Life
A Promise

Nayan Bhowmick

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As a new year dawns, I wish all of you a Happy, Prosperous and Visionary New Year 2021.

"The universe is always trying to help us to better ourselves; at times by offering opportunities and at times by putting us to difficulties."-Sir Gopinath.

Adverse situations of life are filled with blessings and opportunities. We are the best creation of the Almighty, we always come out from difficulties with some brilliant ideas. I am confident that 2021 will be the year of more opportunities and a year of prosperity for this beautiful world.

In the financial arena, it is the time for us to introspect or review our financial planning that we have already made. We may consult with a specialist financial planner for our future course of activities rather than following any popular opinion or endorsement. Let me remind our revered readers about the great message of a visionary, Thiruvalluvar, "Even if the inflow is limited, no need to worry, as long as outgo is contained."

The famous doctrine of Chanakya is that "The king can control expenses only through budget." Every family is an enterprise and we are the leaders of these enterprises. We need to prepare our short term, medium term and long term goals and accordingly we can prepare a budget that is need - specific and which is guaranteed to work for us.

Another equally important message was given by father of modern economics, Sir Adam Smith. I quote "Capitals are increased by parsimony and diminished by prodigality and misconduct. Whenever a person saves from his revenue, he adds to his capital." (Wealth of Nations)

The financial planners of institutions such as the Life Insurance Corporation of India are professionals who help people to manage their wealth and prepare a plan for the major expenditures of life. I take this opportunity to express my sincere salutations to the representatives or rather ambassadors, of all financial institutions who strive to be the messengers of the above cited philosophies. You all are doing a brilliant job!

At the end of my note, I want to thank all the participants for their overwhelming response to the "Painting Competition for School Students, 2020." I must also thank Sir Gopinath for his article along with his enchanting words and equally in-depth analysis of finance. I must thank all my team members who have extended their never ending support for our march ahead.

Thank you everyone. My best wishes to all!

LIC Life Plus organized an online drawing and painting competition for school students in the month of December 2020. We were pleasantly surprised by the overwhelming number of entries and the quality of work submitted.

The esteemed judges for the competition were Smt. Shampa Bhattacharjee and Sri Shovin Bhattacharjee, both Delhi- based artists.

Smt. Shampa Bhattacharjee has won many awards for her paintings. Her works have been exhibited both in India and abroad. Her paintings also find a place in National Art Museum of China besides museums in India.

Sri Shovin Bhattacharjee, a Shillongite, is an accomplished contemporary artist who has been working in the field of art and design for the last two decades. A prize- winning artist, his paintings and installations have been exhibited internationally and are held in numerous permanent collections.

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2 Retirement planning @5% of Occupational Income

5 Happily ever after

6 Results Painting Competition

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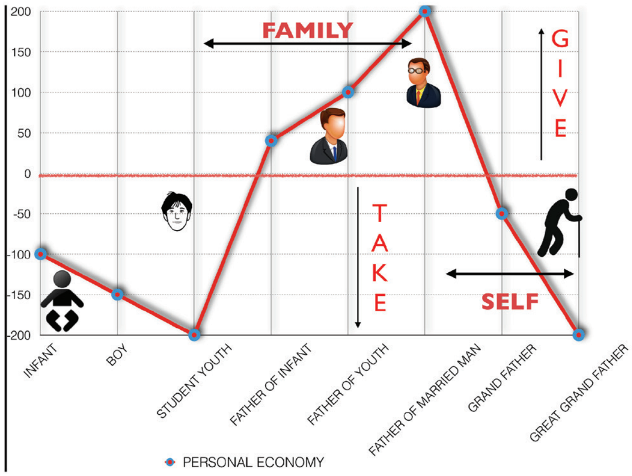
Retirement planning @5% of Occupational Income

When a country is presenting a budget to its Parliament where its spending is more than its earnings, it is called as a Deficit budget. If the earnings are more than the expenditure it is called as a Surplus budget.

