

Personal Financial Planning

Group Term Project

FN281 Personal Finance

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Presented to

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Personal Financial Planning

Introduction

This report uses financial models to present a picture of current financial situation and illustrations of possible directions that may take. Future economics and market conditions are unknown and may change. This assumption used is the representative of economic and market condition that could occur. It is designed to promote a discussion of appropriate actions that may need to be taken now or future in order to help you manage and achieve the financial goals under the analyzing circumstance.

Personal Detail

Name: Beck **Age:** 27 **Gender:** Male (homosexual)

Status: Single **Residential Status:** Parent's house **Occupation:** Pilot

Education: Bachelor of Economics, Thammasat University, Commercial Pilot License (CPL)

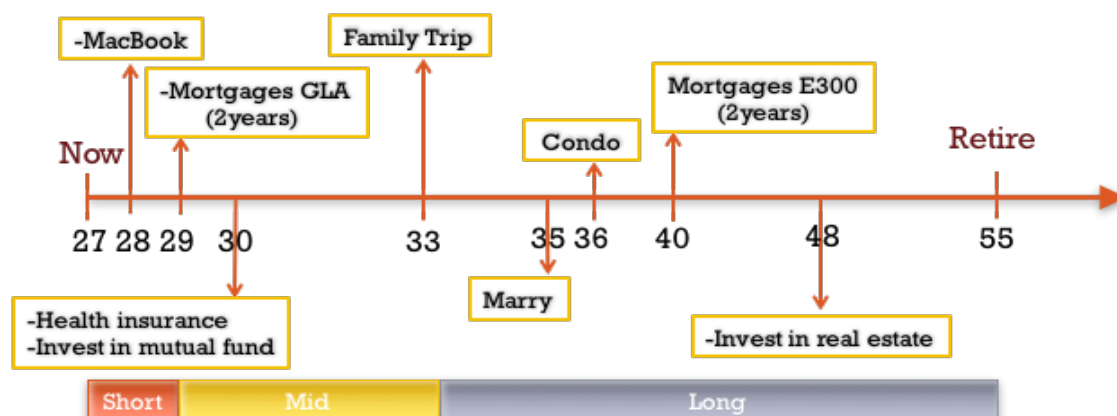
Dependents: Father, Mother

Early Life Background

Beck lives in Bangkok, Thailand. He is 27 years old pilot. He is currently staying with parents in their house in suburban of Bangkok. His 60 years old father had just retired from the company as a department manager. His mother is 57 years; she is a homemaker who has been taking care of Beck since he was born. His parents have the retirement fund from their investment and saving from 40 years of working.

Beck graduated from BE program at Thammasat University at the age of 22, then he prepared himself to pursue for the Thai Airways pilot scholarship. It took 3 years until he received the commercial pilot license (CPL) and he started work as a co-pilot at Thai Airways. He has been working for 1 year with 150,000 baht of based salary; he can manage his salary and keep money in some part of them in the bank account. Until now he has a saving of 991,000 baht.

Financial Goal



Short-run (28-29):

As a pilot, Beck is now traveling around the world and he needs a new laptop for his personal use. He is about to buy Apple Macbook Pro which is cost 50,000 baht this year. His father had just retired, so he thinks that he should have a gift for his parents for the retirement. He decides to buy a car for them. He chooses Mercedes GLA250 AMG dynamic because it a good car that will suit their daily use. This car costs 2.39 million baht.

Medium-run (30-33):

In that time, Beck will be around 30. As he is the only one in the house who have monthly income so he will want to have a health insurance in case of he gets sick it will not affect his financial ability. He doesn't want to have a life insurance because he doesn't plan to have children and his parents can fund themselves. So technically, he has no dependent.

Beck has saving account which is growing monthly by the saving from his salary, he would like to invest in some financial products. With his job, he would not be able to invest in short run like trading stock and etc., so investing in mutual fund would be the most suitable investment for Beck since it doesn't require him to keep the eye on it. Becoming a mature person, he wants to do something for his parents. Beck plans to take his parent to some nice vacation; it will approximately cost him around 400,000 baht for the trip to europe.

Long-run (34++):

In long-run, there many things that he plans to have. First is having 1 million baht separate from normal saving for the wedding plan and also he plans to buy the house to live with his life partner. Beck also wants to have his own good car, he chooses Mercedes E300 Coupé AMG Dynamic which is his dream car cost him 4.54 million baht. He wants to invest long-term for being financially independent after retire from a pilot, those investments will be real-estate, and mutual funds. For real estate, he wants to build the apartment costing him around 28 million baht and the construction will take 2 years. From this apartment, he can give out for rent and earn passive income 9% per year. All his investment that he will make is for in retirement fund when he has no ability to earn his salary anymore.

