Can I prepay my education loan by breaking the collateral FD?

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I have an education loan of ₹10 lakh and two fixed deposits (FDs) worth ₹10 lakh as collateral for this loan. Can I break that collateral FD and prepay the education loan?
—Abhisek Swain

Since the FDs have been used as collateral for the education loan, you may not be able to break these FDs, even if your intent is to prepay the loan with these deposits. You may need to arrange other funds temporarily to prepay the loan, and then have the collateral fixed deposits removed.

I am 38 years old and my current take-home salary is ₹1.3 lakh, excluding the PF amount. Besides, I get a monthly rental income of ₹16,000.

Currently, my saving and investments include an emergency fund of ₹1.3 lakh kept in FDs. I have two SIPs of ₹500 and ₹1,500 going on for three years and nine months, respectively. I have two LIC endowment policies. One has a maturity value of ₹15 lakh at the time of retirement and the other, ₹1 lakh policy will mature in 2027. I also have a money-back LIC plan of ₹2 lakh. My PPF account has been active for three years, and the corpus is approximately ₹1 lakh. My EPF balance from earlier employers is approximately ₹3 lakh. I pay a premium of ₹1,000 per month towards Atal Pension Yojna, which will give me a monthly pension of around ₹10,000 post-retirement. I have a term plan of ₹1 crore and health insurance of ₹20 lakh.

I have an outstanding home loan of ₹25 lakh for another nine years and recently took a car loan of ₹8 lakh for the next seven years. My monthly expenses, including my rent, is ₹40,000.

Can you suggest what additional investment I should plan to achieve my two financial goals—son's education and my retirement?

As per the information provided, your net monthly take-home salary and rental income is ₹1.46 lakh. Your total monthly expenses, including your current EMI, are estimated to be around ₹ 85,000. We assume that you must be paying a home loan EMI of ₹32,000 at an interest rate of 8% , a car loan EMI of ₹13,000 at an interest rate of 9% for seven years, and monthly operating expenses of ₹40,000.

On the basis of this, you must be saving around ₹55,000 to 60,000 per month. Looking at this amount, you should build a portfolio which is a blend of NPS & equity mutual funds as both of these assets should help you to reach your goals. NPS is beneficial as it helps you build your retirement corpus in a disciplined manner. For equity mutual funds, you should consider investing in domestic as well as international funds with a blend of active and passive index funds.

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