Life
A Promise

Nayan Bhowmick

Vol. VII

For Private Circulation Only

ISSUE - I (April-June'2024)

Email : nayanbhowmicklic@gmail.com
Website: www.keytowealth.org

Warm Greetings to our respected readers!

The recent recessionary tremors in two major economies, Japan and the United Kingdom, have cast a shadow on the global economic landscape, prompting a reevaluation of strategies among emerging markets like India. As Japan's gross domestic product (GDP) unexpectedly contracted for two consecutive quarters in the latter half of 2023, paralleled by a similar downturn in the UK's economy during the final two quarters of the previous year, concerns about the pace of global economic growth have resurfaced. International Monetary Fund (IMF) projections further underscore this narrative, indicating a deceleration of the global economy to 3 percent in 2023 from 3.5 percent in 2022.

Media reports and expert analyses have highlighted the repercussions of this global sluggishness on developing economies, with particular emphasis on India. The slowdown in major economies has adversely impacted India's exports and foreign investments, signaling a need for strategic recalibration.

Amidst these challenges, there lies a silver lining for India's economic trajectory. The recessions in Japan and the UK could serve as catalysts for Indian businesses to diversify their export destinations, thereby reducing dependency on these markets. This strategic pivot towards new markets and trade partnerships not only mitigates vulnerability to economic downturns in specific countries but also opens avenues for sustainable growth.

Furthermore, economic downturns in Japan and the UK often inflate the costs of labor and production inputs, rendering Indian goods and services comparatively more competitive in international markets. This presents an opportune moment for India to bolster its export competitiveness and tap into new market segments.

In response to the economic headwinds, Indian policymakers are poised to implement structural reforms aimed at enhancing the nation's competitiveness and resilience. Measures encompassing improvements in ease of doing business, infrastructure development, and investment in human capital are on the agenda, signaling a proactive stance towards economic revitalization.

Moreover, recessions catalyze innovation and cost-effective solutions. In the technology sector, Indian firms stand to benefit from collaborations and technology transfers with counterparts in Japan and the UK, fostering mutual growth and innovation.

The current economic landscape also presents an auspicious environment for long-term investments in infrastructure and strategic sectors. India's endeavors in enhancing productivity, connectivity, and sustainability through such investments lay the groundwork for future growth and prosperity.

In conclusion, while the recessionary winds from Japan and the UK bring forth formidable challenges, they simultaneously unfurl a tapestry of opportunities for India. Through proactive policy measures, strategic diversification, and innovative collaborations, India stands poised to navigate through these turbulent times and emerge stronger on the global economic stage.

Nayan Bhowmick

Nayan Bhowmick
QPFPA, MCAFP
Recruiter of Insurance Advisers.
Senior Business Associates, LIC of India, Shillong

nayanbhowmicklic@gmail.com
www.keytowealth.org

Designed and Printed by Titu Bhowmick | 9774976410

Gopinath Radhakrishnan
Gopast Centre For Learning Pvt. Ltd.
Former MD/CEO at LIC Lanka
gopinathr@go-past.com

Suitability of Life insurance endowment types of products in the new scenario after, the amendment to Sec 10(10D) of the income tax announced in the finance act 2023-24

This article is divided into 3 parts: 1) Understanding the amendment 2) Yield and 3) the suitability of this type of products to the clients

1) Understanding the amendment

In the budget 23-24 it was proposed to amend sec 10(10D) of Income tax act 1961 and later it has become a part of the finance act 2023.

Further to that CBDT has issued clarifications regarding applicability of exemption u/s 10(10D) in respect of receipts from Life Insurance Policies in different situations, vide Circular 15/2023 dated August 16, 2023, in line with amendments in Finance Act, 2023. This circular has been uploaded to our palmleaf neo resources. Palmleaf Neo subscribers can go to the resource menu and search for category "Income tax" and read this.

Some of the highlights of this amendment will be discussed in this article now.

ULIPS are not governed under this amendment and they will continue to be treated according to the finance act 202. The Finance Act, 2021 previously made amendments that governed unit linked insurance policies (ULIPs) issued on or after 01.02.2021. If the premium exceeded Rs 250,000 for any previous years during the policy's term, any sum received would not be exempted under the clause. Instead they will be subject to Long term capital gains tax provisions.

There are 3 important provisos of the finance act 2023 that we will focus now, and also on Sec 56:

i) Sixth Proviso – Limit on Single Policy Premium: From the financial year 2024-25, if the premium payable for any previous years during a policy term surpasses Rs 500,000, the money received will not be exempted.

ii) Seventh Proviso – Aggregate Premium for Multiple Policies: If premiums are due on more than one life insurance policy, the exemption is applicable solely for such policies for which the aggregate premium doesn't exceed Rs 500,000 for any of the previous years during the term.

iii) Eighth Proviso – Death Benefits Remain Exempt: The above provisions concerning premium limitations are negated if the sum is received due to the death of the policyholder.

Sec 56(2):

Inclusion of a new clause (xiii) in section 56(2) established that amounts received from life insurance policies not fulfilling criteria under clause (10D) of section 10 will be considered as "Income from other sources" and therefore taxable.

Some suggest assignment of the policy to another person close to the maturity to avoid tax, but how far this will be considered by the tax authorities is doubtful. Because, the policy is classified under not eligible for Sec 10(10D) benefit. The recipient may be asked to bear the tax payable. The differential tax slabs of the investor and the recipient might cause some benefit in this case.

2) The yield

To understand these changes let us discuss a few examples:

Mr Dhruva has taken a life insurance endowment type of policy for a 20 year term that has a premium commitment of 6 lakhs yearly (without GST) and the Sum Assured under this plan is 1.25 Crores. Upon maturity of this policy in 2043 September let us say he receives an amount of 2.60 crores that includes the sum assured, bonuses and the final addition bonus. Let us examine as to how this will be treated for considering the tax liability.

1) Scenario: Maturity:

A	Total benefit received	2,60,00,000
B	Total of the premiums paid in 20 years @ 6Lakhs per annum	1,20,00,000
C	The income to be considered for taxation (A-B)	1,40,00,000
D	TAX: (Presuming that in 2043 his income tax slab rate will be 30%)	42,00,000
E	The post tax benefit under this policy	2,18,00,000
F	The IRR on this transaction could be:	5.39%
	This is the post tax IRR not considering with the risk cover benefit of 1.25 cores + Bonuses accrued till death that the policy had provided for the 20 years	

2) Scenario: Maturity of 3 policies availed where the aggregate premium is over 5 lakhs per year. The list of policies availed in the following sequence:

Policy number abc01: Yearly premium 1 Lakh

Policy number abc02: Yearly premium 2 Lakh

Policy number abc03: Yearly premium 4 Lakh

As after availing policy abc03 the aggregate exceeds 5 Lakhs Sec 10(10D) limit is under question now. According to the circular the maturity benefits (consideration) of only abc02 will NOT be exempted while both abc01 and abc 04 will get exemption under sec 10(10D). The clubbing of abc02 and abc03 will not be considered for the aggregate because the best of the benefit to the investor is considered here.

3) Scenario: Maturity of 3 policies availed where the aggregate premium is over 5 lakhs per year. The list of policies availed in the following sequence:

Policy number efg01: Yearly premium 1 Lakh

Policy number efg02: Yearly premium 2 Lakh

Policy number efg03: Yearly premium 6 Lakh

In this case policy efg03 will NOT get exemption under Sec10(10D) as the premium exceeds 5 lakhs and policies efg01 and efg02 will get exemption under Sec10(10D)

4) Scenario Survival benefits

Let us now consider the amount to be considered for the taxation purpose under a survival benefit policy:

Premium 5,35,000 per year for the premium paying term of 20 years for a Sum assured of 1 crore, and from then the survival benefit payable for the whole term of the policy (100 years) at the rate of 8% of Sum assured.

