



# Life

## A Promise

# Nayan Bhowmick

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Dear Readers,

**T**he 1st of July is an important day in our country. National Doctor's Day is celebrated on this day all across India to honour the legendary physician and the second Chief Minister of West Bengal, Dr. Bidhan Chandra Roy. Dr. Roy was born on 1st July 1882 and died on the same day in 1962, aged 80 years.

Doctor's day is even more relevant now in these times of a global pandemic. The world has realized how dependent we are on doctors and health care workers. Without the services of these noble professionals, the human race would have lost its battle with disease long ago.

On Doctor's Day, I on behalf of my team want to congratulate all the doctors for their round the clock efforts to keep our society healthy and safe. No words can do justice to their monumental contribution to public welfare. We also pay our tributes to Dr. B.C.Roy, a distinguished doctor himself.

The recent pandemic has added another risk to our life. Every individual owns two types of assets. Some assets are transferable to our loved ones like house, business, land, cash, stocks etc. There is another asset that we own, that we can use as long as we live, but cannot transfer to others. This asset is based on four endowments that we have got: TALENTS, BRAND, INTELLECT and EXPERIENCE. I call them "TRUE WEALTH". This asset of every individual is essential for their family, society, nation and also all over the globe. This must be protected. Therefore, we must give a special emphasis to 'Risk Management'. COVID 19 has threatened the human race throughout the world and our very existence seems to be at risk. It is therefore the most appropriate time to realize the need for life insurance. The uncertainty of life is always there but in normal times we don't really dwell on such issues. At present however, our attention has shifted to the fragility of life and therefore we need to secure our risks for the sake of our loved ones.

"As long as we are alive, there is something more to be given to our mission, so our mission can never be foundering as long as we are alive." – Sir Gopinath.

Our mission is simple and firm. When premium paid in by millions of people turn our industry's wheels, build our homes, educate our children, we are accomplishing the greatest good for the greatest number. We are perpetuating "Life, liberty, and the pursuit of happiness." We are preserving our democratic way of life. This macro-view of life insurance motivates us to serve more and more. We firmly believe that Life Insurance is the only expression of love and it is so simple that only we need to do a signature to prove how much we care for our people.

We feel gratitude that our readers, our clients have appreciated our efforts. We can assure you that with your enduring association, we shall extend our services to add more to our values. Your good wishes are our strength.

*With warm greeting to all from Life-A-Promise on National Doctor's Day.*



*Nayan Bhowmick*

**Nayan Bhowmick**

Development Officer

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## WEALTH THAT GROWS AND LASTS FOREVER

### PRINCIPLE NO: 5

### “PURPOSE DECIDES THE CHOICE”

#### Part 2

Risk tolerance level of the goals.

When the purpose of investing is known, we can decide the risk tolerance level for that goal. Why should we be concerned about the risk?

There are 3 dimensions of any investment:

#### 3 D OF INVESTMENTS



These 3 dimensions are interlinked. We can not change one dimension without disturbing the other. If you look at the X axis the “Safety” this refers to the safety of the capital invested. The opposite to safety is called “Risk”.

Risk means: “The probability of loss (or even the negative variation between the expected and the actuals)”.

If we divide our goals into three ranges namely Minimum, Reasonable and Aspirational, it will be easy to decide on the risk tolerance levels. Look at this table below that can explain the concept correctly.

What  $\beta$ ?

$\beta$	‘Beta’ A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.	
0	NO CORRELATION WITH THE BENCHMARK	Govt backed long term bonds, post office savings, Life insurance policies of endowment type
1	THE STOCK HAS THE SAME VOLATILITY AS THE BENCHMARK (MARKET)	SENSEX AND NIFTY
> 1	THE STOCK IS MORE VOLATILE THAN THE BENCHMARK	HINDALCO AND SENSEX 1.48
1.48	IS 48% MORE VILATILE THAN ITS BENCHMARK	
< 1	THE STOCK IS LESS VOLATILE THAN THE BENCHMARK	ULIPS, BALANCED FUNDS
-VE	THE DIRECTION OF THE MOVEMENT IS OPPOSITE TO THE BENCHMARK ASSET (MARKET)	GOLD, TBILLS

So if you are dividing your goals into 3 levels Minimum, Reasonable and Aspirational then the selection of investible assets must be as under:

PURPOSE	Daughter’s marriage		
LEVEL	MINIMUM ₹	REASONABLE ₹	ASPIRATIONAL ₹
FUND REQUIRED	50,00,000	75,00,000	1,00,00,000
		Balance 25,00,000	Balance 25,00,000
MODE OF SAVINGS	REGULAR	REGULAR	AS AND WHEN
RISK ON CAPITAL	NO RISK (SAFE)	MODERATE RISK	AGRESSIVE
WITHDRAWAL FACILITY	LESS LIQUID (SOLID)	MIDIUM LIQUIDITY	HIGHLY LIQUID
$\beta$	0	<1	>1



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Same about retirement planning.

