with an income of 30,000 baht per month. With his high performance, he get promote in a few years later. His income increase to 60,000 per month. At the age of 35, he become an executive director with 100,000 salary and at age of 40, his income gone up to 500,000 per month. This rate have continue until retirement. Moreover, at every rate of income have 3 month bonus.

Spending plan/ cash flow analysis

As he grow up, he realize that his expense will be much higher. So, he plan about this very carefully. At any rate of income, he will divide it in 3 proportion which 70% for living expense, 20% for investment and 10% for saving. This table showing living expense in each period:

Second year until graduate at 23 years old

Cash Inflows	Monthly Amount
Income from Parents	12,000
Total Cash Inflows	12,000
Cash Outflows	
Electric and water bill	450
Phone bill	600
Car expense (insurance, maintenance, and gas)	1,500
Clothing	550
Food	4,000
Internet bill	800
Other	500
Total Cash Outflows	8,400
Net Cash Flows	3,600

Age 24-27

Cash Inflows	Monthly Amount
Salary	30,000
Rent income	10,000
Total Cash Inflows	40,000
Cash Outflows	
Electric and water bill	500
Phone bill	700
Car expense (insurance, maintenance, and tax)	2,196
Gas	2,800
Clothing	1,029
Food	3,800
Internet bill	800
Health and accidental insurance	1,285
Condominium maintenance fee	2,000
Condominium loan	9,790
Other	1,000
Total Cash Outflows	25,900
Net Cash Flows	14,100

Age 28-33

Cash Inflows	Monthly Amount
Salary	75,000
Rent income	10,000
Total Cash Inflows	85,000
Cash Outflows	
Electric and water bill	1,100
Car Installment	15,190
Phone bill	1,000
Car expense (insurance, maintenance, and tax)	2,196
Gas	3,800
Clothing	5,050
Food	8,200
Internet bill	1,500
Health and accidental insurance	2,570
Condominium maintenance fee	2,000
Condominium loan	9,790
Other	1,854
Total Cash Outflows	54,250
Net Cash Flows	30,750

Age 34-40

Cash Inflows	Monthly Amount
Salary	125,000
Rent income	10,000
Additional income from selling stocks	31,000
Total Cash Inflows	166,000
Cash Outflows	
Electric and water bill	2,500
Car Installment	17,625
Phone bill	1,500
Car expense (insurance, maintenance, and tax)	2,796
Gas	4,000
Clothing	7,000
Food	9,000
Internet bill	1,000
Health and accidental insurance	2,570
Condominium maintenance fee	2,000
House mortgage	92,466
Education Expense	22,747
Total Cash Outflows	165,204
Net Cash Flows	796

Age 41-85

Cash Inflows	Monthly Amount
Salary	666,667
Rent income	10,000
Total Cash Inflows	676,667
Cash Outflows	
Electric and water bill	4,000
Phone bill	3,000
Car expense (insurance, maintenance, and tax)	2,796
Gas	4,000
Clothing	7,000
Food	15,000
Internet bill	2,000
Health and accidental insurance	2,570
Condominium maintenance fee	2,000
House maintenance	5,000
Condominium loan	9,790
House mortgage	92,466
Education Expense	179,631
Other	144414
Total Cash Outflows	473,667
Net Cash Flows	203,000

Investment and saving plan

His investment through the year are as following:

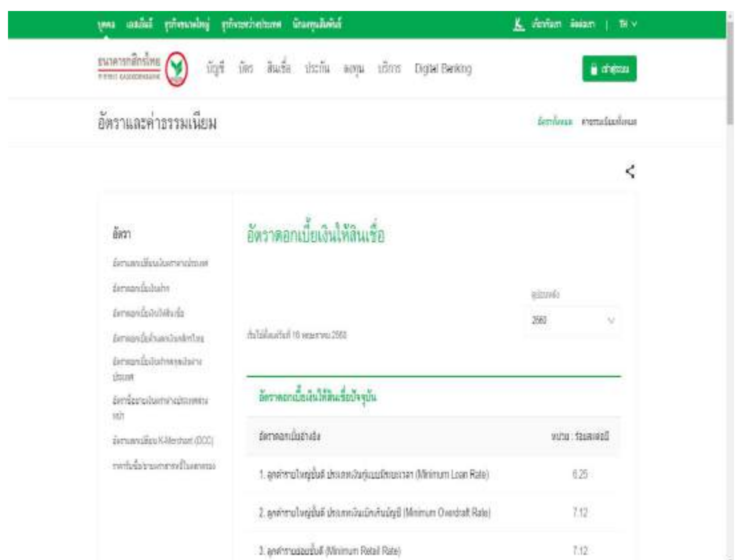
- **Stock:** Invest in defensive stock SET:50 with a 10% return
- **Mutual fund:** invest in LTF with 10% return
- **Saving account:** Kasikorn electronic saving (K-eSaving) with interest paid 0.5% annually