Change in housing situation

At 27, Beck still lives with his parents so he's holding no property. After he got married at 35, he will move out with his life-partner to the condo which the ownership will be on both of them. He plans to invest in real estate at the age of 48, so at that time he will be owning the apartment which will create the passive income from him.

Use of Credit

During his early career path, his salary as a co-pilot is not enough for his spending plan, so as he bought GLA250 for his parents, this car was 2.39 million baht in cash but he uses his credit to mortgage this car. The value of this car plus interest rise up to 2,964,000 baht. After he got promote to be a captain, with his saving discipline and high salary, even the condominium, new car, and the apartment he can afford them without using credit at all.

Major Consumer Purchase

- GLA250 AMG 2,964,000 baht
- Wedding 1,000,000 baht
- Condominium 6,500,000 baht
- E200 AMG Coupe 4,390,000 baht

Insurance needs

- For lifetime health insurance, Beck chooses the program that requires 35,000 baht of premium each year and the pay-off will be 200,000 baht by the time his age turn 80 years old.
- For car insurance, every car that he purchases he will apply first class insurance for each car. This first class requires him to pay 40,000 baht per car.

Financial Position

To develop the financial plan for Beck to successfully achieve all goals in the given timeline, we have planned the new financial goal for him. The balance sheet and income statement are present below. In the other section, we explain the approach to financial plan and the detail of each strategy.

Balance Sheet	AGE 27	
Assets	Amount	%
Savings	991,000	88.7
Provident Fund	126,000	11.3
Total Monetary Assets	1,117,000	100.0
Total Fixed Assets	0	
Total Assets	1,117,000	100.0
Liabilities & Equity		
Liabilities:		
Total Liabilities	0	0
Equity:	1,117,000	100.0
Total Liabilities and Equity	1,117,000	100.0

Liquidity Ratio is undefinable since there is no liability from the start. (may not include)

Debt Ratio = Total liabilities/Total asset = 0

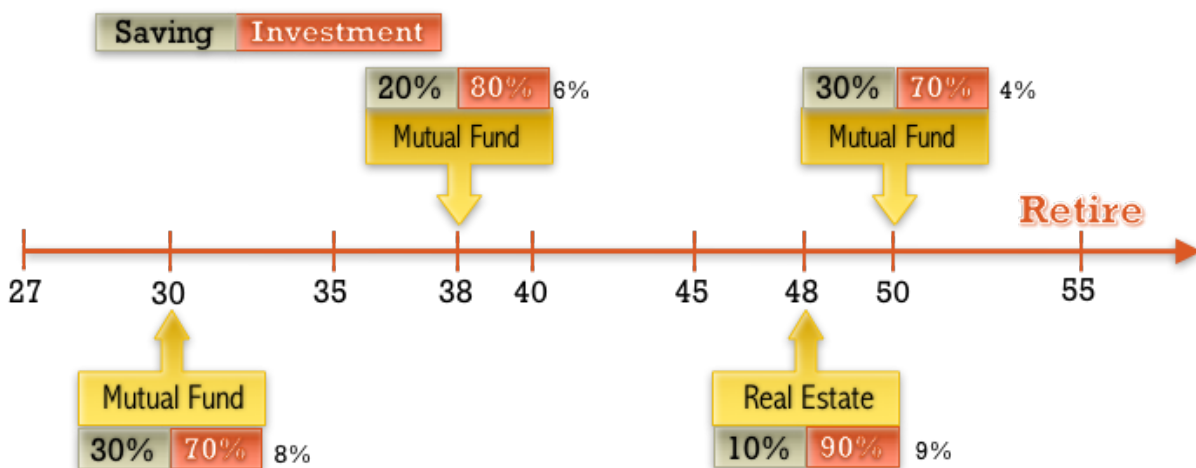
Income Statement	Monthly	Annual	%
Income:			
Base salary	150,000	1,800,000	114.0
Income Before Tax	150,000	1,800,000	121.0
Less: Income Taxes, etc.		221,000	14.0
Disposable Income		1,579,000	100.0
Total Income		1,579,000	100.0
Expenses:			
Provident Fund	10,500	126,000	8.0
Utilities	6,000	72,000	4.6
Food	20,000	240,000	15.2
Other Expenses	2,000	24,000	1.5
Total Expenses	38,500	462,000	29.3
Net Income		1,117,000	70.7

Savings Ratio = Income available for savings/disposable income = 70.74%

Gross savings ratio = Income available for savings/gross salary = 62.06%

The analyses of the balance sheet and income statement are as of the current age at 27 year- old. The ratios above use to analyze his current situation. The first ratio is the liquidity ratio which is used to measure his ability to pay off short-term debt. Since Beck at the age of 27 has no liabilities, the liquidity is immeasurable. The second ratio is the debt ratio which is a ratio that indicates the proportion of his debt to his total assets to see how much Beck relies on debt to finance assets. Since debt ratio is zero, Beck has none financial risk. Lastly, saving ratio is the proportion of income which is saved as a fraction of his disposable income. He has a fair saving amount of 70.74% of his income after tax.