### HAPPY SENIORITY

	MINIMUM	REASONABLE	ASPIRATION
REQUIRED AMOUNT PM	25,000	50,000	75,000
CORPUS	50,00,000	1,00,00,000	1,50,00,000
MODE OF SAVINGS	REGULAR	+50,00,000 REGULAR	+50,00,000 AS AND WHEN
RISK ON CAPITAL	NO RISK (SAFE)	MODERATE RISK	AGRESSIVE
WITHDRAWAL FACILITY	LESS LIQUID (SOLID)	MEDIUM LIQUIDITY	HIGHLY LIQUID
β	0	<1	>1



The Visionary Saint Thiruvalluvar says:

To fear those to be feared of is wisdom, to act as if not afraid of the things to be feared of is foolishness! - Thirukkural 428

The same way we must be aware about the risk we are undertaking and then decide. We can after knowing the extent of risk involved can still take a decision to go ahead. But then that is an informed decision.

If equity products are being sold or bought as if there is no risk involved, then it is a wrong practice. And to support this the past performances with rolling charts for 10 years, 15 years and 20 years are being exhibited and if the prospects are told that in a long term they will never make losses, then that will be a wrong advice. The correct method to sell such products is to make the prospect aware about the risk and make them prepared for it.

If the markings in a swimming pool indicate 1M depth, 2M, 3M and 4M, the tourist guest must take note of it. Ignoring those signs are not correct. If someone tries to tell that even though it is showing a 4M sign, still that level is not dangerous, then that type of an advice should be ignored.

After being aware about the depth, the tourist can still take a plunge into the pool at that level depending on his expertise. But to ignore the signpost is wrong. The same way investors must be made aware of the β levels and then guided. As a financial planner we should save the client from exposing even the minimum requirement level of fund to risky investments.

Just like we focus on Inflation adjusted returns we must also focus on Risk adjusted returns. This indicates how much risk a person is taking to earn that much returns. And is that risk worthwhile taking compared to a risk free return that the money can fetch.

If one is betting 100 for a prize of 300 then the risk reward can be 1:3. If he wins he gets 300 or if he looses he will loose 100. Keeping other things aside, this seems to be a worthwhile bet. But if someone is betting 100 for a prize of 120 that 1:1.2 then that is not an intelligent move.

To understand a risk reward ratio we must look at Sharpe ratio.

**Sharpe ratio = (Mean portfolio return – Risk-free rate)/Standard deviation of portfolio return**

$$= \frac{\bar{r}_p - r_f}{\sigma_p}$$

Where:

$\bar{r}_p$  = Expected portfolio return

$r_f$  = Risk free rate

$\sigma_p$  = Portfolio standard deviation



Look at the table given here. If an investor invests regularly 1,00,000 every year (SIP) in Sensex the bench mark index in India then what is the yield?

	sensex	units	invested amount	based on 2008
1997	3658.98	27.33	-100000	-100000
1998	3055.41	32.73	-100000	-100000
1999	5005.82	19.98	-100000	-100000
2000	3972.12	25.18	-100000	-100000
2001	3262.33	30.65	-100000	-100000
2002	3377.28	29.61	-100000	-100000
2003	5838.96	17.13	-100000	-100000
2004	6602.69	15.15	-100000	-100000
2005	9397.93	10.64	-100000	-100000
2006	13786.91	7.25	-100000	-100000
2007	20286.99	4.93	-100000	-100000
2008	9647.31	10.37	-100000	-100000
2009	17464.81	5.73	-100000	-100000
2010	20509.09	4.88	-100000	-100000
2011	15454.92	6.47	-100000	-100000
2012	19426.71	5.15	-100000	-100000
2013	21170.68	4.72	-100000	-100000
2014	27499.42	3.64	-100000	-100000
2015	27643.88	3.62	-100000	-100000
NOW	25610.7	3.90	-100000	-100000
TOTAL		269.04	6890193.776	2595471.241
IRR			10.73%	2.42%

On the Current level (25610) the IRR is 10.73%. At a maximum level (27643) it can be 11.5% and on the other side at 2008 level IRR

## ELIGIBILITY IS EQUAL TO EFFORTS

“Success consists of a series of little daily efforts.” Everyone has a dream, a dream to accomplish; a dream to hold a good position in life and earn wealth and fame. But in order to be able to turn our dreams into reality we have to become eligible for it with our continuous efforts. In fact, human beings succeed, only in the presence of a challenging environment. No efforts ever go unrewarded because with every effort we take a step towards being eligible for our goal. There are always consequences to the efforts we make

can be 2.42%. That means the investor is taking risk in investing in index and he could have earned 11.5% on the brightest side and 2.42% on the worst side. In fact to see the range we must consider 1998 level (3055), but then IRR can not work a negative value, so we have taken the lowest level after markets really grew to a good size that is from 2006 year.