The same is the case with an individual. Please see the graph shown here:

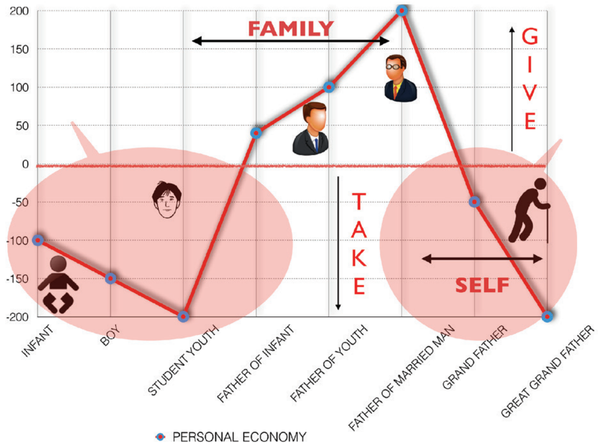


The graph on X axis shows the various roles/stages a person moves through his life.

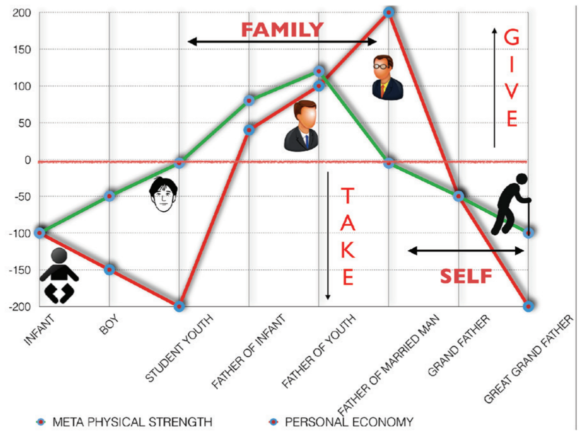
As an infant, boy, and student youth, his personal income could be Nil, but money was spent on him therefore you will notice the "Personal Economy" of that boy is in the negative.

As he gets employed or engaged in business he starts earning money, more than what is being spent on his own self. Therefore the "Personal Economy" of this person moves into the positive zone. After the initial years in his occupation a person starts knowing his business better. So the income grows steeply, then as he masters his niche and his income continues to grow. Past age 55, due to various reasons like ageing, new-generation catching up in competition, newer technologies, Changes in customer preferences the growth rate in income comes down and at times the volume of income also comes down. After retirement from job or business the occupational income becomes zero, but the expenses on the self and spouse continue with result the "Personal Economy" goes into negative zone, that is Deficit economy.

There are two periods in life where the personal economy is negative. The first one was before the person started earning and the next one is when his occupational income stops.



There is one more graph to be seen before we can analyse and find solutions to this economic debacle.



The green line shows the Meta Physical Strength. This is what a humans use to earn money. His mental capacity the natural talents and his physical energy are converted into money through his occupation. So till the stage of earning qualifications for the job or business the Meta Physical strength is in the negative zone, then goes into the positive zone and peaks, but again during the old age phase it starts sliding leaving less of mental capacity, talents and physical strength to earn money.

When his personal economy is negative and he is alive he will be in the "Take" position, meaning that he has to take money from others to spend. When the personal economy is positive he is in position to "Give". So you will find in the chart above that there are two phases in life where a person goes into the "Take" Position. During the child phase, before starting to earn and finally towards the end of the life after the income stopped.

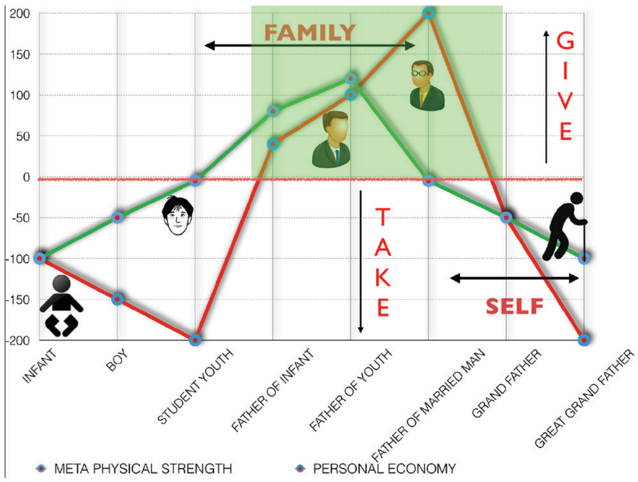
Will there be any difference between "Taking" in the first phase of life and "Taking" in the old age phase of life? Yes, there could be serious differences between taking in the first phase (as a child) and taking in the second phase (as an old man).