Investment Strategy & Asset Allocation



Being a pilot, it requires Beck of his time to devote to the job to make sure that all the passengers get the safety from the flight. So, Beck will not have time to manage his money much but he also doesn't want to keep his money in saving account. We consider mutual fund to be the most suitable financial products for him. In short run, Beck will not invest on anything because he still desires to enjoy his salary.

Beck start to invest in mutual fund the proportion of investment and saving is 70:30. After a couple year, he will become the captain and his salary will be higher. At the age of 37 he will be able to invest more with his accumulated income shifting the investment proportion to 80:20. As Beck planned to invest in real estate by building the apartment at age of 48, it will require the big amount of investment so the investment will be up to 90%. Although the portion of saving is lower but practically it's not lower just the investment that is bigger. When he turns 50, he will be more risk averse as the old man so he increases the saving and decrease the investment to the proportion of 70:30. At the retirement, he will have the income from his investment which are the pay off from provident fund and the rental of the apartment.

Retirement Plan

Beck has his provident fund with Thai Airways which have been deducting from his salary every month. He will retire at 55 and get the payoff from his provident fund which include interest. From 7 years as a co-pilot, he makes 882,000 baht in his fund program, and after he became the captain he makes 8,064,000. At the pay-off period it has been more than 10 years since he put the money into this program, so he will get 200% of his fund due to the policy of the company. He will receive 17,892,000 baht in total from provident fund. Beck also have the saving from his salary which will be 51,040,923 by the time he retires. The only income after retirement for Beck will be the rental income from his apartment which he invested when he was 48. The annual income after tax will be 2,098,046 baht. If Beck expects to live until 75, after retirement, Beck will have money available to spend each year for 5,544,692 baht.

Spending Plan

Income Statement	BEFORE		28		29		30		31-32		33		34		35		36		37	
	Annual	%	Annual	%	Annual	%	Annual	%	Annual	%	Annual	%	Annual	%	Annual	%	Annual	%	Annual	%
Income:																				
Base salary	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4
Income Before Tax	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	114.0	1,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4
Less: Income Taxes, etc.*	221,000	14.0	221,000	14.0	221,000	14.0	221,000	14.0	221,000	14.0	221,000	14.0	221,000	24.4	941,000	24.4	941,000	24.4	941,000	24.4
Disposable Income	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0
Total Income	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	1,579,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0
Expense:																				
Car	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Car Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wedding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laptop	-	-	50,000	3.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health Insurance	-	-	-	-	-	-	35,000	2.2	35,000	2.2	35,000	2.2	35,000	0.9	35,000	0.9	35,000	0.9	35,000	0.9
Down Payment Car	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment	-	-	-	-	598,000	37.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balloon Payment	-	-	-	-	282,000	17.9	282,000	17.9	282,000	17.9	282,000	17.9	282,000	8.7	336,000	8.7	336,000	8.7	336,000	8.7
Provident Fund	126,000	8.0	126,000	8.0	126,000	8.0	126,000	8.0	126,000	8.0	126,000	8.0	126,000	8.7	336,000	8.7	336,000	8.7	336,000	8.7
Utilities	72,000	4.6	72,000	4.6	72,000	4.6	72,000	4.6	72,000	4.6	72,000	4.6	72,000	1.9	72,000	1.9	72,000	1.9	72,000	1.9
Food	240,000	15.2	240,000	15.2	240,000	15.2	240,000	15.2	240,000	15.2	240,000	15.2	240,000	6.2	240,000	6.2	240,000	6.2	240,000	6.2
Other Expense	24,000	1.5	24,000	1.5	24,000	1.5	24,000	1.5	24,000	1.5	24,000	1.5	24,000	0.6	24,000	0.6	24,000	0.6	24,000	0.6
Total Expense	462,000	29.3	512,000	32.4	1,342,000	85.0	779,000	49.3	779,000	29.3	2,135,000	135.2	707,000	18.3	1,707,000	44.2	7,207,000	186.8	707,000	18.3
Net Income	1,117,000	70.7	1,067,000	67.6	237,000	15.0	800,000	50.7	800,000	70.7	-556,000	-35.2	3,152,000	81.7	2,152,000	55.8	-3,348,000	-86.8	3,152,000	81.7
Return From Investment							1,694,700	107.3												
Saving/Investment																				
Income Statement	38	%	39	%	40	%	41-47	%	48	%	49	%	50	%	51-54	%	55	%		
Income:																				
Base salary	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	7,343,086	123.3	7,343,086	123.3	7,343,086	123.3
Income Before Tax	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	4,800,000	124.4	7,343,086	123.3	7,343,086	123.3	7,343,086	123.3
Less: Income Taxes, etc.*	941,000	24.4	941,000	24.4	941,000	24.4	941,000	24.4	941,000	24.4	941,000	24.4	941,000	24.4	1,386,040	23.3	1,386,040	23.3	1,386,040	23.3
Disposable Income	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	5,957,046	100.0	5,957,046	100.0	5,957,046	100.0
Total Income	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	3,859,000	100.0	5,957,046	100.0	5,957,046	100.0	5,957,046	100.0
Expense:																				
Car	-	-	-	-	4,390,000	113.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Car Insurance	-	-	-	-	40,000	1.0	40,000	1.0	40,000	1.0	40,000	1.0	40,000	1.0	40,000	0.7	40,000	0.7	40,000	0.7
Condo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wedding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laptop	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health Insurance	35,000	0.9	35,000	0.9	35,000	0.9	35,000	0.9	35,000	0.9	35,000	0.9	35,000	0.9	35,000	0.6	35,000	0.6	35,000	0.6
Down Payment Car	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balloon Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provident Fund	336,000	8.7	336,000	8.7	336,000	8.7	336,000	8.7	336,000	8.7	336,000	8.7	336,000	8.7	336,000	5.6	336,000	5.6	336,000	5.6
Utilities	72,000	1.9	72,000	1.9	72,000	1.9	72,000	1.9	72,000	1.9	72,000	1.9	72,000	1.2	72,000	1.2	72,000	1.2	72,000	1.2
Food	240,000	6.2	240,000	6.2	240,000	6.2	240,000	6.2	240,000	6.2	240,000	6.2	240,000	4.0	240,000	4.0	240,000	4.0	240,000	4.0
Other Expense	24,000	0.6	24,000	0.6	24,000	0.6	24,000	0.6	24,000	0.6	24,000	0.6	24,000	0.4	24,000	0.4	24,000	0.4	24,000	0.4
Total Expense	707,000	18.3	707,000	18.3	5,137,000	133.1	747,000	19.4	747,000	19.4	747,000	19.4	747,000	12.5	747,000	12.5	747,000	12.5	747,000	12.5
Net Income	3,152,000	81.7	3,152,000	81.7	-1,278,000	-33.1	3,112,000	80.6	3,112,000	80.6	3,112,000	80.6	3,112,000	80.6	5,210,046	87.5	5,210,046	87.5	5,210,046	87.5
Return From Investment																				
Saving/Investment	6,142,640	159.2			3,050,460	79.0			9,828,224	254.7			13,434,285	348.1			16,121,142	270.6		