Since the premium exceeds 5 lakhs this policy will NOT get exemption under Sec10(10D)

B	Total of the premiums paid in 20 years @ 5.35Lakhs per annum	1,07,00,000
C	SB amount 8 Lakhs per annum for the first 13 years	1,04,00,000
D	for a part of the next year	3,00,000
E	for the balance part of that year	5,00,000
F	and the 8 lakhs per annum thereafter	8,00,000

Since in the above calculation C and D does not exceed the aggregate of all the premiums paid under that policy, they will not be treated as benefits to be taxed, however monies received as SB in the above table row E and F will be treated as income from other sources and be subject to tax.

3) Suitability to the needs of clients

Having seen the explanations as above let us now consider if savings through life insurance policies is still an attractive proposition to the policyholder. A life insurance policy covers the life risk to provide an assured amount upon the death of the life assured to the nominees. It is therefore not comparable with other investment options available in the market.

Savings through life insurance policies gives a feeling or financial obligation to the life assured, with the result that it develops a discipline of Income minus Savings = Expenses. It helps maintain regularity in the investments because the amount to be invested is fixed and the dates of remittances are also fixed. In other savings/investment products this is left to the will of the investor. So the investor might break this regularity due to other tempting or (seemingly) compelling wants/needs.

When investing in Life insurance savings products there is less temptation to keep seeing the amount accrued in the amount, this is one reason that why the persistence in life insurance is higher than many other savings/investments products

With suitable riders added a life insurance policy can mitigate both these risks:

1) Income stopping after Death

2) Income stopping before Death.

The three natures of assets that need to be kept in mind in selecting a suitable asset for reaching the goals are: FINANCIAL PYRAMID PART 2

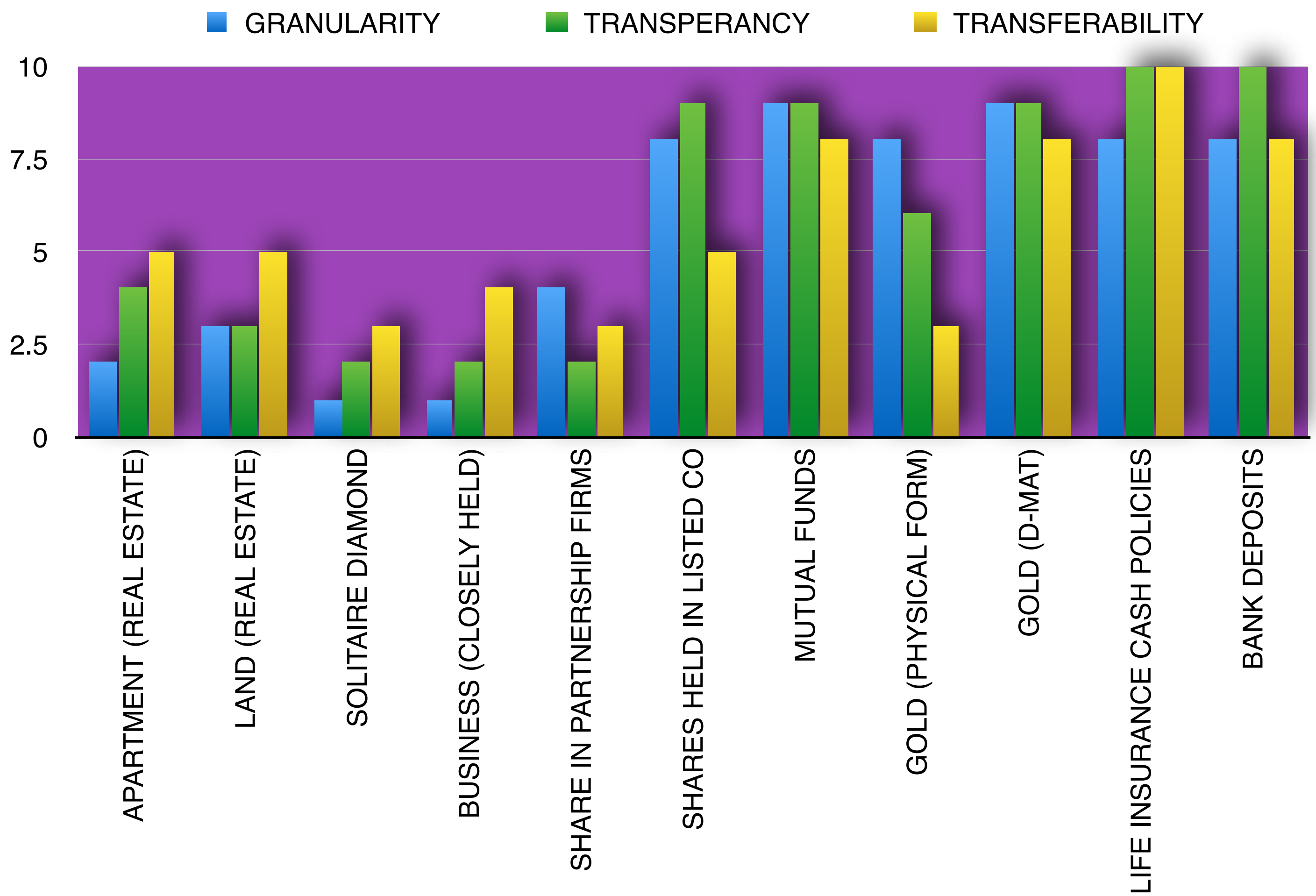
The next side of the financial pyramid defines the three natures of assets.

Granularity:

The capacity of the asset to be broken into small pieces, to be used only to the extent required.

Transparency:

The price disclosure, or a predetermined value. The price does not depend upon the buyer's qualifications.



Transferability:

The ease with which the title of the asset can be passed on to the person of our choice.

The following table will give an indicative ratings for the three natures of an asset on a 1 to 10 scale. These ratings have been arrived at based on the prevailing legal and economic scenario in India.

Savings/ invesment	Post tax yield	Does it cover risk of life, disability and Critical illness	Term of investments
Bank deposits	6%	No	Medium term
Post o ffice savings	6%	No	Medium term
PPF	7.1%	No	Long term
Govt bonds	6%	No	Medium term
Life Insurance	5.4%	YES	Long term

You will find from this chart that Life insurance cash policies score well on all the three natures. So for families that need asset that is granular, transparent and easily transferable this is a suitable asset class.

The returns under a life insurance policy may not be directly comparable with other investments. Even if we attempt at arriving at IRR on maturity in comparison with other assets it should be compared with other assets in the “Risk Free Growth” segment of the financial pyramid.

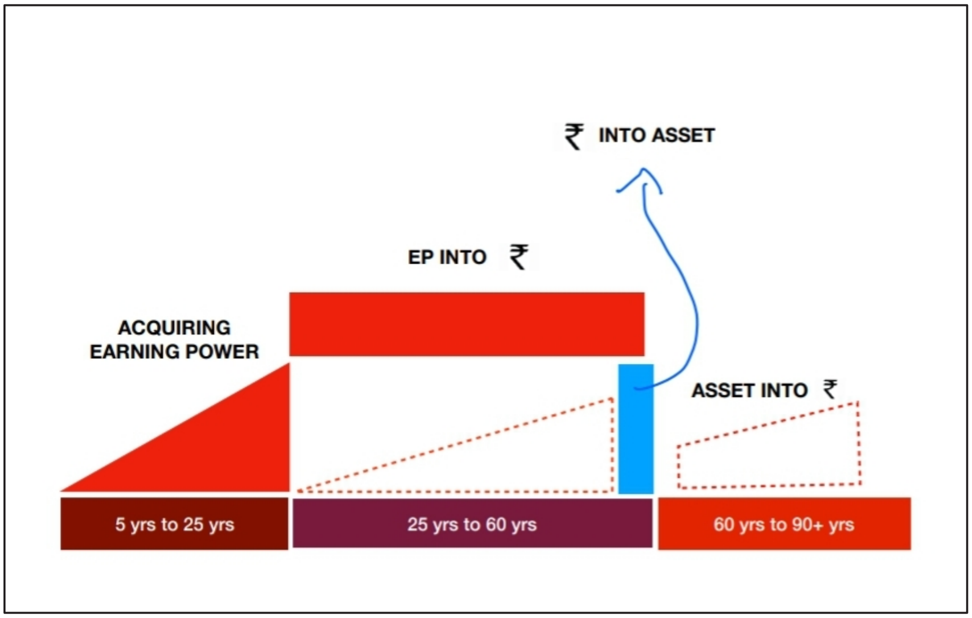
The yield shown here is assumed at the highest tax bracket. In the above table the yield is calculated on an average basis, not scheme specific in that class.