The amount of investing depending on his income in each period

Use of credit

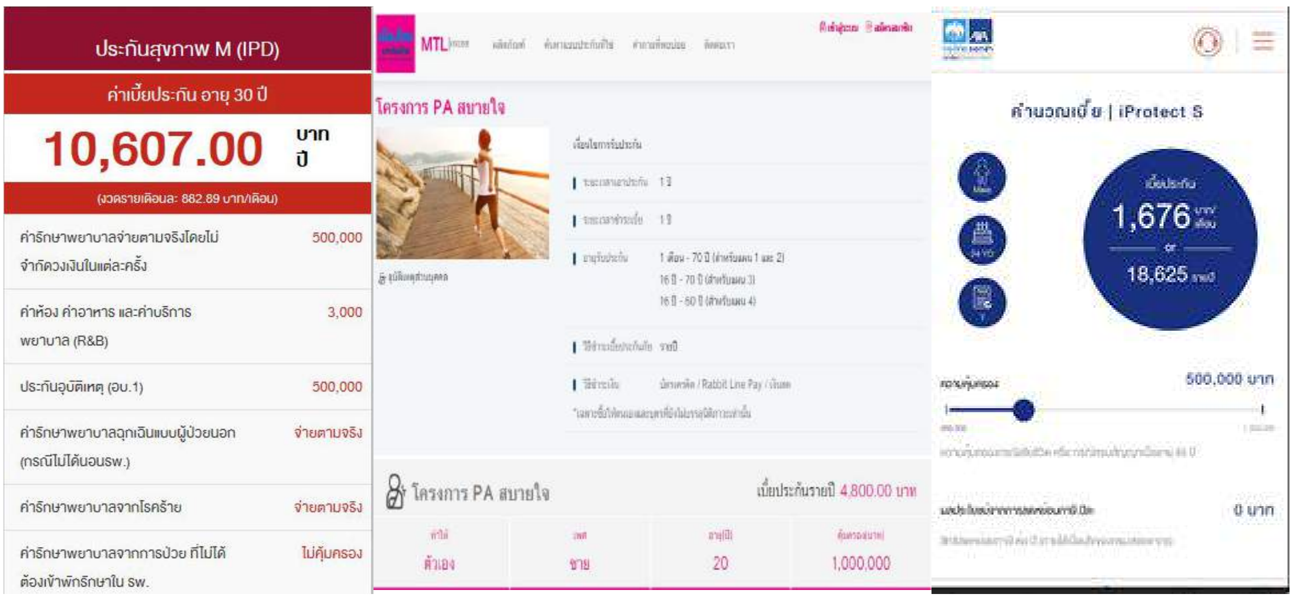
Before he can achieve his goal to buy a condominium room, house and SUV car. He must consider which type of loan would give him the most benefit. For condominium and house he decide to choose a loan from Kasikorn bank with 7.12% MRR and installment for 10 years. He make a loan with 3.69% interest rate for Mazda Cx-3 with a down payment for 178,950 baht(15% of full price) and installment for 7 years

All NEW MAZDA CX-3	ราคา	ดาวน์ 25%	ยอดจัด	48 2.19%	60 2.29%	72 2.55%	84 3.05%
2.0 Entry	835,000	208,750	626,250	14,169	11,633	10,029	9,647
2.0 Core	910,000	227,500	682,500	15,442	12,677	10,929	9,869
2.0 High	975,000	243,750	731,250	16,545	13,583	11,710	10,564
2.0 High Plus	1,083,000	270,750	812,250	18,377	15,088	13,007	11,734
1.5 XDL	1,193,000	298,250	894,750	20,244	16,620	14,328	12,926
	ราคา	ดาวน์ 20%	ยอดจัด	2.29%	2.38%	2.65%	3.15%
2.0 Entry	835,000	167,000	668,000	15,191	12,464	10,753	9,706
2.0 Core	910,000	182,000	728,000	16,556	13,583	11,719	10,578
2.0 High	975,000	195,000	780,000	17,739	14,554	12,556	11,333
2.0 High Plus	1,083,000	216,600	866,400	19,703	16,166	13,947	12,589
1.5 XDL	1,193,000	238,600	954,400	21,705	17,808	15,363	13,867
	ราคา	ดาวน์ 15%	ยอดจัด	2.69%	2.78%	3.15%	3.69%
2.0 Entry	835,000	125,250	709,750	16,295	13,456	11,721	10,632
2.0 Core	910,000	136,500	773,500	17,758	14,664	12,773	11,587
2.0 High	975,000	146,250	828,750	19,027	15,712	13,686	12,414
2.0 High Plus	1,083,000	162,450	920,550	21,134	17,452	15,202	13,790
1.5 XDL	1,193,000	178,950	1,014,050	23,281	19,225	16,746	15,190