Tax Planning

27-33			
Deductibles		Amount	Income
Assessable Income			1,800,000
Income from employment		100,000	
Total Deductibles		100,000	
			1,700,000
Allowance			
Personal allowance		60,000	
Parent allowance		30,000	
Approved provident fund*		252,000	
Total Allowance		306,000	
Taxable income			1,394,000
Income	Percent	Tax	Income left
			1,394,000
0-300,000	5%	15,000	1,379,000
300,001-500,000	10%	20,000	1,359,000
500,001-750,000	15%	37,500	1,321,500
750,001-1,000,000	20%	50,000	1,271,500
1,000,001-2,000,000	25%	98,500	1,173,000
Total		221,000	1,173,000

34-50			
Deductibles		Amount	Income
Assessable Income			4,800,000
Income from employment		100,000	
Total Deductibles		100,000	
			4,700,000
Allowance			
Personal allowance		60,000	
Parent allowance		30,000	
Approved provident fund*		336,000	
Total Allowance		426,000	
Taxable income			4,274,000
Income	Percent	Tax	Income left
			4,274,000
0-300,000	5%	15,000	4,259,000
300,001-500,000	10%	20,000	4,239,000
500,001-750,000	15%	37,500	4,201,500
750,001-1,000,000	20%	50,000	4,151,500
1,000,001-2,000,000	25%	818,500	3,333,000
Total		941,000	3,333,000

51-55			
Deductibles		Amount	Income
Salary Income			4,800,000
Rental Income			2,543,086
Assessable Income			7,343,086
Income from employment		100,000	
Income from letting out		762,926	
Total Deductibles		862,926	
			6,480,160
Allowance			
Personal allowance		60,000	
Parent allowance		30,000	
Approved provident fund*		336,000	
Total Allowance		426,000	
Taxable income			6,054,160
Income	Percent	Tax	Income left
			6,054,160
0-300,000	5%	15,000	6,039,160
300,001-500,000	10%	20,000	6,019,160
500,001-750,000	15%	37,500	5,981,660
750,001-1,000,000	20%	50,000	5,931,660
1,000,001-2,000,000	25%	1,263,540	4,668,120
Total		1,386,040	4,668,120