However It is incorrect to select products only on the basis of yield, it should be selected according the matching of the features of the product to the needs of the investor and amongst the matching ones filter it by the yield.

You can observe that post tax yield is reasonable while comparing the other investments in this segment considering the benefits of the risk cover availed.

The other benefits that Life insurance policies can be used as collaterals for availing credits and flexibilities provided in the contract are also to be considered in deciding the suability to an individual.

RETIREMENT SCIENCE PART – 1



Three Major phases of life.

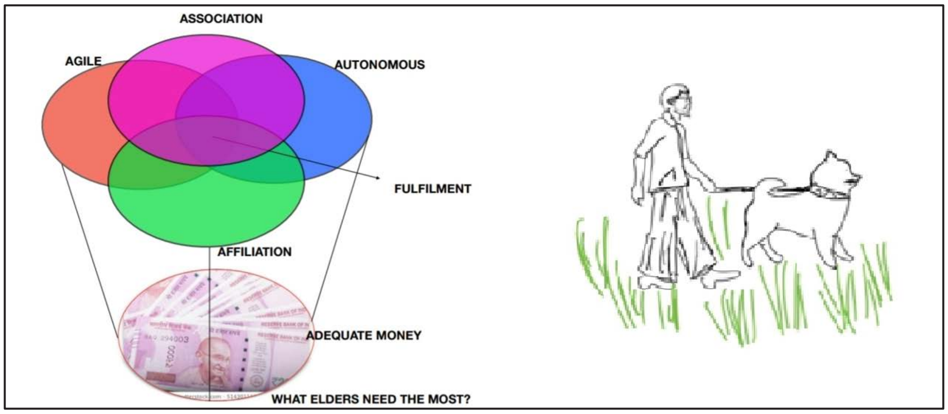
Phase 1: As you can see in phase one people acquire earning power by way of education or developing skills like sports, singing, acting etc. (For Example CA, Dr, Architect, Cricketer, Singer, Actor). Here you need your parents to support you.

Phase 2: Once the people become grown up & have acquired earning power, they use that earning power to generate income. Also, from that income one starts creating assets by savings & investment. These assets gradually grow higher. Here your role is of supporting your family.

Phase 3: Here the income from occupation stops but still requirement of regular income is there. Here we liquidate the assets acquired in phase 2 to convert in to income. In phase 3 one may retire in giving mode or taking mode.

You would have observed that the roles and responsibilities undergo changes as we pass through these three phases. **In the phase 2 and phase 3 regular income plays a vital role in fulfilling the responsibilities pertaining to that phase.**

When we come across pictures of retirement, we see people relaxing in a chair. But is that what elderly couple or elderly person needs. Let's see what they need.



As shown in the picture major needs of an elderly couple or an elderly person are

1. They would like to be agile and moving around. (Healthy and mobile).
2. They would like to engage themselves with some activity/hobby to use their time.
3. They would like to enjoy autonomy in deciding matters related to them.
4. They want to feel secured and cared for.
5. They want to be respected and listened to.

One of the primary resources that can provide most of the above is a **regular monthly income**.

As we can see regular monthly income is very important when it comes to retirement. Lets understand how income is generated. **Income is generated from 2 sources.**

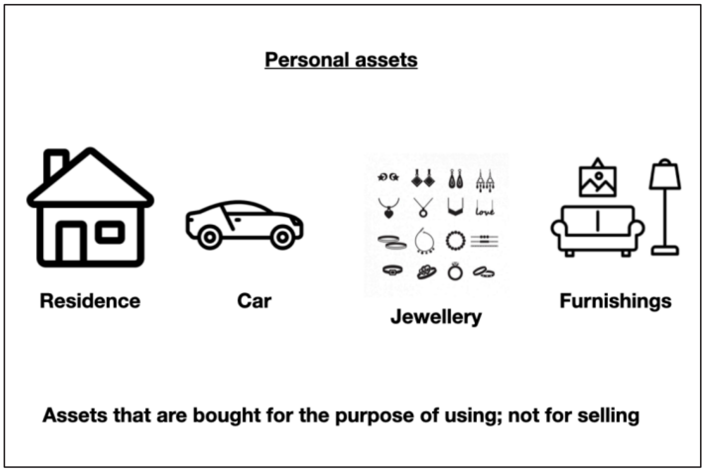
1. **Assets**
2. **Occupation**

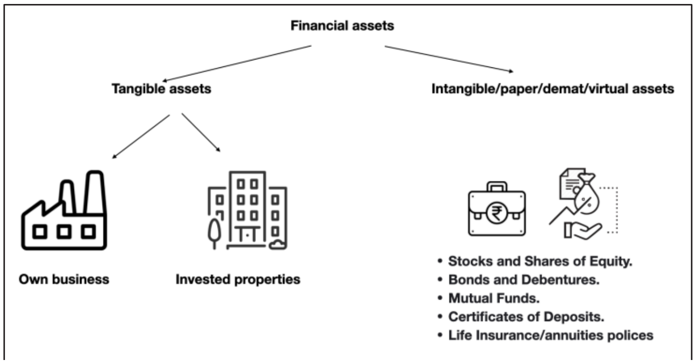
Assets

Two objectives of buying/creating assets

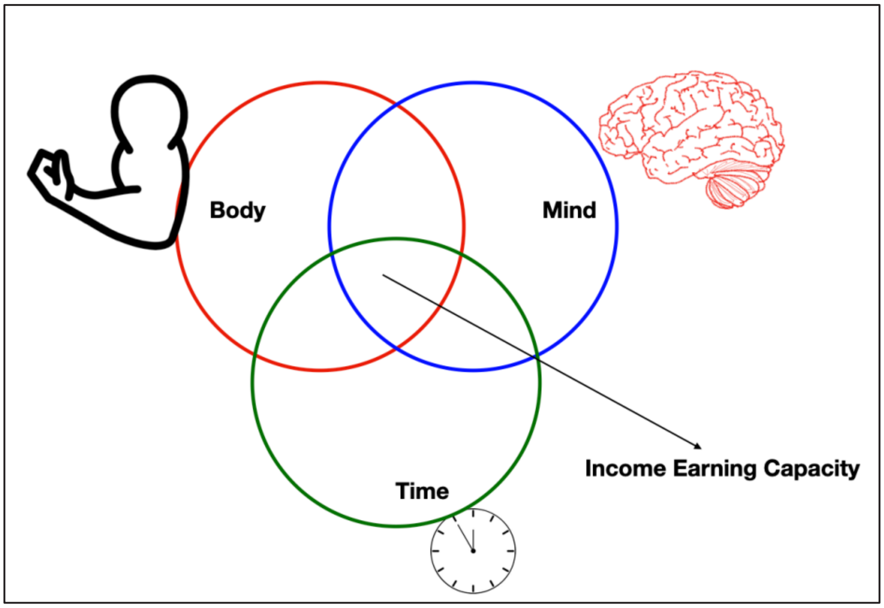
- Growth in value (for a lump sum cash)
- Income (at regular/irregular intervals like in the form of rent/interest/dividend)

Assets can be classified into the following categories as shown in picture.