Insurance

He expects to buy health insurance, life insurance and accidental insurance to make himself feel safe when he have accident and also benefit to the one he most caring. The health insurance, accidental insurance cost him 10,607 baht/year, 4,800 baht/year respectively. For life insurance, he decides to buy it from Krung Thai bank (iprotect S) which will give a lot of benefit in long term. He buys a life insurance since graduation just in case he might get an accident and cause him dead so his parent will not be in a financial distress. The life insurance will cost him 18,625 baht/year and coverage of 500,000 baht until 85 years old. Moreover, at age 45, he will buy another life insurance called Allianz Ayudhya my saving with dividend which will give the benefit to his child.



Change in housing situation

He thinks that the current Lumpini Park pinklao will be quite old and not comfortable to do a job. So, he decides to buy a new room in condominium which is more suitable with his lifestyle when he has a job while rent out the old room for addtional income . He founds out that The Nigh Condominium in Charan Sanitwong is the most suitable one. The price is reachable when compared to income he expects to have at that time. However, He will get married at age of 28 so he needs to find a big house to live with his family. In the end, he will buy a house at Bangkok Boulevard Satorn- Pinklao 2 and live there for the rest of his life.

Tax planning

In the following tables show tax deduction in each year in each period.

Personal Income Tax : 24-27 years old (after graduation)(4 years)	
Total Income	480,000
Deduction	
Expense	100,000
Personal allowance	60,000
Health insurance	10,607
Social insurance	9,000
Life insurance(iProtect S)	931
Home mortgage interest	100,000
Net taxable income	199,462
Total tax	2,473.10

Personal Income Tax : Adult goal : 28-33 years old (6 years)	
Total Income	1,020,000
Deduction	
Expense	100,000
Personal allowance	60,000
Health insurance	10,607
Social insurance	9,000
Life insurance(iProtect S)	2,794
Home mortgage interest	100,000
Net taxable income	617,599
Total tax	45,139.85

Intermediate goal (Middle life) : 34-40 years old (6 years)	
Total Income	1,620,000
Deduction	
Expense	100,000
Personal allowance	60,000
Health insurance	10,607
Social insurance	9,000
Parents allowance	60,000
Child allowance	30,000
Education	2,000
Long term equity fund	162,000
Net taxable income	1,186,393
Total tax	122,899.57

Long term goal	
Total Income	8,120,000
Deduction	
Expense	100,000
Personal allowance	60,000
Health insurance	10,607
Social insurance	9,000
Life insurance	100,000
Parents allowance	60,000
Child allowance	30,000
LTF	500000
Net taxable income	7,250,393
Total tax	2,102,637.50

Retirement

Provident Fund		
Age	Monthly	Annually
24-27	6,000	72,000
28-33	12,000	144,000
34-40	20,000	240,000
41-60	100,000	1,200,000

The company offers the provident fund which will take out 10% of his salary for the purpose of keeping to use after retirement. The company also helps to double the value of funds every month. This provident funds offer collectively annual fund which mean it is a compound annual fund until the end of working career. After retirement, the company will give the amount of money from last balance in provident fund. Assume the return from investing in provident fund is 5%

Total retirement amount	
Stock	69,210,116
LTF	79,756,386
pension fund	52,375,372
saving account	26,643,546
cash on hand	473,666
Total	228,459,086

At age of 60, the total amount of money he have will be 228,459,086 Baht. This amount come from investing in Stock, LTF, saving account, cash on hand and pension fund. It can be cover all of his expense for 25 years which he expect to live until 85 years old. This expense have include an inflation which he assume increasing rate of 3% a year.

After retirement, he plan to have an easy life which he will stay home, take care of his family and do some activity such as golf and sociable Also, he have concern that health is the most important thing when he get older. He don’t want his family to worry about expense on his health problem so he will exercise to maintain healthy and spare the large amount of his saving on medical expense. Moreover, it is his dream to travel as many place as possible and enjoy life before he die so there will be a trip twice a year.