Please do this exercise yourself and see how different both of this "Take" could be. You need to fill in the blank cells hereunder:

	Take Phase 1	Take Phase 2
Who All Could Be The Givers	Mostly Parents, Who Else???	Son Son And Daughter In Law Daughter Daughter And Son In Law Spouse Grand Children Others
What Could Be The Feelings Of The Giver?		
What Could Be The Feelings Of The Taker?		
What Would Be The Society's View About The Taker And The Act Of Taking?		

There was a phase in life when the person was having a positive economy and was giving to others (Family members).

Was it not possible for him to provide for the later period when he knows his Meta Physical strength can change or his Personal Economy can become negative?



People may say that the earnings were not enough to take care of this aspect as most of their earnings were used to keep the family, healthy and happy.

But my question is, Can he not set aside 5% of his earnings towards his old age provision? The question then arises, Will that be sufficient? Let me set a scenario here to test the adequacy of this provision:

The above calculation has made some assumptions:

1) The man at the age 25 is having a monthly income of 1,00,000

2) He is getting an increment of 10% YOY to his salary

3) The savings is earning 7% return per year

4) At the age of 61 (post retirement) they will be requiring 1,00,000 per person per month that is for self and spouse it will amount to 24,00,000 for the whole year.

5) Post retirement inflation considered @8% per annum

6) The annuity is considered to yield 6% per annum, so the cashflow is discounted at that rate.

From the above it is obvious that the amount should be just enough to meet the needs post retirement that is in our graph to meet the "Take" positions. It is also true that we need to provide for contingent expenses as well. But at the least the survival cost is taken care of.

Since the last issue we agreed that the essentials minimums must be protected and one should never take risk on that provision, we have considered safe rates prevailing (In India) now for this calculation.

Retirement Planning @ 5% of income

AGE	INCOME	5% Savings	Amount required for self and spouse
25	12,00,000	60,000	
26	13,20,000	66,000	
27	14,52,000	72,600	
28	15,97,200	79,860	
29	17,56,920	87,846	
30	19,32,612	96,631	
31	21,25,873	1,06,294	
32	23,38,464	1,16,923	
33	25,72,307	1,28,615	
34	28,29,537	1,41,477	
35	31,12,491	1,55,625	
36	34,23,740	1,71,187	
37	37,66,114	1,88,306	
38	41,42,725	2,07,136	
39	45,56,998	2,27,850	
40	50,12,698	2,50,635	
41	55,13,968	2,75,698	
42	60,65,364	3,03,268	
43	66,71,901	3,33,595	
44	73,39,091	3,66,955	

AGE	INCOME	5% Savings	Amount required for self and spouse
45	80,73,000	4,03,650	
46	88,80,300	4,44,015	
47	97,68,330	4,88,416	
48	1,07,45,163	5,37,258	
49	1,18,19,679	5,90,984	
50	1,30,01,647	6,50,082	
51	1,43,01,812	7,15,091	
52	1,57,31,993	7,86,600	
53	1,73,05,192	8,65,260	
54	1,90,35,712	9,51,786	
55	2,09,39,283	10,46,964	
56	2,30,33,211	11,51,661	
57	2,53,36,532	12,66,827	
58	2,78,70,185	13,93,509	
59	3,06,57,204	15,32,860	
60	3,37,22,924	16,86,146	
61	NPV	₹ 34,11,911	2400000
62	Future value of the savings in column C @ 7% yield	-₹ 3,89,77,477	2592000

Retirement Planning @ 5% of income

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61	NPV	₹ 34,11,911	2400000
62	Future value of the savings in cloumn C @ 7% yield	-₹ 3,89,77,477	2592000
63			2799360
64			3023309
65			3265174
66			3526387
67			3808498
68			4113178
69			4442233
70			4797611
71			5181420
72			5595934
73			6043608
74			6527097
75			7049265
		Corpus required to provide this cash flow @ 6%	₹ 3,88,36,241

The question with which i would like to conclude this article is, "Is it that difficult to set aside 5% of the income towards an independent old age life?" If suppose the expenses like rents, school fees extra become 5% costlier during the "Giving" stage would we continue to spend that money on such needs or not? Just assume it so happened and save that money for the old age, where we will not be having meta-physical-strength to earn money and will be pushed to "Take" situation.