In India if Government backed assets (Risk Free) would have given 8% during this period, then what is the Sharpe ratio for this investment venture?

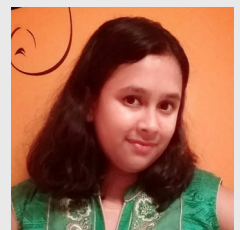
0.104651163	sharpe ratio for 10year sensex
0.1365	sharpe ratio for 15 years sensex
0.071842105	sharpe ratio for 20 years sensex

The bigger the Sharpe ratio the better is the fund performance because with a lesser risk it has earned more than the risk free rate. The smaller the Sharpe ratio, even if the fund has given an IRR of 20% indicates that the fund manager has exposed the investors' money to much bigger risk to earn that much return. Postfacto the yield of 20% might appear very good, but the things could have gone worst for the investor and he (investor) alone will have had to taken the loss and nobody else would have shared it.

In conclusion of this part I would advice both the sellers of equity products and the investors in such instruments to take note of the figures printed or published along with the NAV statements and do not ignore it under pretext that in a long term these things do not affect the capital invested. These ratios and values have scientific temper. They have been developed by wisemen spending years of their lives in research. But let this also not scare away an investor. If the investor can decide the purpose of investment first and then classify into minimum, reasonable and aspirational levels and consciously undertake risk for the second and third levels he will be a wiseman. The same is applicable to all assets which are risk bearing like derivatives, F&Os, etc. □

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and the actions we take, and sometimes that sequence can be a difficult burden. But in the end we realize that efforts make everything possible. If there were no efforts and no consequences, learning and experience would have no value. Life does not require that we be the best only that we try our best. Often we give up on our dreams because we think that we are not brilliant enough or talented enough. We all quit very easily and settle for something else, without realising the fact that continuous efforts, neither strength nor



intelligence make us worthy of achieving great things. Effort makes some great men famous and the lack of effort makes even greater men remain unknown.

We all know that “Practice makes a man Perfect.” We often are left awestruck after seeing a magician perform a trick. We appreciate and wonder how in a matter of few minutes, he performed the great feat. However we do not see the continuous efforts that he makes to attain the level of perfection. Every great man who inspires us has made great efforts and not to forget has failed multiple times. We should remember and realise that failure is a part of success and not the opposite of it.

The one most important thing that makes us eligible is experience. The truth is that we become truly eligible when we have a good experience; and a good experience comes from bad experiences. Thomas Edison, a great scientist, was told that he was an ‘idiot’ and would never be able to achieve anything. Had he believed in it and never made an effort, he would have never been able to discover the great scientist within him. But Edison made many efforts and as we all know he succeeded, not to forget that he failed multiple times and each time learned from his mistakes. Dr APJ Abdul Kalam, the 11th President and a great scientist of India, never let himself be carried away by the demon of disappointment. He was a man of courage who was able to turn every disappointment into a new opportunity to dream a new and turn his thoughts and actions towards its realization. Similarly our dreams can be realized and our future built, by putting in our time, talent, character, values, creativity, hard work, and constant effort. Effort and persistence can bring much value to any endeavour.

Small battles are just eligibility tests for great wars. Many of life’s failure are people who did not realize how close they were to success when they gave up. If we are getting



disappointing results, it’s not a sign to give up on our dream. Instead, it’s an opportunity to make that dream so absolutely compelling that we cannot fail to achieve it. We must always remember that we should not decrease our goals but increase our efforts when we meet with failure. In fact the difference between good and great is just a little extra effort. Those who are willing to make an effort, great miracles and wonderful treasures are always in store.

We all have great passion, talent and strength within us and in order to achieve the most from them we must put some efforts. Efforts irrespective of failure and success give us a lot of experience and offer a bundle of things to learn. Everytime we make an effort, we either fail or succeed. If we win we can lead and if we fail we learn a lot from our mistakes. The Universe somehow falls in love with a stubborn heart. One must make efforts daily and give one’s best even if he/she faces failure consistently because when we want something truly and are ready to give everything to it, the whole universe helps us to achieve it. We must always remember that at the end of the day, it is the effort in which lies satisfaction; not in the attainment. Full effort is full victory. □



# Success is the product of abilities and actions



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## *“Success is the product of abilities and actions”*

“The best way to succeed is to have a specific intent, a clear vision, a plan of action and the ability to maintain clarity. Those are the four pillars of success. It never fails!”