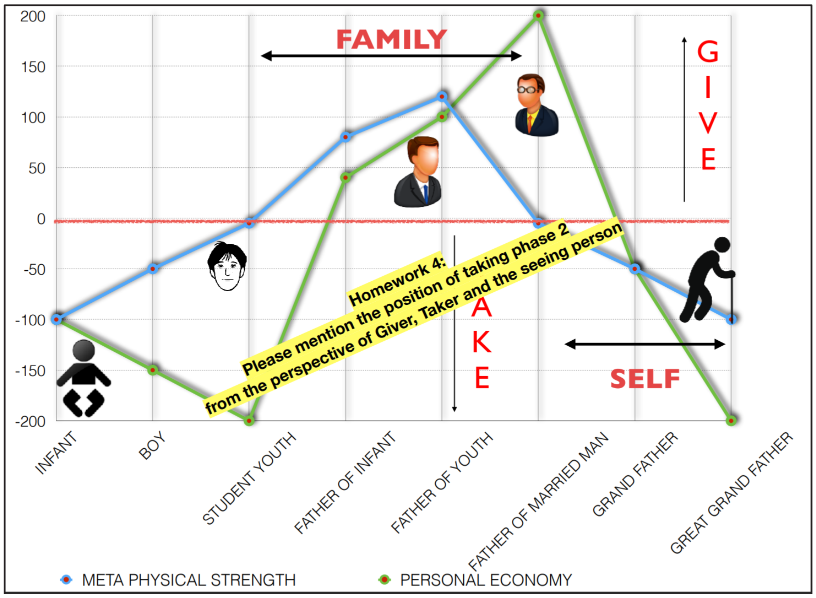


How does a person generate income from any occupation? This Picture will explain it:



Allocation of body, mind and time is required to generate the occupational income. In the 3rd phase of life, it is mostly likely that the body and mind functioning shows big variation with what it used to be in 30s and 40s. Therefore, to depend on these to produce occupational income in phase 3 can be risky.

We will further understand this more by following picture.



Blue Line: In the figure above, blue line represents metaphysical strength of a person. You can see from the picture that meta physical strength is very low when a child is born and gradually as child grows to boy to youth to father of youth his meta physical strength grows and reaches its pick. Again, as the person grows old his meta physical strength reduces. Thus, in the phase 3 of life we may not have the same physical strength to generate occupational income.

Green Line: In the figure above, green line represents personal economy of a person as he passes through different phases of his life. Personal economy below red line is a negative economy. We can say a person is in taking mode if his economy is negative and below red line. We can say a person is in taking mode if his personal economy is positive and above red line.

When a child is born his economy is negative and it goes further more negative as he goes to school and college. We will call this period phase 1 of taking mode. As the person finishes his education and starts earning his economy becomes positive. As long as his personal economy stays positive, we will tell him to be in giving mode. Now again after retirement by age or a forced retirement by health personal economy becomes negative. We will say it as phase 2 of taking mode.

When the economy is negative there is one giver and one taker. Now I will ask you to imagine who can be giver in phase 1 of taking mode? Probably parents. Who can be giver in phase 2 of taking mode? Probably son or daughter or society. Now phase one and phase 2 both are taking mode. Imagine what can be the difference in the feelings of giver in these 2 phases of taking modes? And what can be the difference in the feelings of taker in these 2 phases of taking modes? Yes, you thought right we should aim retire in taking mode. And to do that we will require adequate regular monthly income.

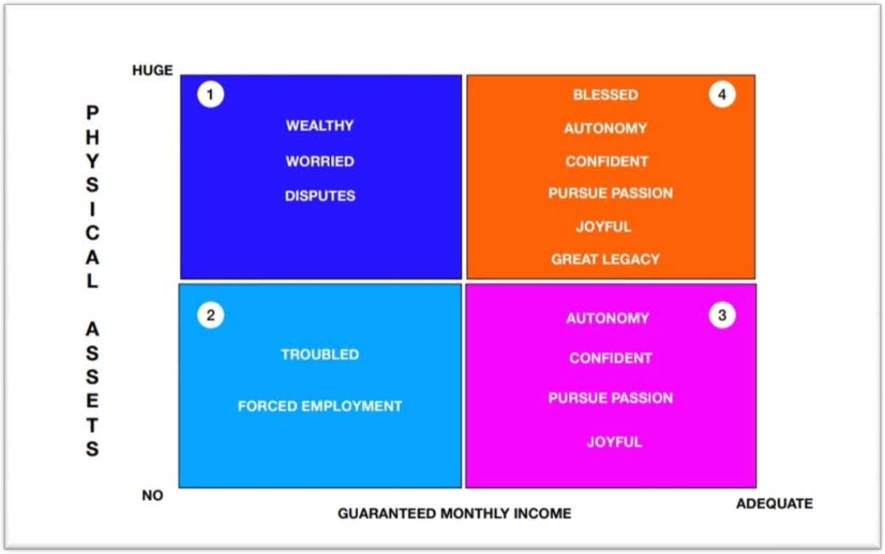
CLASSIFICATIONS OF INCOME

TYPES OF INCOME	EXAMPLES	MAX AGE
ACTIVE INCOME	SALARY, CONSULTATION FEES, PROFESSIONAL CHARGES, BUSINESS PROFITS ..	? 60 To 65
SEMI-ACTIVE INCOME	RENTS, INTEREST ON LENDING...	? 65 To 70
PASSIVE INCOME BUT NOT GUARANTEED	DIVIDENDS, BANK INTERESTS (RATE), TERM BASED YIELD....	? Max 65
PASSIVE INCOME AND GUARANTEED	ANNUITIES, GOVT BACKED PENSION SCHEMES	Life time

By this time, you must have understood that regular monthly income is very much important when it comes to retirement. And we can not rely on occupation to keep producing income in phase 3 of life. So, let's understand different types of income.

As shown in the picture there are 4 types of income. Amount of body, mind & time utilized to produce each type of income is different and there is also an age limit up to which we can produce the same. Lets understand each type of income.

1. **Active Income:** Active income is produced by salary, professional fees, business profits etc. Here we need to fully utilize our body, mind & time. So there is a limit up to what age we can keep doing this. Maximum up to age 60 to 65. Sometimes because of health issues it could be even earlier we are forced to stop producing active income. So we can not depend on active income to keep continue after certain age like 60 to 65.
2. **Semi Active Income:** Rents, Interests on lending etc are example of semi active income. Here we need to partially use body, mind & time but again like active income we can not depend on it beyond age 65 to 70 to keep producing the same.
3. **Passive Income but Not Guaranteed:** Dividends and bank interests are the examples of passive but not guaranteed income. Here we do not need to utilize our body, mind & time to produce the income. But since the income is not guaranteed and after active income stops, we may not be able to manage variations in the rates of income or even certain periods of no income. So, this can also be up to maximum of age 65.
4. **Passive Income and Guaranteed:** Here we do not need to use body, mind and time at all and yet we keep receiving guaranteed same amount for life time with predefined interval like every month. We cand depend on this income as long as we are alive. **There are thousands of financial products in the world but there is only and only 1 product that produces life time guaranteed passive income, and that is annuities.**



The above picture shows all 4 different possible scenarios post-retirement with respect to physical assets and adequate guaranteed monthly income.

