Life
A Promise

Nayan Bhowmick

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# Celebrating National Doctors' Day: Honoring Dr. Bidhan Chandra Roy

## 1st July - A Gigantic and Most Respectable Day for Us

India's National Doctors' Day, celebrated on 1st July, is a day of immense pride and respect for the entire nation. This day honours Bharat Ratna Dr. Bidhan Chandra Roy, a renowned physician and the second Chief Minister of West Bengal, whose birthday and death anniversary both fall on this remarkable day. Born on 1st July 1882 to a Bengali Kayastha (Hindu) family in Bankipore, Patna, Dr. Roy's legacy is one of unwavering determination and unparalleled contributions to the medical field.

In 1909, Dr. Bidhan Chandra Roy embarked on a journey to Britain with just Rs. 1200 to enroll in St. Bartholomew's Hospital. Despite facing repeated rejections due to racial prejudices, he exemplified the spirit of perseverance, reapplying 30 times until he was finally admitted. His relentless pursuit of excellence led him to become a member of the Royal College of Physicians and a fellow of the Royal College of Surgeons simultaneously, achieving the rare feat of MRCP and FRCS in just 2.3 years.

Dr. Roy was instrumental in establishing the Indian Medical Association in 1928 and the Medical Council of India, where he served as the first president from 1939 to 1945. His vision and dedication led to the creation of eight leading medical institutions in Calcutta, including R.G. Kar Medical College, Jadavpur T.B. Hospital, Chittaranjan Seva Sadan, Kamala Nehru Hospital, Victoria Institution, Chittaranjan Cancer Hospital, Indian Institute of Mental Health, Infectious Disease Hospital, and the first-ever postgraduate medical college in Calcutta.

The British Medical Journal, in its obituary, described Dr. Roy as the "first medical consultant in the subcontinent of India, who towered over his contemporaries in several fields. At his professional zenith, he may have had the largest consulting practice in the world, news of his visit to a city or even railway station bringing forth hordes of would-be patients." Dr. Bidhan Chandra Roy passed away on 1st July 1962, leaving behind an indelible mark on the medical fraternity and the nation.

A Tribute to the Medical Fraternity

On this special day, we extend our heartfelt thanks and deep gratitude to all the doctors for their unwavering dedication and sacrifice for the human race. You are truly next to God. Your relentless service, especially in challenging times, continues to inspire and save countless lives.

Let us remember and honor the legacy of Dr. Bidhan Chandra Roy by celebrating the incredible contributions of doctors across the nation. Happy National Doctors' Day!

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# FINANCIAL PRIORITIES PYRAMID - POLE STAR

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Pole Star shows directions even during the dark nights. The same way the act of mapping the financial priorities act as pole star for the financial planners and for the clients as well. This approach can be called as Financial Priorites Pyramid approach.

When we are dealing with a resource, that is available in limited quantity, the first thing to do is to prioritise its usage. That is how we can manage tangible resources like Electricity, Water, Battery power, Oxygen and even intangible resources like Time, Relationships, etc. We first list out the most important things to be achieved with these resources, and then we sequence them in order of their importance's.

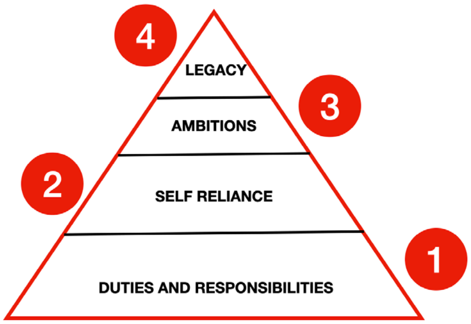
It is therefore Prudent to use the same strategy (Prioritise) when it comes to Finance. Most of the worries that men, women, families, institutions and even Governments are facing have some root level connection to Finance (shortage). Finance is a limited resource. Even a person possessing Millions still has only so many millions.

In this article we are going to primarily focus of Personal Financial Planning for individuals and their families, even though most of these principles are applicable to corporates and governments also.

In this article wherever I have mentioned as his or him should be understood as his/hers or him/her.