According to the Oxford English Dictionary success is defined as “the achievement of an aim”. Success is often attained after numerous failures and failures can be considered as the pillars of success, that help one to attain success by taking stronger and better actions, and trusting in one’s own ability to attain the success.

In chemistry, just how two elements combine to give a product in synthesis reactions, similarly in life to the abilities and actions taken by a person in his life to do something, give success as their product.

Actions are the steps we take and the path we follow to attain success. Hard work, consistency and perseverance are the three things we need to have when we carry out our actions as these three virtues together form the integrals to attain success. The actions that one takes might be small, or large, but must be taken in a way that we follow the right path as we take the actions. In today’s world people are greedy to attain success and some take wrong steps to attain success. They follow the wrong path but this self satisfaction is what matters. To the world one might appear to have summited the Mt. Everest but the himself in his heart knows if he

submitted the with his own hardwork or used wrong means to get to the top, showing people that he is successful, but may be in his own heart, he was not satisfied. In life being successful is important, but being satisfied is even more crucial and necessary.

Abilities are the possessions of skill and talent. Abilities differ from person to person. Scientifically, it has been proven that traits are of two types – inherited and acquired. Our abilities too may be inherited, or we may acquire interests in something’s to develop our skills in that field to attain success. The use of one’s abilities is based on his or her own interest and one should use it to his/her full potential to attain success.

Abilities and actions however go hand in hand. An average student can do a great result by putting in hardwork, and in a similar way a highly capable student may not do well, if he/she does not put in enough efforts.

Success can be of different degrees and can be attained in various fields. Success for different people can hold different meanings. A topper getting a position in the exam is applauded for his success, but also a third divisioner must be applauded for getting a second division, if he works hard to do better. The level of success is dependent on one’s ability but also the actions taken by a person are important.

There are times when one sees that even people who were not financially capable, or physically capable, attain success using their mental capabilities and taking actions to attain success. Steve Jobs, Bill Gates, Mark Zuckerberg, Deepa Malik have all emerged successful even after facing various difficulties as they took actions to excel, and are today acclaimed personalities in the world.

Abilities and actions are like the two faces of a coin, inseparable. They together produce successful people. To attain success one must put in the best actions and trust in his or her abilities to excel, and not fear failure, only then will one be able to succeed. “Success is a journey and not a destination”, this journey is full of obstacles but one’s actions and belief in his abilities will always make the journey a peaceful, smooth one. □





# INCREDIBLE CAPACITY



Nayan Bhowmick

यदा यदा ही धर्मस्य ग्लानिर्भवति भारत, अभ्युथानम् अधर्मस्य तदात्मानं सृजाम्यहम्।  
परित्राणाय साधुनाम विनाशाय चः दुष्कृताम्, धर्मं संस्थापनार्थाय सम्भावामी युगे युगे।।

“YADA YADA HI DHARMASYA GLANIRBHARATI BHARATA ABHYTHANAMA DHARMASYA  
TADMANAM SRIJAMYAHAN PARITVANAYA SADHUNANG VINASHAY CHA DUSHKRITAM  
DHARMASANGSTHAPARATHAY SAMBHABAMI YUGE YUGE”

*Chapter IV, Verse 7. The Bhagwad Gita.*

The English translation reads:

“Whenever there is decay of righteousness, O bharata, and there is exaltation of unrighteousness, then I myself come forth; for the protection of the good, for the destruction of evil doers. For the sake of firmly establishing righteousness, I am born from age to age.”

This verse is one of the major texts of the Hindu holy book, GITA. This verse was recited by Lord Sri Krishna in Mahabharata when Arjun had refused to fight in Kurushetra. Whenever there is a disruption in the world order, great men take birth to bring back the balance to the world.

The month July is important for humanity. The great Swami Vivekananda, the incarnation of God, who was born to establish virtue, to destroy evil, to save the good passed away on July 4th 1902, at Belur Math, Kolkata. Swami Vivekananda died at the young age of 39. Yet a century later, his message continues to remain relevant. He travelled across India and encouraged the youth to unite for the cause of nation building. His astute vision motivates us to build a nation that has the ability to lead the world.

Our life is governed by some known rules. We must know the rules and obey the rules. These rules are very simple and but can become complicated too. For example, if I know the rule of a game I can play the game easily and I can enjoy the game. On the contrary if I am not aware of the rules of a game, I will find it difficult or complicated.