Balance Sheet

Current Personal Balance Sheet : Second year student till graduate at 23 years old(3 years)

Assets	
Cash & Cash Equivalents	
Cash on hand	302,400
Saving accounts	101,508
Total Cash & Cash Equivalents	403,908
Brokerage Accounts	
None	
Retirement Accounts	
None	
Property	
Lumpini Park Pinklao Condominium	1,000,000
Car (10 years used car)	400,000
Total Property	1,400,000
Other Assests	
Rolex Oyster Perpetual Datejust 178240	150,000
Total Other Assets	150,000
Total Assets	1,953,908

Liabilities	
Short-Term Credit	
Credit card	0
Total Short-Term Credit	
Loan & Mortgages	
None	0
Other Liabilities	
None	0
Total Liabilities	0
Current Net Worth	1,953,908

Short term goal: 24-27 years old (after graduation)(4 years)

Assets	
Cash & Cash Equivalents	
Cash on hand	1,243,200
Saving accounts	282,755
Total Cash & Cash Equivalents	1,525,955
Brokerage Accounts	
Stock (Defensive Stock:SET50)	196,313
Mutual fund (SET index Fund) (LTF)	217,093
Total brokerage accounts	413,406
Retirement Accounts	
Pension fund	318,346
Total retirement accounts	318,346
Property	
Lumpini Park Pinklao Condominium	1,000,000
The Nigh Condominium	1,190,000
Car (10 years used car)	400,000
Total Property	2,590,000
Other Assests	
Rolex Oyster Perpetual Datejust 178240	150,000
Total Other Assets	150,000
Total Assets	4,997,708

Liabilities	
Short-Term Credit	
Credit card	
Total Short-Term Credit	
Loan & Mortgages	
The Nigh Condominium	697,688
Total Loan&Mortgages	697,688
Other Liabilities	
None	
Total Liabilities	697,688
Current Net Worth	4,300,020

Intermediate goal (Adult) : 28-33 years old (6 years)

Assets	
Cash & Cash Equivalents	
Cash on hand	3,906,000
Saving accounts	857,013
Total Cash & Cash Equivalents	4,763,013
Brokerage Accounts	
Stock (Defensive Stock:SET50)	915,441
Mutual fund (SET index Fund) (LTF)	1,153,031
Total brokerage accounts	2,068,471
Retirement Accounts	
Pension fund	1,436,898
Total retirement accounts	1,436,898
Property	
Lumpini Park Pinklao Condominium	1,000,000
The Nigh Condominium	1,190,000
Car (10 years used car)	1,593,000
Total Property	3,783,000
Other Assests	
Rolex Oyster Perpetual Datejust 178240	150,000
Total Other Assets	150,000
Total Assets	12,201,383

Liabilities	
Short-Term Credit	
Credit card	
Total Short-Term Credit	
Loan & Mortgages	
Car installment	182,280
The Nigh Condominium	0
Total Loan&Mortgages	182,280
Other Liabilities	
None	
Total Liabilities	182,280
Current Net Worth	12,019,103

Intermediate goal (Middle life) : 34-40 years old (7 years)

Assets	
Cash & Cash Equivalents	
Cash on hand	94,500
Saving accounts	2,697,490
Total Cash & Cash Equivalents	2,791,990
Brokerage Accounts	
Stock (Defensive Stock:SET50)	0
Mutual fund (SET index Fund) (LTF)	3,939,106
Total brokerage accounts	3,939,106
Retirement Accounts	
Pension fund	4,052,765
Total retirement accounts	4,052,765
Property	
Lumpini Park Pinklao Condominium	1,000,000
The Nigh Condominium	1,190,000
Car (10 years used car)	1,593,000
House	10,000,000
Total Property	13,783,000
Other Assests	
Rolex Oyster Perpetual Datejust 178240	150,000
Total Other Assets	150,000
Total Assets	24,716,861

Liabilities	
Short-Term Credit	
Credit card	
Total Short-Term Credit	
Loan & Mortgages	
Car installment	0
The Nigh Condominium	0
Total Loan&Mortgages	0
Other Liabilities	
None	
Total Liabilities	0
Current Net Worth	24,716,861

Long-term goal 41-60 years old (20 years)

Assets	
Cash & Cash Equivalents	
Cash on hand	473,666
Saving accounts	26,643,546
Total Cash & Cash Equivalents	27,117,212
Brokerage Accounts	
Stock (Defensive Stock:SET50)	69,210,116
Mutual fund (SET index Fund) (LTF)	79,756,386
Total brokerage accounts	148,966,503
Retirement Accounts	
Pension fund	52,375,372
Total retirement accounts	52,375,372
Property	
Lumpini Park Pinklao Condominium	1,000,000
The Nigh Condominium	1,190,000
Car (10 years used car)	1,593,000
House	10,000,000
Total Property	13,783,000
Other Assests	
Rolex Oyster Perpetual Datejust 178240	150,000
Total Other Assets	150,000
Total Assets	242,392,087

Liabilities	
Short-Term Credit	
Credit card	
Total Short-Term Credit	
Loan & Mortgages	
Car installment	0
The Nigh Condominium	0
Total Loan&Mortgages	0
Other Liabilities	
None	
Total Liabilities	0
Current Net Worth	242,392,087

Appendix

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