I. Current life situation

Alex is a new graduates with the age of 23 years old. He graduated from faculty of engineering at Stanford University. Currently, he is working as a petroleum engineer at PTT company. He is still living with his parents so he does not have to pay any rent. He owns one Honda Jazz car and pay for the fuel by himself. He likes to play football with his friends every week. Alex is not a fashionable guy so he does not go to shopping often, but sometimes he will buy new football shoes. His hobby is to collect watches.

He earns approximately 55,000 baht per month and expects his salary to grow 7 percent annually. Furthermore, he has 250,000 baht in saving account with 0.55 percent interest rate per year. He also has a portfolio worth 100,000 baht that invests in stocks and bonds. His average return from total investment is 7 percent per year. He plans to save from remaining cash flow with 80% on savings and 20% on investment.

In the future, he plans to continue his master's degree abroad which will be funded by his parents. After he graduates master's degree, he plans to move out from his parents' house and buy a condo, and later on, he will buy a new car. For his career path, he will apply for project engineer and will be promoted in the 5th year to be engineering manager. He expects the salary of project engineer to grow 7 percent annually and the growth of engineering manager's salary will be 5 percent per year. In addition, he plans to have a family at the age of 33 years old and a child one year later. Before 40, he would like to be promoted to engineering director and buy a house. For the retirement plan, he plans to retire at the age of 60 years old. After his retirement, he will receive income from his investment annually and he will be more careful on the spending.

II. Current Financial Situation

From his balance sheet, Alex has cash in the bank account of 250,000 baht. For non current asset, there are his personal asset which are Honda Jazz, his investment in stock and bond and other assets. They are accounted for 300,000 baht, 100,000 baht, and 30,000 respectivity. Therefore, Alex has the total asset of 680,000 baht. However, some of his assets were financed by debt. For liability, there is only credit card balance of 30,000 baht. Therefore, the net worth of Alex is 680,000 baht.

Based on his cash flow statement, it is noticeable that he has income from engineer. Alex will get tax deduction from being single. Therefore, he will pay personal income tax of 47,000 baht. Moreover, the saving and investment in stock and bond generate the return of 0.55% and 7% respectively. They totally account for 10,750 baht. To sum up, the net income is 623,750 baht.

For cash outflow, it is divided into fixed expense and variable expense. The first one includes mobile bill and car insurance which are only the small part of total expense. The latter one is variable expense. Almost half of his expense goes to foods which equal to 72,000 baht per year. When combined it all up together, the total expense is 161,200 baht. Therefore, it leaves the new cash flow of 462,550 baht. Based on this information, it is clearly seen that Alex manages his cash within this year very well.

III. Financial Strength Analysis

Liquidity ratio is currently used for measure personal financial strength. The ratio will be measured ability to pay off short-term debts obligation. Higher computed ratio represent larger margin of safety or ability to possess to cover short-term debts. Firstly, Mr. Alex's current ratio is 8.33, calculated from current asset (bank account) divided by current liabilities (credit card balance). This computed value show that Alex has no problem about short-term debt repayment since his assets are much higher than liabilities or about eight times approximately. The next is debt payment to income ratio. As Alex is just graduated, he doesn't have any debt burden monthly. So, debt payment to income ratio would be zero percent due to no debt. Anyway, If he has debt in the future, the ratio should not be calculated exceed to twenty percent.

Now, we are going next to financial leverage ratio for ability to cover debt in long term period. We use debt ratio or total debt over total asset which is calculated as 4.41 percent. The computed value is categorized as very low level. In order to illustrate, he needs only 4.41 percent of total asset to repay all debt. Alex has only credit balance or only 30,000 baht in the liabilities side. Therefore, he would not be worried about repaying debt in long run period and chance to be defaulted on loan would be almost zero.

For the saving part, Alex has cash deposit in bank as amount of 250,000 baht which has rate of return 1.5 percent so, at the end of year, he would get 3,750 baht for interest income. In addition, he put 100,000 baht in securities investment which will earn 7 percent rate of return yearly. Thus, he would get 7,000 baht at the end of year as well.

IV. Financial Goals Analysis and Improvement in Financial Goals

Short-term Goal (1-5 years)

Education: 3,000,000 baht for studying master's degree in UK for 1 year, which will be funded by his parents. 300,000 baht for his expense and travel in Europe

Property: 2,000,000 baht for condominium which will be paid off in 4 years

Reward: 5,100 baht for Nike's football shoes

Vacation: 90,000 baht for vacation with his parents

S.M.A.R.T Short-term Goals (1-5 years)

Education:

He plans to study master's degree in UK which will require budget for 3,000,000 baht when his age is 26 years, but this will be funded by his parents. However, he will find part time job that earn 350,000 baht to cover his expense of 300,000 baht.

Property:

When he is 27 years old, he plans to buy a condominium, accounting for 2,000,000 baht, which will be paid off in 4 years with monthly basis repayment and 6 percent annual interest rate.

Reward & Vacation:

Within 1 year, he plans to take his parents for a vacation to Phuket, which needs budget for about 90,000 baht and to buy Nike's football shoes for 5,100 baht as a reward after graduation.

