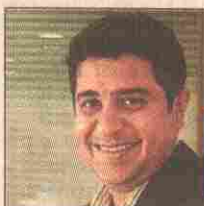


Live within income, cities don't matter

With a combined income of Rs 20,000 a month, a couple can still lead a decent life in any Indian city. Three experts do the math for you keeping in mind the costs of living in 3 cities.

CITY CITY BANG BANG



AMAR PANDIT
CFP, MY FINANCIAL ADVISOR

FOR A COUPLE
LIVING IN
MUMBAI



AMIT SURI
CFP, AUM FINANCIAL PLANNERS

FOR A COUPLE
LIVING IN
NEW DELHI



ANIL REGO
CEO, RIGHT HORIZONS

FOR A COUPLE
LIVING IN
BANGALORE

ACCOMMODATION

The biggest expense which most families will incur upon moving to Mumbai will be the cost of accommodation. Their focus should be to look for a decent house on rent for around Rs 5,000 per month. Though it will be extremely difficult to find one in this budget in prime locations or even suburbs, moving beyond Borivli could throw up some options. At best, the figure could be stretched to around Rs 7,000.

LIVING EXPENSES

Then, they have to consider living and transportation expenses, which will have to be managed within a budget of Rs 5,000-7,000. Public transport is a viable option for commuting.

SAVINGS & PROTECTION

This would leave around Rs 6,000-10,000 for other important things, like buying health and life insurance. They could start off with a health cover of Rs 2 lakh (premium of Rs 300 per month) and a pure term plan of Rs 25 lakh (monthly premium of 600 per month). This would leave them with a surplus of close to Rs 5,000-9,000 to be invested every month.

GOAL-ORIENTED PLANNING

The first few years must be dedicated to building a corpus for contingencies and house purchase (for the down payment). They need to create a contingency reserve equal to at least 6-12 months' expenses and given the current income, it could take another 18 months to 2 years to build this reserve. Next, they can look at saving for children as and when they plan for them.

ACCOMMODATION

They should aim at taking a 1-BHK apartment on rent of Rs 5,000. They can scout for such apartments in mid-scale localities like Patel Nagar and Rohini.

LIVING EXPENSES

Their living expenses — including entertainment costs — should not exceed Rs 6,000-8,000 in a month. Spending on commuting, if they opt for Delhi Metro, would work out to Rs 1,000 a month. For a 2-wheeler, the expenses could go up to Rs 2,000, depending on the distance covered. At the same cost, they can turn to chartered buses that ply to business centres in NCR.

SAVINGS & PROTECTION

The target should be to save 25% of the income, i.e., Rs 5,000 in this case. Out of this, Rs 300 per month could be utilised to buy a term cover of Rs 10 lakh. Another Rs 2,500 a month could go towards a ULIP with a sum assured of Rs 10 lakh. Medisave will entail a premium of Rs 300 every month.

GOAL-ORIENTED PLANNING

The surplus of Rs 1,900 should be initially utilised to create an emergency fund worth Rs 90,000-1,00,000 over a period of time. Next, the monthly surplus could be shifted to a diversified equity fund, in order to create a corpus for house purchase a couple of years down the line.

ACCOMMODATION

They could look for a 1 BHK accommodation in a mid-end locality in Bangalore for a monthly rent of Rs 5,000 around Bannerghatta Road, Outer Ring Road, Sarjapur Road, Kanakapura Road, HSR Layout, Banaswadi, Yeshwantpur, etc. The house needs to be located near the fringes of the city, considering the earning capacity.

LIVING EXPENSES

They need to restrict their spending on food, utility payments, petrol and entertainment to between Rs 12,000 and Rs 13,000 every month. This includes the maintenance cost of a 2-wheeler due to the public transport system not being very reliable. If they don't own one, they could start planning for the same.

SAVINGS & PROTECTION

The couple should focus on investing Rs 3,500 per month in mutual funds (equity, ELSS and gold) and FDs, because at an early stage, the needs are pretty fluid and also are relatively short term. It may be too early to plan for the house, but they can build up liquid assets, which can be tapped when paying EMIs seems feasible. Life and health risks also need to be hedged. These policies could cost Rs 228 and Rs 330 (sum assured of Rs 10 lakh and Rs 2 lakh, respectively), per month.

GOAL-ORIENTED PLANNING

House purchase or starting a family could be on the mid-term radar. If they intend to buy a 2-wheeler or an appliance, they can start investing Rs 1,500 (for each goal) through SIPs in a MF for the short term. They can invest Rs 1,000 p.m. towards buying a house over the longer term.