What happens if the reader of this article is 40years of age now and had not set aside that 5% from his age 25?. He has to now contribute the value of savings that could have accrued by now in one lumpsum and the balance @5% of the income from now on.

START EARLY AND REACH SAFELY

HAPPILY EVER AFTER

Nayan Bhowmick

"Happily ever after" is typically the ending to a fairy tale. This is also a phrase we would love to associate with our own lives, with the way we want to retire. What does it take to have a long and happy retirement? This has been the subject of study in countries around the world. What is it that makes a long and happy retirement? The answer is surprising.

Research shows that people who have guaranteed income for life tend to be happier and live longer. The Wall Street Journal in 2005 headlined, "The secret to a Happier Retirement: Friends, Neighbours and a fixed Annuity. The article went on to say if you don't have a pension, then buy yourself a guaranteed income with an annuity. The Wall Street Journal writer said...... "I like to create paychecks, not portfolios in retirement". His advice was "Invest in friendships. Imagine not having to worry about income, and being able to spend time with friends makes people happy."

Who are the happiest retired people we know? Are they the ones watching their portfolio every day? Stressed out with market gyrations? Worried about the market losses? Spending as little as they can so they don't run out of money before they run out of life? Glued to a computer screen every now and then, watching their portfolio going up and down? Or is it the people with guaranteed pensions? The first day the of the month, when the banks open their shutters, the guaranteed money is credited in their account- their physical , mental or social condition makes no difference. In many fields, especially in the government sector, there is a certain section of the population who get a cheque each month and are not worried about having a reliable income. But the hard fact is that a large section of the population does not have this guaranteed income. Does that mean that such people cannot retire in peace? The answer lies in what planning they have made with regard to the money they have earned. With proper planning and management, anyone can lead a worry-free retired life.

Over the years of our life span, we are increasingly seeing changes occurring at a very fast rate, which affects our lifestyle. This year the Covid-19 pandemic has drastically changed our lives all around the world. Many small businesses have been lost entirely. Many businesses have been re- tooled their factories to change their product line or services to stay in business. We do not know when these fast changes to our lifestyle will stop or if they are going to stop at all. I don't know the answer to the question "when is the normalized lifestyle we were accustomed to, going to return?"

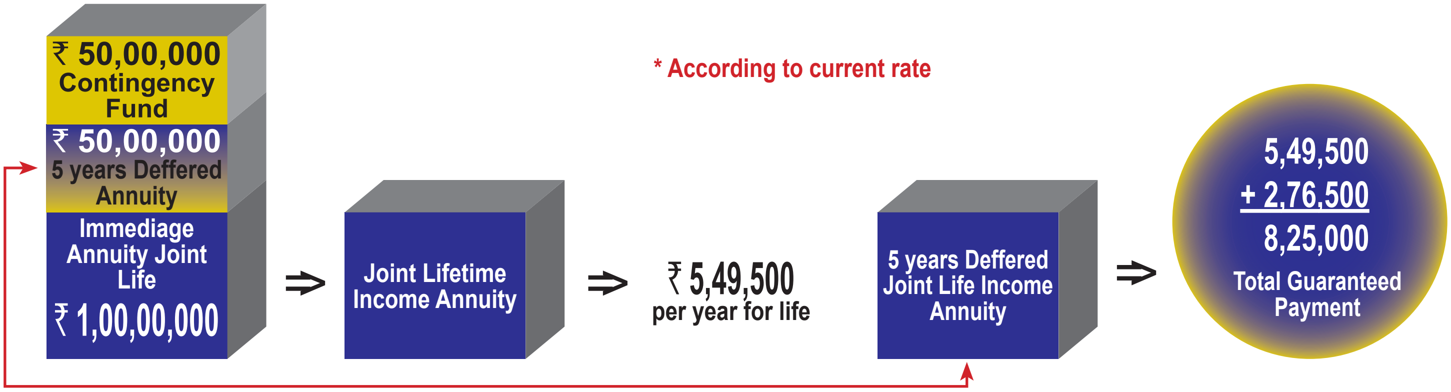
But I do know what Benjamin Franklin said is true that "Money makes money and the money that money makes, makes money."