1. **Quadrant 2:** The person retiring in Q2 does not have any physical assets and does not have any guaranteed monthly income. For example, Mr. ABC was in a private job with moderate monthly salary, and the company did not offer any pension scheme. Whatever the lumpsum retirement benefit received was utilized to pay the loans taken during his working life to meet his major responsibilities. **His life will be troubled and no choice but forced employment with reducing meta physical strength.**
2. **Quadrant 3:** The person retiring in Q3 does not have physical assets but has adequate guaranteed monthly income. For example, same Mr. ABC retired from a private or government company which offered guaranteed monthly pension scheme or he had invested in a pension scheme which offered guaranteed monthly income on retirement. The same person, Whatever the lumpsum retirement benefit received was utilized to pay the loans taken during his working life to meet his major responsibilities. But still he will receive monthly guaranteed pension of Rs 60,000 per month and which will rise in line with dearness index. **Although there are no physical assets but because of adequate guaranteed monthly income this person will be Autonomous, independent, can pursue his passion/hobbies which he could not during working life and will be joyful.**
3. **Quadrant 4:** The person retiring in Q4 has very huge physical assets and adequate guaranteed monthly income. This is the best possible quadrant to retire in but very few blessed people retire in this quadrant. **Because of adequate guaranteed income here also the person enjoys autonomy, independence, confidence, pursue passion and is able to pass great legacy.**
4. **Quadrant 1:** The person retiring in Q1 has very huge physical assets but does not have any guaranteed monthly income. For example, Mr. XYZ has acquired a land of Rs 50 crores which has a court case running and is unlikely to finish during his life span. He is living in bungalow of Rs 20 Crores. Has 2 high end cars worth Rs 1.50 crore. Has Rs 20 lacs FD, which provides annual interest of Rs 1.20

lacs on current rates. **Because the person has huge assets people seeing him will say he is wealthy but he him self in the absence of adequate guaranteed monthly income will be worried and will have disputes.**

However still if someone has retired in Q1 we can move him to Q3 or Q4 by reducing 5%, 20%, 50% or some times 100% assets to provide adequate guaranteed monthly income. In above example we can not sell Mr XYZ's disputed land but we can sell his bungalow to liquidate Rs 20 crore. Have him purchase a luxurious apartment of Rs 5 Crore. Ask to keep Rs 10 crore as emergency fund and utilize its interest to fulfill once a while major ambitions. Purchase an annuity of Rs 5 crore cuprous which provides life time guaranteed passive income of Rs 2.80 lacs per month. This way this person will be moved from Q1 to Q3.

Some people who have 100 crore or more assets, just by utilizing his 5% of assets to purchase annuity which gives life time guaranteed passive income can be moved from Q1 to Q4.

As a responsible professional financial advisor, it is our duty help our clients to retire in Q3 or Q4. Clients who have already retired in Q1 can be moved to Q3 or Q4 by making provision of adequate monthly guaranteed income by reducing some assets. We should take care to help people ensure they do not retire in Q2.

STUDY ON ELDERS IN INDIA HelpAge India Fighting isolation, poverty, neglect

1	42% Felt disrespected
2	37.8% verbally abused
3	28.2% neglect, economic abuse
4	Sons and daughters-in-law are major abusers
5	53.4% of elders took no action when faced with abuse
6	**The main context of abuse was "Property" (35.4%)**
7	**72% of the abused felt, regular income, the only way to escape abuse.**

Above HelpAge India study shows majority of elderly people felt disrespected and verbally abused post-retirement. With sons and daughters-in-law being major abusers. 72% of the abused felt, regular income, the only way to escape abuse.

By this time, we must have understood that regular income plays very important role in phase 2 & phase 3 of life. Active income demands use of body, mind and time tp produce the income. We can depend on active income in phase 2 of life. But in phase 3 of life when body, mind and time do not support as much as in our young ages we must depend on passive and guaranteed income in retirement.The importance of planning & ensuring provision of adequate passive and guaranteed monthly income to ensure we retire in Q3 or Q4 is our basic necessity.

In the next issue

- we will mathematically explore & examine some possible ways to generate regular income post-retirement.
- Mathematical calculation if we just save 5% of our salary for retirement what cuprous can be accumulated.
- A scientific mathematical calculation to arrive at the amount of cuprous one needs to have on retirement
- A scientific mathematical calculation to arrive what amount to save per month and in which asset class to achieve the desired cuprous for retirement.
- A chart guiding retirement science in accumulation & distribution phase.

SOURCE: SHRI GOPINATH SIR'S TEACHINGS

AUTHOR,
ANKUR SHAH,
Dev. Officer, LIC,
Award In Financial Planning CII, UK.
FCFP, QPFPA, MCAFP Go Past,
Licentiate, Insurance Institute of India.

RETIREMENT SCIENCE PART – 2

In our previous article retirement science part – 1, we understood very clearly that everyone will need passive and guaranteed regular income at one point of time. And this is not a luxury product but a basic necessity. Only the provision of adequate monthly guaranteed income makes one independent.

In this article we will explore different ways to generate regular passive income. While doing so we will keep in focus following 6 points. Following are the 6 essential qualities the ASSET must have that would generate retirement income.

1. **Yielding regular income.**
2. **Yielding predictable income.**
3. **No need to spend money, time and efforts to maintain it/grow it.**
4. **Does not depreciate.**
5. **Can not be taken/given away.**
6. **Immune to calamities.**

Now let's explore different ways to generate regular & passive income.

- **Fixed Deposit & Dividends:**

Interest on fixed deposit and dividends are passive income but the same are not guaranteed. We can not depend on life time to generate regular & guaranteed passive income as long as we are alive. However, FD is a very good option as emergency fund.

- **Rental Income:**

Rental income can be classified as semi active income. We will need to use body, mind & time to generate the same. After a certain age It is not possible to find a tenant, make a contract, follow-up for rent, do the maintenance work required for property from time to time. In the times like covid there might be periods of no rent etc.

- **SWP (Systematic Withdrawal Plan):**

Systematic Withdrawal Plan is a very famous concept with mutual funds. There is a famous saying that majority of actively managed large cap schemes do not beat index like Sensex. In other words, Sensex out performs majority of the actively managed large cap schemes. Let's do a practical case study of SWP from Sensex and find out what happens. If a safe return or a guaranteed returnproduct yields 6% return then by taking risk we must be able to withdraw at least 8% of corpus every year through SIP if not more. We will use the value of Sensex as NAV. We will allocate units when we invest and we will debit units when we withdraw the fund.

SWP FROM SENSEX @ 8% EVERY YEAR

Date	Sensex Closing Value	Amount Invested	Balance Units	Withdrawal	Units Debited
31.12.2007	20286.99	10000000	492.9267	800000	39.4341
31.12.2008	9647.31		453.4926	800000	82.9247
31.12.2009	17464.81		370.5679	800000	45.8064
31.12.2010	20509.09		324.7615	800000	39.0071
31.12.2011	15454.92		285.7544	800000	51.7635
31.12.2012	19426.71		233.9910	800000	41.1804
31.12.2013	21170.68		192.8106	800000	37.7881
31.12.2014	27499.42		155.0225	800000	29.0915
31.12.2015	26117.54		125.9309	800000	30.6308
31.12.2016	26626.46		95.3002	800000	30.0453
31.12.2017	34056.83		65.2549	800000	23.4901
31.12.2018	36068.33		41.7647	800000	22.1801
31.12.2019	41253.74		19.5846	800000	19.3922
31.12.2020	47751.33		0.1924	800000	16.7535
31.12.2021	58253.82		-16.5610	800000	13.7330
31.12.2022	60840.74		-30.2940	800000	13.1491

The table above displays the value of Sensex as on 31st December every year. We invested Rs 1 crore on 31.12.2007 with value of Sensex being 20286.99 & considering it as NAV we allocated 492.9267 units. And we started withdrawing 8,00,000 (8% of corpus) every year by deducting units of the corresponding value of Sensex every year. When we reached 2021, we did not have enough units to withdraw the amount. After withdrawing 8% of corpus every year for 14 years we did not have the units to withdraw any more fund. This is because equity markets do not give the same linear return every year. There is a word called standard deviation and because of this standard deviation when the market corrects, we consume higher no of units. So, when we do SWP, there is a high probability that we may be alive but there may not be units left to withdraw. In this way we can not depend on SWP for our entire life to provide regular income when the returns are volatile.