Intermediate financial goals (Initial Financial Goals) (6-15 years)

Car: 1,600,000 baht for Honda Accord car at age of 31, which will be paid off in 3 years

Marriage: 1,500,000 baht for his wedding in the next four years

Child:	300,000 baht per year for his child in the next five years
Reward:	300,000 baht for watch

S.M.A.R.T Intermediate Financial Goals

Car:

At 31 years old, He plans to buy Honda Accord car at a cost of 1,600,000 bath on monthly basis repayment that will be paid off in 3 years.

Marriage:

He plans to marry his girlfriend in next 4 years. His wedding plans will cost 1,500,000 baht.

Child:

Since he plans to have a child in next 5 years or at 34 years old, then he will have an expense of 300,000 baht per month until his child is 6 years old. (Note: his child will be only 4 years old when he is 38 years old.)

Reward:

As he will be promoted to be an engineering director in the next 9 years, He plans to buy a Rolex watch as reward and the price is 300,000 baht.

Long-term financial goals (Initial Financial Goals) specific goal (age) (16-37 years)

Property:	15,000,000 baht for buying house which will be paid off in 25 years.
Car:	3,790,000 baht for Mercedes Benz E-class, which will be paid off in 5 years.
	3,800,000 baht for Alphard, which will be paid off in 4 years
	2,600,000 baht for Mercedes Benz CLA, which will be paid off in 5 years
Watch and Bag:	500,000 baht for watch and handbag every 3 years at the age of 48
Child:	400,000 baht between 7 and 15 years old, 500,000 baht between 16 and 18, and 2,500,000 baht between 19 and 22 for study abroad.
Retirement:	160,000 baht for his retirement plan
Vacation:	1,000,000 baht for every 3 years, starting at the age of 48 until 60 year-old

S.M.A.R.T Long-Term Financial Goals

Property:

When he is 39 years old, He plans to buy a house for his family which costs 15,000,000 baht and will be paid off in 25 years. He will pay 75,500 baht per month.

Car:

He plans to buy a Mercedes Benz E-class, when he is 41 years old. It costs 3,790,000 baht, and will be repaid monthly for 5 years. After 9 years passed, he plans to buy a car again, which is Hybrid Alphard and costs 3,800,000 baht. It will be paid off on monthly basis for 4 years. When his child graduates at 22 years old, Alex plans to buy his son a Mercedes Benz CLA for present at 2,600,000 baht. This will be paid monthly for 5 years.

Watch and handbag:

He will buy her wife a handbag and buy himself a watch every times he is on vacation, It starts when he is 48 years old, and costs 500,000 baht.

Child:

His budget for child expense continues as 300,000 baht per month until his child is 6 years old and then will increase to 400,000 between 7-15 years old, 500,000 and 2,500,000 baht per month between 16-18 and 19-22 years old.

Retirement plan:

When his age is at 60 years old, he requires 160,000 baht per month for living after his retirement. This amount of money covers the expense of him and his girlfriend for the next 25 years.

Vacation:

He plans to go on vacation at Europe with his family on public holidays for every 3 years starting from age of 48 until he turns 60 years old. He will be staying at 4-star hotel. It will cost him 1,000,000 baht for each year.

Suggested solution

Assume that food and transport expenses will be increased 4% and 5% for entertainment expenses every year.

Short term goal

- **Education**

Alex plans to study master's degree in UK when he turns 26 years old. The tuition fee and living cost are approximately 3,000,000 baht. Since at that time he does not have that much amount of money, his parent will fund for his study. However, he will find part time job to support himself.

- **Property**

He plans to buy a condominium after he graduates in master's degree, but at new saving rate, his net cash flow will be huge deficit, roughly around 70,000 baht. So, we suggest him to buy a condominium after 2 years of graduation since in the first year, he is still applying for a job and his net cash flow is deficit.

- **Reward & Vacation**

Alex can achieve these two short term goals since his expenditure is 14,000 baht a month, which is much less than his salary that he earned around 55,000 baht per month. However, in order to have higher wealth, we suggest that he should adjust his saving and investing proportion of the net cash flow from 80 % and 20% to 50% and 50%, respectively.

Results:

From our suggestion, if he invest more, he will definitely get more return than saving, and postpone his purchase of condominium to the next year. His cash flow will be less deficit comparing to previous case. Even though, we move the purchase of condominium to be next 2 years, his cash flow is still be deficit at the age of 28.

<u>Intermediate goal</u>

- **Car**

According to his previous plan, he will purchase the new Honda Accord at the age of 31. However, when we adjust his condominium purchasing plan, the last year of the payment will overlap with the car payment. Thus, we suggest Alex to defer his car purchase one year later.

- **Child**

Alex will have sufficient amount of money to take care his child, if he follow what we have suggested. But, now we suggest him to register a baby health insurance, which it covers his child from 1 month to 5 years old and it costs 1,571 baht per month or 17,524 baht per year. Sum insured that benefits his child is 200,000 baht. This is because the immune system of children is very sensitive, meaning that Alex and his wife are very likely to have higher expenditure on taking care of his child.