The basic fundamentals for a successful retirement have not changed and neither has the concept of financial health. What does it mean to have financial health? My humble opinion is "don't lose to downturns in the market or economy!"

This is why I am a strong believer of "Guaranteed Sources of Income." Guaranteed income annuity for joint life must be in the portfolio of our retirement planning which will take care for our basic expenses.

One major crisis a retiree faces is severe stock market down-turn like those we saw in 2008 and 2009 and during last few months of 2020.

Here is what I would recommend in a market loss situation or under any circumstances a retiree should follow this. If I have accumulated Rupees 2Crore as my retirement fund at the age 60/65 years, I will keep Rs 50,00,000 liquid in case of emergency or financial need, and then use the other 1 Crore to buy an Immediate Joint Lifetime Income Annuity that will ensure my spouse and myself Guaranteed Paychecks for the rest of our lives and return of the Purchased price to the nominee of the first survivor. Remaining Rs 50, 00,000 we should purchase a 5 year Deferred Guaranteed Joint Life Income Annuity. It will take care of inflation.



Why I recommend this simple planning is that because we will not be "running out of money" under any disastrous situation.

As Sir Gopinath rightly mentioned, "Retirement is not an exit but an entry." According to me retirement is flying from Passion to Passion and it is only possible when our lifetime income is guaranteed.

William Burnstair , a neurologist and cofounder of the invest management firm Efficient Frontier Advisors writes, " The biggest mistake retirees make is not having a clear idea and exactly what useful and productive things they are going to do with their time."

There is now an emerging field in the area of economics known as "Happiness Research". The researchers found that one of the important ways now retirees can improve their odds of happier retirement is "Buying yourself income".

In my long research and studies I have found that people who own guaranteed life time income annuities are not only happier, but they also contribute more to society and are also more likely to live longer.

Is it not "Happily Ever After"?

RESULTS Painting Competition

CATEGORY A

Aarohi Gupta
Father's Name : Dhananjay Kumar
Step By Step School, Class : II

Mridanee Dey
Father's Name : Mridul Dey / Mother's Name : Mina Dey
St. Margaret H.S. School, Class : II

Sanjenbam Jacinda Devi
Father's Name : S. Amar Singh
B. K. Bajoria School, Class : I

CATEGORY B

Abhi Roy
Father's Name : Girish Roy / Mother's Name : Dipti Roy
Class : III

Rima Dey
Father's Name : Biswajit Dey
Lumparing Vidyapith Secondary School, Class : IV

B

Abhipsha Priyom Bharadwaj
Father's Name : Utpal Sarma
B. K. Bajoria School, Class : V

Elvin Pakma
Mother's Name : Rani Pakma
Step By Step School, Class : III

CATEGORY C

1

Debasree Kalita
Father's Name : Jonmani Kalita
Mother's Name : Bornali Kalita
St. Mary's HS School
Class : VI

2

Rajdeep Modak
Mother's Name : Mrs Panna Modak
All Saints School, Class : VI

3

Pratistha Limbu
Father's Name : Prabhat Limbu
St. Margaret HS School, Class : VI

3

Olivia Massar
Father's Name : (L) Simon Siangshai
Mother's Name : Mebina Massar
St. Margaret HS School, Class : VII

CATEGORY D

1

Raj Kumar Dubey
Father's Name : Manoj Kumar Dubey
Mother's Name : Poonam Devi
Jail Road Boys HS School, Class : IX

2

Sohan Bhattacharjee
Father's Name : Subhro Bhattacharjee
All Saints' Diocesan HS School
Class : IX

3

Geetika Dutta
Father's Name : Bidhu Bushan Dutta
Laitumkhrah Bengali Secondary School
Class : VIII

We are proud to share the achievement of Kumari Deepshikha Kar grand daughter of Sri Debabrata Das, Chairman Club Member, LIC of India, Shillong for winning Runners Up Prize in solo Rabindra Sangeet singing organised by "FLAIRAXIS & MAKE SOMEONE SMILE". God bless her.