Corporates engage Professionals to help them to prepare Revenue Budgets, Capital Budgets, Long-term plans, Short-term plans, Rolling plans etc., Governments also engage qualified personnel to help them draw their Budgets. Both the corporates and Governments invariably avail professional help, either in-house or out-sourced. But when it comes to personal/family finance, mostly financial planning is done (if at all done) by the self. Sometimes in consultation with friends or colleagues, who may not be qualified to advice on Financial matters.

The Irony here is that, Corporates and Governments have more sustainability, have multiple sources of income, continuity of income, and support of hundreds of stake holders compared to The families which in contrast are dependent on limited sources of income (mostly singular), are less sustainable, have discontinuous phases due to illnesses, layo ffs and have very few people to support the unit. The former uses qualified professionals whereas the later is hesitant to seek professional advice. When corporates know Finance Management is a science, Individuals feel it is just common sense.




**FINANCIAL PRIORITIES**

This is the simplified version of the priority pyramid when it comes to allocating the available and the would be available money.

**THE FIRST PRIORITY:**

The priority pyramid starts with "Duties and Responsibilities"

We all know that animals and birds love their children and family and are emotionally attached to them. So do humans. But what di ﬀerentiates the animals in relation to their families and humans in relation to their families is the aspect of **"Responsibilities"**. Humans carry immense responsibilities like getting the children educated, setup a good career prospect for them, arrange for their marriage, take care of the necessities of the elders in family and so on.

The monetary requirement to meet the duties and responsibilities can we divided into two major classifications:

1. That are on-going which require a regular cash flow to meet.
2. That are major responsibilities which require lump-sum monies to meet.

Both these needs have to be met with in all the circumstances. If the person is alive and earning, then through his income or with earmarked assets. **Even if the person happens to die, his responsibilities do not die.** They get fulfilled only when they are met with at the right time.

**When companies run out of money, they close. But when families run out of money they live and they su ffer.** As a responsible person, it does not augur well to leave the beloved family to fend the odds of life. An event predictable or unpredictable can not take away their dreams/goals. Goals and dreams are mostly unconditional and are also time-bound.

### EXAMPLES OF THE TWO TYPES OF MONETARY REQUIREMENTS

| ONGOING REQUIRING REGULAR CASH FLOW OF MONEY | MAJOR RESPONSIBILITIES REQUIRING LUMP SUM MONIES |
|---|---|
| FOOD/CLOTHES | CHILD BIRTH |
| HOUSE RENT/MAINTENANCE | CAPITATION FEES/DONATIONS FOR PROFESSIONAL/ PG EDUCATION |
| ELECTRIC/ENERGY BILLS | GRAND AUSPICIOUS MARRIAGE OF CHILDREN |
| SCHOOL FEES/BOOKS/BAGS/UNIFORMS/EDUCATIONAL TOURS/EXHIBITIONS/EXTRA TUITIONS | OTHER CEREMONIES LIKE UPANAYANAM, SASHTIABDHAPOORTHI, SEEMANDHAM, Etc., |
| COACHING CLASSES FOR ARTS/SPORTS/HOBBIES | |
| GYMS/ENTERTAINMENT AVENUES/TEMPLES AND WORSHIPS INITIAL CAPITAL FUND FOR CHILDREN STARTING BUSINESSES/ FURTHER CAPITAL REQUIRE | INITIAL CAPITAL FUND FOR CHILDREN STARTING BUSINESSES/ FURTHER CAPITAL REQUIRED |
| DOMESTIC MEDICAL EXPENSES | MARGIN MONEY FOR BIG LOANS LIKE HOUSING LOAN |