- **Reverse Mortgage:**

REVERSE MORTGAGE

1. LOAN AMOUNT AT 80% OF THE VALUATION MADE
2. MAXIMUM LOAN AMOUNT IS 1C; INSTALMENTS PAID IN FORM OF EMI
3. BASE RATE +2.50% (12.15%) (https://www.unionbankofindia.co.in/english/personal-retail-reverse-mortage.aspx)
4. TERM OF LOAN (TENOR): MIN:10 Y TO MAX 20 Y
5. OWNER'S AGE 60 AND ABOVE
6. CONTINUE TO LIVE AFTER TENOR ALSO BUT NO INSTALMENTS WILL BE PAID.
7. LOAN REPAYABLE UPON DEATH OF THE SURVIVING SPOUSE.
8. LEGAL HEIRS CAN RELEASE THE MORTGAGE BY REPAYING THE LOAN WITH ACCUMULATED INTEREST.
9. THE BANK CAN SELL AND RECOVER THE DUE, AND THE EXCESS PAID TO LEAGAL HEIRS.
10. LUMP-SUM MAX 15L FOR CRITICAL ILLNESS
11. All payments under RML are exempt from income tax under Section 10(43) of the Income-tax Act, 1961.

Above is the sample terms & conditions taken from a bank's website regarding reverse mortgage. The details of how reverse mortgage works is given in the following 2 links.

https://www.unionbankofindia.co.in/english/personal-retail-reverse-mortage.aspx

https://www.unionbankofindia.co.in/english/personal-retail-reverse-mortage.aspx

From the above link let's make a calculation of 1 sample case.

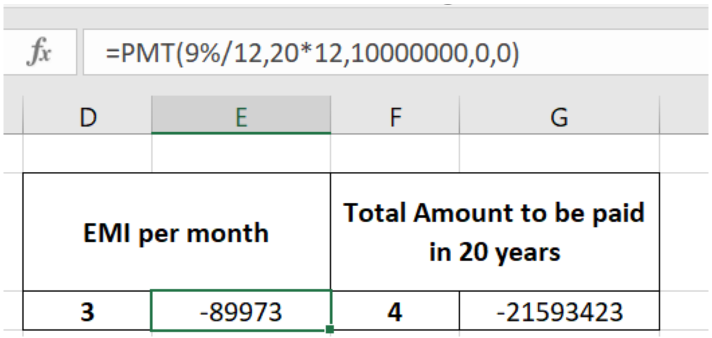
1. Reverse Mortgage loan amount Rs 1 Crore
2. 20 Years term
3. 12.15% Interest PA (latest Interest rate published on bank's website)
4. Let's calculate how much monthly reverse mortgage installment will be paid to elderly individual.

fx =PMT(12.15%/12,20*12,0,-10000000,1)

D	E	F	G
Installment per month		Total Amount to be received in 20 years	
1	9807	2	2353644

As shown in calculation above the elderly individual will receive Rs 9807 every month for next 20 years against a reverse mortgage loan of Rs 1 crore for 20 years @ 12.15% interest rate. The total payment received in 20 years is Rs 23.54 lacs.

Now let's calculate if an individual takes a housing loan of Rs 1 crore at 9% Interest rate for 20 years what would be the EMI & total outflow in 20 years.



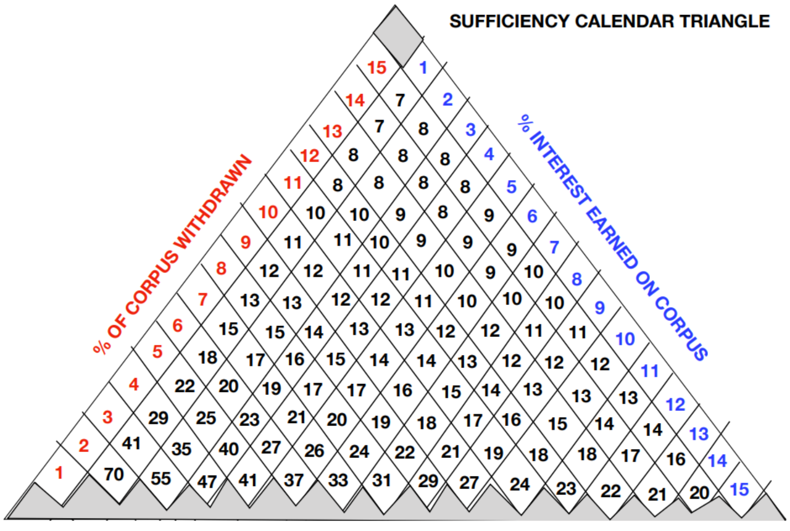
=PMT(9%/12,20*12,10000000,0,0)

D	E	F	G
EMI per month		Total Amount to be paid in 20 years	
3	-89973	4	-21593423

Yes, you got it right if Rs 1 crore reverse mortgage is done one would receive total Rs 23.54 lacs income in 20 years. And if one purchases a housing loan of Rs 1 crore, he/she will be paying total Rs 2.16 crore in 20 years. Reverse mortgage is not a choice financially or emotionally in India. Even if a reverse mortgage proves disadvantageous for the consumer, they may feel compelled to opt for it due to their financial constraints or pressing circumstances. This decision could stem from a sense of obligation or necessity driven by their specific situation.And unfortunately, hundreds of crores of reverse mortgage business is being underwritten in India every year.

AS A PROFESSIONAL FINANCIAL ADVISOR IT MUST BE OUR ETHICAL AND SOCIAL RESPONSIBILITY TO MAKE PEOPLE UNDERSTAND & PLAN PASSIVE & GUARATNEED INCOME DURING THEIR WORKING LIFE FOR THEIR RETIRED LIFE.

- **SUFFICIENCY CALENDAR TRIANGLE:**



Above is a sufficiency calendar triangle made by our Guru Shri Gopinath Radhakrishnan sir during 1980s using logarithms. It shows at a particular interest rate, if a specific percentage of corpus is withdrawn, how many years the corpus will last.

For example,if you have Rs 10 Crores corpus and rate of interest is 6%. And if one withdraws 10% of corpus every year then the corpus will last for 16 years. And if he withdraws 5% of corpus every year then the corpus will last for infinity.

We will continue this article as Retirement Science part 3. In the part 3 of article we will see or learn as to

1. Exactly what to do in accumulation phase
2. Exactly what to do during distribution phase
3. Followed by a scientific calculation
4. Y/Z tool. A tool to determine how independent one will be during his/her retired life.

SOURCE: SHRI GOPINATH SIR'S TEACHINGS

AUTHOR,
ANKUR SHAH,
Dev. Officer, LIC,
Award In Financial Planning CII, UK.
FCFP, QPFPA, MCAFP Go Past,
Licentiate, Insurance Institute of India.

GOD DESIGNED OUR BIRTH; OUR MIND DESIGNS OUR FUTURE

Lumhon Horam

Birth means sacrifice. Sacrifice involves blood, tears, sweat, pain, dedication and more. Every birth is a Maricles. Parturition is a very crucial and risky to mothers and chilli s life. No any pain is painful than parturition and no one is ever happier than a mother who see her child for the first time after parturition is succeeded. Very true to said that every mother sacrifice so much for their kids. Sacrifices are painful and so joyous results.

One of the greatest blessings from God to us is our mind. Our mind has ability to determine what is good and what not. Every person has different unique faces, likewise everyone got different thoughts, feelings, ideas which are originally struck by our mind. One positive thought give one good idea. One good feeling hold estatic emotion and one good action gets a fruitful result. Mentality and personality hold our own future. That is the power of our mind. Everyone was blessed mind since the day we were born. Knowing all that one must feel God designed our birth miraculously and bless us wonderfully.

There is a saying "if you are born poor its not your mistake; but if you are die poor its your mistake." God bless us a priceless free mind to take responsible and also designs our own future. One might be born poor likewise he also has rights to die rich. Newton third law also states that "for every actions there is equal and opposite reaction. " Everything on earth is not permanent. As the time and season changed every person has rights to change one owns future. Life is a choice. If one go along with negative mentality and personality, a bitter rewards and painful consequences will hits back against him. But one who live with a good and positive mentality and personality, a fruitful and joyous results awaits him. Every parents hope is not only their kids to get rich or a successful person. They still have one little hope from their kids that when they grow old ,physically and financially weak, they cannot stand ,feed and live on their own one of their kids will take care for them. Person who take care to their parents is the luckiest one because not only their parents blessings but also God miracles work and blessings shall be his. Be positive.