Swamiji offers us a very simple rule.

“Anything that makes you weak physically, intellectually and spiritually, reject as poison”

This rule is very simple. But we always accept the things which are poisonous to us, harmful to us. We know well the habits to adopt to become a transformed and meaningful personality. But we never follow and adopt those. We know the rule of ‘karma’- what goes around comes around or Newton’s third law of motion that for every action in nature there is equal and opposite reaction. These rules of ‘Karma’ and Newton’s law of Motion are known to us. But we always makes these rules complicated. We give advertisement for poison. We endorse the poison knowing that these are harmful to us.

Sir, Gopinath Radhakrishnan describes that there are 5(five) important “Rules of rule” these are:

1. The rule of cause and effect.
2. The rule of equality. There are no concessions, no one is special.
3. The rule of time.
4. The rule of nothing is permanent.
5. The rule of freedom and responsibility.

Swamiji said:

“The world is the great gymnasium where we come to make ourselves strong”



Simple rule. Why do we go to the gym? To make ourselves fit and strong. We never go to gym to be idle and stray. If I am a student, I must use my subjects, my studies like a gym, fully. In whatever profession we are now, we must use it like a gym, fully and make ourselves strong on that subject or profession. But many a times, we go to the gym and without doing any workout, we sit and become a witness while others become strong like Sachin and Messi. Up to the age 60/70 years, or even up to 80/90 years we generally pass our time by sitting idle. Then one day we get a call “your time is over, show is over and we must close our gym.”

But as we have seen, our life need not be wasted. As Swamiji mentioned, anything which makes us physically weak, mentally weak, spiritually weak, we must discard it as poison. And the good things must be used like a gymnasium so that we can make ourselves as well as this earth much more strong and beautiful.

As we know, we the human beings are incredibly capable. God has bestowed upon us some incredible capacities. He has not offered these to any other animals or birds. We are blessed with the five basic elements which are the basis of all cosmic creation. These elements are Earth, Water, Fire, Air and Space. These five elements are the source of our capacities. Physically we are not as strong as animals, but we have five abilities which make us really incredible.

1. Ability to learn.
  2. Ability to change.
  3. Ability to choose.
  4. Ability to create.
  5. Ability to communicate.
1. **Ability to Learn:** As human being we are able to learn anything that we intend to learn and master. It may be science, economics, personal development, atomic science, Rabindranath Tagore’s philosophy or anything. Irrespective of age and gender, we can improve our skill and performance through learning. A horse can run very fast, it has tremendous physical power, but it cannot learn to fly. We have that capacity. So, we must not be in any doubt. If we are not able to do a particular thing, we are quite capable of learning and becoming a master in that subject.
  2. **Ability to change:** How did Ratnakar transform into Maharishi Valmiki, author of the Ramayana? His story shows how human beings are capable of changing their life path and moving in the direction of exemplary future. If we decide to change some of our behaviours or habits, that are restraining our growth, we can change immediately even up to 360 degrees. It is so simple. If we are lazy, we can change ourselves to become more agile. If we have a habit to postpone, if we are short tempered, the simplest method is just to change ourselves.
  3. **Ability to choose:** We are privileged too because we have the option of choice. We can decide what to do, what not to do. To become physically strong, we know what we should do and what we must avoid; to develop professionally what are the things we have to adopt. As a student I have a choice, how I should utilise my time. Whatever we had chosen 5(five) years back, the result is in front of us today. And after five years what differences we will see in our lives also depends on today’s choices. This incredible capacity God has gifted to us only, not to animals.
  4. **Ability to create:** We are also fortunate because we have the power to create. Rocket science, medical science, automations, schools, colleges etc are the power of creation of human beings. The things we need, the things that we want to use, we can create it.
  5. **Ability to communicate:** This is the wonderful ability that we the human beings are in possession of; The power of communication. The ability to communicate accurately, clearly and as intended is the vital power to create a team. This team work can fulfil the desired dreams to achieve bigger goals that we cannot achieve individually. Great leaders like Gandhiji, Netaji or like our people’s president Sir APJ Abdul Kalam, used their power of communication to create history and became leaders of the masses dedicating their lives for the nation and humanity.

These five incredible capabilities are available to everyone of us equally. This is the rule of equality. We have the responsibility and freedom to exercise these capacities. It is up to us to create, to achieve what we desire and dream. I know a ship in harbour is safe-but that is not what ships are for. Like a ship that needs to prove its capacity in the turbulent seas, human beings too need to prove that they are superior to other creations of God by reaching their maximum potential.