### THE FINANCIAL PLANNING PROCESS FOR THE FIRST PRIORITY

| | STEPS | CONSIDERATIONS | FINER POINTS |
|---|---|---|---|
| 1 | INVENTORY (THE PRESENT SITUATION) | INCOME AND SOURCES | ASSETS OWNED WITH CLASSIFICATIONS |
| | | EXPENSES ARE CURRENT LEVELS | OUTSTANDING LIABILITIES |
| 2 | PROJECT THE FUTURE LEVELS OF THE ON-GOING DUTIES TOWARDS THE BELOVED FAMILY CONSIDERING INFLATIONS AND PREDICTABLE TRENDS | | |
| 3 | MAKE A LIST OF MAJOR RESPONSIBILITIES THAT MAY REQUIRE LUMP SUM MONIES IN AGREEMENT WITH THE PROSPECT AND CONCERNED FAMILY MEMBERS | GIVE A SAMPLE LIST TO SELECT FROM | ARRIVE AT A DESCENDING ORDER IN TERMS OF PRIORITY, THE MOST IMPORTANT AT THE TOP OF THE LIST AND NOT SO IMPORTANT AT THE BOTTOM. |
| | | AGREE ON THE AMOUNT OF MONEY REQUIRED TO FULFIL THESE AT THE MINIMUM LEVEL, REASONABLE LEVEL AND ASPIRATIONAL LEVEL. THESE VALUES CAN BE TAKEN IN FUTURE VALUE TERMS | CHRONOLOGICALLY SEQUENCE THESE MONETARY REQUIREMENTS LIKE 2022, 2027, 2030 AND SO ON. |
| 4 | ARRIVE AT THE PROTECTION NEEDED AGAINST EVENTS THAT CAN SIGNIFICANTLY IMPACT THE EARNING CAPACITY OR CAN SIGNIFICANTLY CONSUME THE ASSETS HELD NOW (DEATH, DISABILITY, CRITICAL ILLNESS, MAJOR ILLNESS) | ALL THE ABOVE NEEDS IN TERMS OF PRESENT VALUES BY DISCOUNTING THE FUTURE REQUIREMENTS AT A SAFE RATE OF INTEREST | CONSIDER THE XISTING INSURANCE COVER BY THE SELF, BY HIS EMPLOYER OR BY THE STATE (GOVT.) AND THE CONDITIONS APPLICABLE TO THEM. |
| 5 | ARRIVE AT THE SAVINGS NEED BASED ON THE AMOUNT REQUIRED AND THE TIME AVAILABLE FROM NOW TO REACH THAT TARGET AFTER CONSIDERING THE PRESENT VALUES OF THE ASSETS HELD | TO DO THIS YOU WILL HAVE TO CONSIDER THE RISK FACTOR ON THE INVESTMENTS MADE. | NOT NEGOTIABLE GOALS AT MINIMUM LEVEL HAVE TO BE FUNDED THROUGH FINANCIAL INSTRUMENTS THAT CARRY NO RISK OR THE MINIMUM RISK, WHILE REASONABLE LEVELS CAN BE FUNDED WITH MODERATE RISK BEARING INSTRUMENTS AND THE ASPIRATIONAL LEVELS WITH AGGRESSIVE RISK BEARING ONES |
| 6 | CHECK THE SUITABILITY OF THE EXISTING ASSETS IN TERMS OF THEIR NATURE PARTICULARLY FROM THE USER BASED MODEL. ( EXAMPLE: IF THE BENEFICIARIES ARE MINORS OR VERY YOUNG CAN THEY HANDLE COMPLEXITIES THE ASSETS WILL POSE TO SUCH USERS) | WEED OUT THE NOT SUITABLE ONES AND ARRIVE AT AN AGREEMENT WITH THE CLIENT ON SHOULD THEY BE ENCASHED NOW TO FUND MORE SUITABLE ASSETS OR LET THEY REMAIN IN THE BALANCE SHEET. | |
| 7 | GAPS IDENTIFIED | | |
| 8 | RECOMMEND SUITABLE INSURANCE PRODUCTS TO MEET THE PROTECTION NEEDS | CONSIDER THE FINANCIAL STRENGTH OF THE INSURANCE PROVIDER, THEIR LEVELS OF SERVICE PARTICULARLY CLAIMS SETTLEMENT PROCESSES. | AFFORDABILTY, COST OF THE PRODUCT, ELIGIBILITY OF THE CLIENT, TAX IMPLICATIONS |
| 9 | RECOMMEND SUITABLE SAVINGS/INVESTMENTS PRODUCTS TO MEET THE SAVING NEEDS (BETTER BE DONE GOAL WISE RATHER THAN TO BE BUNCHED BASED ON IRR) | CONSIDER THE INANCIAL STRENGTH OF THE PRODUCT PROVIDER, THEIR LEVELS OF SERVICE PARTICULARLY CLAIMS SETTLEMENT PROCESSES. | RISK TAKING CAPACITY OF THE CLIENT, AFFORDABILTY LIQUIDITY PROVISIONS, COST OF THE PRODUCT, ELIGIBILITY OF THE CLIENT, TAX IMPLICATIONS |
| 10 | PLAN OF IMPLEMENTATION OF THE RECOMMENDATIONS | TIMELINE TO START THE VARIOUS RECOMMENDED PRODUCTS | PAPER WORK INVOLVED, THE PROCESS OF UNDERWRITING AND THE LEGAL UNDERTAKINGS ON THE PART OF THE CLIENT AND THE SERVICE PROVIDERS |
| 11 | THE PROCESSES OF REVIEWING THE PLAN AND THE PERFORMANCE OF THE PRODUCTS | PREFERABLY ONCE IN 6 MONTHS | MODIFICATIONS REQUIRED BY ALTERING THE EXISTING PRODUCTS OR REPLACING SOME OF THEM |
| 12 | CELEBRATE THE PROGRESS TOWARDS THE GOALS | | |