Every birth is not a chance. Every birth has a purpose. If you believe that God has send you on this earth, you must seek and worship that God. He is the key to create or designs one s bright and fruitful life. When you were born, you cried and the world rejoiced. Live your life positively so that when you die, the world cries and your soul rejoice. I repeat be positive.

GOD DESIGNED OUR BIRTH; OUR MIND DESIGNS OUR FUTURE

Priyangsha Rajak

God has designed our birth meticulously and we are known to be His best creations. He has blessed us with the power of different kinds of senses and we all stand unique to each of His creations. He created people out of love for the purpose of sharing love. People were created to love God and each other. Additionally, when God created people, He gave us good work to do so that we might experience Goods goodness and reflect His image in the way we care for the world and for each other. He has filled our minds with knowledge and wisdom and we are responsible for designing our lives positively and therefore are called the 'Designers' of our own life.

Although we are the creation of God, yet we are to design our lives ourselves. If we sow positivity, fellowship, gratitude, wisdom and happiness into our minds, we are ought to design a happy and healthy life, on the other hand if we sow negativity, hatred, anger, jealousy and grudges into our minds we are undoubtedly bound to receive the fruits of negativity and design a problematic life. We always complain about our life being problematic but we forget the fact that we are the designer of our own life and are responsible for the happenings in our life. We often lose hope when we go through problems or stress or if we fail in doing something. This makes us weak.We must never lose hope but work harder and keep our faith in God because only a positive mind can create a positive life.We are single-handedly responsible for our life.The more positivity we bore, the more positively we design ourselves.

We as human beings should remain ever grateful to God for blessing us with all the goodness of life. As human beings, our purpose is to evolve during our lifetime because that is consistent with our evolutionary purpose. We are in this world so that we can adapt, learn and grow. The Almighty has already blessed us with the fruits of life and has created us in suchaway that we could design our lives in the bestway. All of us are "Architects", architects of our life. As a building needs proper foundation to bebuilt in, similarly our mind too needs proper foundation of knowledge and wisdom to build a happy life. There goes a saying" A nidle mind is a devils workshop", which means if we remain idle or do nothing our mind will be captured by all the negative traits and we will eventually design our life negatively. Whereas, by trusting God and His plans and thriving through the dark phase of our life, we shall rightfully accomplish in life.

In conclusion, I would like to mention that being the Designers Engineers and Architects of our life, we must try to design and build our lives in the best way and always be thankful to the Almighty for giving us this life and blessing us with such a powerful mind so as to be able to design our lives in the best possible manner.

Table I.15: Grievances on Unfair Business Practices (UFBP) registered against Life Insurers

Grievances	2021-22			2022-23		
	Public	Private	Total	Public	Private	Total
Total No. of grievances on Life Insurers	1,14,202	40,624	1,54,826	81,494	45,884	1,27,378
No. of UFBP grievances	3,509	22,207	25,716	2,978	23,129	26,107
Share of UFBP grievances to total grievances (%)	3.07	54.66	16.61	3.65	50.41	20.50
Share of UFBP to new policies sold (%)	0.02	0.3	0.09	0.04	0.11	0.09

STATEMENT 3

PREMIUM UNDERWRITTEN BY LIFE INSURERS ^

(₹ Crore)

S. No.	INSURER	2021-22	2022-23
1	Aditya Birla Sun Life Insurance Co. Ltd.	12,140.23	15,069.69
2	Aegon Life Insurance Co. Ltd.	416.46	369.95
3	Ageas Federal Life Insurance Co. Ltd.	2,207.30	2,289.00
4	Aviva Life Insurance Co. Ltd.	1,268.15	1,317.45
5	Bajaj Allianz Life Insurance Co. Ltd.	16,127.05	19,461.43
6	Bharti AXA Life Insurance Co. Ltd.	2,601.56	2,920.58
7	Canara HSBC Life Insurance Co. Ltd.	5,889.92	7,197.38
8	Edelweiss Tokio Life Insurance Co. Ltd.	1,464.20	1,690.47
9	Exide Life Insurance Co. Ltd.*	3,767.96	NA*
10	Future Generali Life Insurance Co. Ltd.	1,433.54	1,758.01
11	HDFC Life Insurance Co. Ltd.	45,962.83	57,533.42
12	ICICI Prudential Life Insurance Co. Ltd.	37,457.99	39,932.78
13	IndiaFirst Life Insurance Co. Ltd.	5,186.56	6,074.53
14	Kotak Mahindra Insurance Co. Ltd.	13,015.11	15,320.46
15	Max Life Insurance Co. Ltd.	22,414.17	25,341.91
16	PNB Metlife Life India Insurance Co. Ltd.	7,348.26	8,785.21
17	Pramerica Life Insurance Co. Ltd.	1,098.78	1,495.39
18	Reliance Nippon Life Insurance Co. Ltd.	5,036.57	5,122.10
19	Sahara India Life Insurance Co. Ltd.	61.44	44.19
20	SBI Life Insurance Co. Ltd.	58,759.64	67,315.60
21	Shriram Life Insurance Co. Ltd.	2,349.60	2,546.40
22	Star Union Dai-ichi Life Insurance Co. Ltd.	4,136.80	5,746.37
23	Tata AIA Life Insurance Co. Ltd.	14,445.03	20,503.50
	Private Total	**264,589.17**	**307,835.83**
		(17.36)	**(16.34)**
24	Life Insurance Corporation of India	428,024.97	474,668.14
		(6.13)	**(10.90)**
	Industry Total	**692,614.14**	**782,503.97**
		(10.16)	**(12.98)**

Note: Figures in the brackets represent the growth over the previous year in per cent.
*Takeover of Exide Life Insurance Co. Ltd. by HDFC Life Insurance Co. Ltd.
^ Premium underwritten within India

Table II.14: Business Performance of Intermediaries in Life Insurance (2022-23)

(Figures in percent of Premium)

Sl. No.	Type of Intermediary	Individual New Business			Group New Business		
		Private Sector	Public Sector	Industry	Private Sector	Public Sector	Industry
1	Individual Agents	23.08	96.14	52.76	1.38	3.62	3.10
2	Corporate Agents-Banks	53.15	2.98	32.77	19.73	3.97	7.65
3	Corporate Agents-others	3.87	0.10	2.34	11.92	0.01	2.79
4	Brokers	5.11	0.10	3.07	6.91	0.07	1.67
5	Direct Business	13.15	0.00	7.81	59.00	92.33	84.55
6	MI agents	0.01	0.28	0.12	1.06	0.00	0.25
7	CSCs	0.01	0.13	0.06	0.00	0.00	0.00
8	Web Aggregators	0.06	0.00	0.04	0.00	0.00	0.00
9	IMF	0.18	0.14	0.16	0.00	0.00	0.00
10	Online	1.33	0.13	0.84	0.00	0.00	0.00
11	Point of Sales (PoS)	0.05	0.00	0.03	0.00	0.00	0.00
	Total Individual Business	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Note:
1. New business premium includes first year premium and single premium.
2. The leads obtained through referral arrangements have been included in the respective channels.

UNLOCKING A MEANINGFUL TRANSITION: FROM WEALTH TO FULFILLMENT

Nayan Bhowmick
Qualified Practitioner in
Financial Planning and Analysis
MCAFP

Renowned as one of the greatest illusionists and escape artists of all time, Harry Houdini captivated audiences worldwide with his daring feats and mesmerizing performances. Born Erik Weisz on March 24, 1874, in Budapest, Hungary (although he often claimed an American birthplace in Appleton, Wisconsin), Houdini rose to fame in the late 19th and early 20th centuries, captivating audiences with his unparalleled skill and showmanship.

Among his many legendary stunts, the Chinese Water Torture Cell stood out as one of his most iconic performances. Suspended upside-down in a locked glass and steel cabinet filled with water, Houdini's attempt to escape before running out of breath became the stuff of legend, earning him the moniker "King of Handcuffs."