- **Marriage**

He plans to marry with his girlfriend at the age of 33. The total expense is 1,500,000 baht. After paying for marriage's expense and monthly auto loan, the net cash flow will become negative. However, in the saving account, he still has sufficient money to pay for those expenses. Moreover, since they are now living together, the expense in the cash flow statement increases as well as the inclusion of wife's income.

- **Reward**

Buying a watch will not have any effect on his cash flow because he already had sufficient money. He would be able to buy it as a present for himself.

Results:

Based on the former suggestion, it affects the ability of purchasing car. Therefore, he will be better off for his net cash flow at the age of 31 if he postpones a car purchase. For baby health insurance, they will get benefit when their child admit to the hospital, it will cover medical expense and compensation for their salaries. Moreover, for their life insurance programs, this is another way of savings. They will get the return benefit at the age of 90 and it can be inherited to his child.

<u>Long-term goal</u>

- **Property**

His plan to buy a house without a down payment is impractical. The best way that we can suggest is to make an installment for 20% of total price and make a mortgage loan for the rest. Then, he has a monthly payment of 75,500 baht for 25 years. Even though the amount of the repayment is lower than his plan, the net cash flow when he is 39 years old is deficit around 1,900,000 baht. So, we think that Alex should sell his condominium for 2,700,000 baht at that year. This cause his net cash flow become surplus again by 750,000 baht.

- **Car**

According to his plans to purchase Mercedes Benz E-Class at the age of 41, it can be achieved since before an adjustment, but it cause a deficit net cash flow by almost 390,000 baht. With the sale of his condominium when he is 39 years old, the deficit is reduced to 240,000 approximately.

10 years after that he would like to buy one family car, Alpha which costs him 3,800,000 baht. He will pay down payment of 1,500,000 baht and pay around 50,000 baht per month. This will result in the cash deficit in that year. However, he still has lots of saving in the account which should not be a problem

When his child turns 22 years old, he will buy Benz CLA as a present after graduated. In that year the net cash flow will become negative since he has to pay for both down payment and monthly payment of 623,000 baht and 23,900 baht respectively.

- **Retirement**

As Alex plans to have constant income with 160,000 baht per month for him and his girlfriend after he retires. They also expect to live until the age of 85. At that time, interest rate in saving account is 0.55%. Given this information, after retirement, they should have the money in saving account around 29,000,000 baht. After look at Alex's plan, we suggests him to allocate their amount of investment of 200,000 baht per year, starting from age of 35, into Long Term Equity Fund (LTF) which will have some tax benefits. There is some years that he has no enough money to invest because he changes weight of investments from 50% to 70% and to 80% as he becomes risk-averse when he is older.

Moreover, if we assume the inflation to be 1.5%, the return he should get after retirement in order to beat inflation is 2.05%. After he is done paying off his debt, he can allocate his asset again by investing 77% in saving and the rest in bond and stock.

- **Watch and Bag**

He plans to buy watch and bag in every 3 years at age of 48. This goal will cause cash flows deficit in some period. Since there will be a significant deficit at age of 54 then we suggest that he should not buy it in this year to lessen the deficit.

- **Vacation**

He can go for the vacation in every 3 years as he already planned because his cash flows is enough for the budget however significant deficit cash flows will occur at age of 54 so we suggest that he should delay his vacation to lessen such high deficit in that year.

- **Child**

His child will study abroad for university, so we suggest him to register annual travel insurance for his child. It will cost 16,497 baht per year, and he will continue to pay until his child graduate. Medical expense in other countries, especially in europe is very high compared to Thailand. Therefore, the sum insured would be very beneficial in the case that his child got an accident.

- **Insurance**

Since Alex plan to a property that will cost him debt, we suggest him to buy life insurance for himself. This will mitigate the burden to his wife and his child if he unexpectedly passes away. He should buy insurance with the sum insured of 10,000,000 baht because his salary is the main source of income to the family. The insurance will cost him 303,400 baht for 10 years start from when he is 35 years old. Moreover, Alex and his wife at the age of 45 is getting old. So they would need more medical check and pay more medical fee to keep them healthy. In order to prevent risk of high medical fee, we suggest Alex to buy the health insurance for themselves.

Results:

Since we suggests him to sell a condominium, the net cash flows becomes surplus. As a results, when he buy a car in two years later, the deficit is lessen. In the next ten years, we suggests him to delay his purchase of watch and bag and also vacation. This suggestion can lessen his cashflows deficit in some years. At age of 35, We recommend him to invest in LTF. so when he is the engineering manager, he will get the tax benefit of 50,000 baht per year from 25 percent tax base. After he is promoted, his tax base increase to 30 percent. Therefore, the year that he invest, he will save up to 60,000 baht per year. If we compute the future value of the tax benefit which is the money accumulated by the interest rate of 0.55 percent , the amount will be around 1,000,000 baht. Finally he will achieve his goal of constant income after retirement under this suggestion with the saving account and investment portfolio of around 19,000,000 baht and 10,000,000 baht respectively.