Yet, perhaps equally legendary is the tale of Houdini's encounter with a seemingly impenetrable jail cell. Houdini famously boasted that he could liberate himself from any cell in the country, a challenge he had never failed—until one fateful incident. One day Houdini walked into a jail cell and the door clanged shut behind him. As the door clanged shut behind him. From under his belt Houdini removed a strong but flexible piece of metal. He began to work, but something seemed odd about this particular lock. He worked for 30 minutes with no results. Frustrated, he laboured for another hour and a half. By now he soaked in sweat and exasperated at his inability to pick this lock. Completely drained from the experience, Harry Houdini collapsed in frustration and failure and fell against the door. To his surprise, the door swung open – the door had never been locked! The door was only locked in the mind of Houdini.

In my experience guiding individuals through financial planning, it's a common observation that many of us find ourselves chasing a constantly shifting target. This often leads to feelings of frustration, stress, and a sense of futility, particularly when our investment goals lack clarity and purpose.

Let's take a moment to step back from the relentless pursuit of financial gains and instead lean against the philosophical door that offers liberation from these negative emotions. By reflecting on what truly brings meaning to our lives, we can unlock a sense of purpose that transcends mere material wealth.

Once we've opened this door to a more meaningful existence, everything else falls into place more naturally, including how we manage our finances. Aligning our material resources with our deeper sense of purpose not only accelerates our progress but also enriches our lives in ways that extend far beyond monetary measures.

To embark on a meaningful and resourceful transition in our lives, we can initiate the following three steps:

1. Define What Matters to Us: It's crucial to take the time to determine what holds significance in our lives. This involves identifying our values, passions, and aspirations to establish a clear understanding of what brings meaning to our existence.
2. Explore Innovative Resource Utilization: We should begin exploring creative ways to leverage our resources—whether it's money, time, or abilities—to craft the life we desire. By thinking outside the box and seeking unconventional solutions, we can maximize the impact of our resources on our journey towards fulfillment.
3. Cultivate Supportive Partnerships: Collaboration is key to success. We should seek out individuals who can assist us in articulating and achieving our goals. By surrounding ourselves with supportive allies and mentors, we can gain valuable insights, guidance, and encouragement to propel us forward on our path to realizing our aspirations.

Often, during discussions with our investors about their motivations for investing, the recurring response is a desire for more money. However, upon probing further and questioning why they seek greater wealth, the answer invariably circles back to a pursuit of happiness. This raises a pertinent question: are we truly seeking more money, or is our ultimate goal happiness?

The conundrum lies in the realization that while money may contribute to our happiness, it does not guarantee it. Pursuing endless materialistic desires often comes at the expense of our health, both physical and mental. In the relentless pursuit of wealth, we risk compromising our well-being and overall quality of life.

Therefore, despite amassing a substantial bank balance, if our mental and physical health suffers, what utility does our wealth truly hold? It prompts us to reconsider our priorities and recognize that true fulfillment extends beyond monetary accumulation.

Hence, I advocate for embracing a Meaningful Life and fostering a Meaningful Transition in our approach to financial planning.

I firmly believe in the adage, "Money won't make us happy, but neither will poverty." Acknowledging the importance of wealth creation, I advocate for a conscious understanding of its purpose in our lives. Despite our aspirations, we often find ourselves diverted from our true goals by our own inner struggles and desires.

The temptation of possessions can lead us astray, perpetuating the misconception that material wealth defines our worth. Despite hearing countless times that material possessions do not equate to happiness; we are bombarded with messages in advertisements that suggest otherwise.

In light of this, I am dedicated to the pursuit of a meaningful transition towards a more fulfilling life. By recognizing the pitfalls of equating possessions with happiness, we can strive to cultivate a deeper sense of purpose and fulfillment beyond material wealth.

Often, our leaders propagate misleading notions of financial freedom, leading individuals—particularly those who are economically disadvantaged—astray. It saddens me to witness innocent people being misled by the rhetoric of possession perpetuated by certain experts and leaders. Through continuous learning and research, I've come to realize the detrimental impact of these false projections on individuals' lives.

Instead of empowering individuals to pursue genuine financial independence and fulfillment, these misleading messages promote a narrow-minded focus on material possessions. As a result, many people are lured into a cycle of consumerism and materialism, neglecting more meaningful pursuits and genuine sources of happiness.

It is imperative that we, as a society, challenge these misleading narratives and strive to provide individuals with the knowledge and resources they need to make informed decisions about their financial well-being. True financial freedom lies not in the accumulation of possessions, but in the pursuit of purpose, fulfillment, and a balanced approach to wealth management.

Advocating for the perspective that "our life is not about making money - our money is about making a life" embodies a meaningful transition in our approach to wealth and well-being. Instead of prioritizing the accumulation of wealth for its own sake, this mindset emphasizes the instrumental role of money in facilitating a fulfilling and purposeful life.

By shifting our focus from the pursuit of money to the pursuit of a meaningful life, we prioritize values such as personal growth, relationships, experiences, and contributions to society. Money becomes a tool to enable us to achieve these broader life goals, rather than an end in itself.

Embracing this perspective encourages individuals to align their financial decisions with their deeper aspirations and values, fostering a sense of fulfillment and contentment that transcends mere material wealth. It empowers people to lead lives guided by purpose and meaning, ultimately contributing to their overall well-being and happiness.

Indeed, a meaningful life is one imbued with significance and purpose, encompassing a multitude of fulfilling experiences and pursuits. Among these, elements such as family, personal achievements, exploration, freedom, and altruism stand out as integral contributors to our sense of fulfillment and satisfaction.

It's common for individuals to undergo a profound realization when they recognize the intrinsic value of these intangible goals and cease seeking them in external sources or material possessions. This inward revelation often marks a pivotal moment in one's journey towards a more meaningful existence.

By embracing the importance of these core aspects of life and directing our focus towards them, we can cultivate a deeper sense of fulfillment and contentment. Rather than chasing after fleeting pleasures or external validations, we find fulfillment in nurturing meaningful relationships, pursuing personal growth, exploring new horizons, enjoying our freedoms, and making a positive impact on the world around us.

In this way, we discover that true fulfillment lies not in the accumulation of wealth or possessions, but in embracing the richness of life's experiences and the meaningful connections we form along the way. A pivotal responsibility of a financial planner is to guide their clients towards meaningful fulfillment and help them reach the peak of self-actualization.

The Seven Intangibles:

1) Happiness: Finding contentment in appreciating what we already possess.
2) Fulfillment: Maximizing the utilization of our talents and capabilities.
3) Balance: Striking equilibrium between excess and scarcity in our lives.
4) Satisfaction: Enhancing the quality of our endeavors and connections.
5) Security: Having the liberty to pursue our aspirations without fear.
6) Significance: Allocating our time and energy to endeavors of importance.
7) Success: Experiencing fulfillment upon the attainment of our objectives.

A sense of success in financial planning begins with establishing clear goals and a purpose, including identifying who will benefit from our efforts. Unfortunately, many individuals stumble at this crucial step, lacking well-defined financial objectives. Merely aiming to "have enough to retire" constitutes a vague aspiration rather than a concrete goal. Conversely, setting a specific target, such as accumulating one crore of rupees in financial assets by age 60 or 65, represents a clearly articulated objective.

It's worth noting that possessing substantial bank deposits and material possessions doesn't guarantee happiness or fulfillment, as evidenced by the unhappiness and depression experienced by many retirees despite their financial wealth. Studies indicate that a significant portion of the population lacks clearly defined financial goals, a trend that likely extends to other areas of life.

Addressing this issue in the financial realm requires the assistance of empathetic professionals who can help clients articulate their goals and guide them toward achieving those objectives. This shift from a focus on material abundance to meaningful fulfillment represents the essence of the Meaningful Transition.

It's crucial to recognize that the Seven Intangibles—happiness, fulfillment, balance, satisfaction, security, significance, and success—cannot be purchased, but they can certainly be compromised or lost if not prioritized. Therefore, it's essential to remain mindful of our values and objectives, seeking fulfillment beyond mere material wealth and possessions.