## THE SECOND PRIORITY

The second level of the Priority Pyramid is: Self Reliance.

When the children grow up, start earning, become independent, get married and settle down in their lives, a major portion of the duties and responsibilities towards the family would have got fulfilled. But at this stage the earning capacity of the client would have come down substantially. Particularly in terms of the physical abilities. There are also employment conditions which force-exits people at a specified age (example: 60years of age). The opportunities to get employed again at that age are also limited. Even if a person is engaged in running his own business, it is still advisable to provide for alternate source of income. So that at advance ages he will not be compelled to take the stress of managing the business well to produce income to support himself, his spouse and other dependents.

Most of the times people do not realise this need till the come closer to their ages of retirement. Initially their focus will be on taking care of their family requirements. Since family requirements are elastic, they consume all the money that is available then and there. Even after spending all the money earned on the family (sometimes even borrowed money), it still leaves a feeling of inadequacy because we constantly compare ourselves with more a ffordable persons around. With technology developing rapidly many household products become obsolete soon forcing to buy the latest. All these factors result in overconsumption of the income leaving very little scope of providing for the post retirement income.

It is very much important to live a happy, peaceful and healthy life at the senior ages. It is equal in importance compared to the preretirement age. Living together with the whole family, the children, grand children, great grand children is the best that anyone can ask for from God in return for all the hard work put in during the younger days. But living together is di fferent from dependent on them for living. The best of those years can be gained by living together while being self reliant financially.

The financial planners should therefore engage the client's attention to this need simultaneously while providing for their duties and responsibilities. Even if it can be distributed at 20% for self reliance need versus 80% towards younger days duties and responsibilities, it is better than using 100% of the income for fulfilling duties and responsibilities and hoping to catchup with the retirement needs after the children settle down in their lives. It is too big a risk to be taken. We have covered in detail in the previous issues of inscriptions about this aspect.

The provisions for Self Reliance also will contain two major requirements 1) The ongoing requiring regular cash flow of monies and 2) Major necessities requiring lump sum monies to meet.

### THE FINANCIAL PLANNING PROCESS FOR THE SECOND PRIORITY

| | STEPS | CONSIDERATIONS | | FINER POINTS |
|---|---|---|---|---|
| 1 | INVENTORY | ESSENTIAL EXPENSES CURRENTLY INCURRED ON SELF, SPOUSE AND DEPENDENTS (OTHER THAN CHILDREN) | | ASSETS EAR-MARKED FOR USE AT SENIOR AGES (EXAMPLE: RESIDENTIAL HOUSE, VEHICLES, ETC.) |
| | | INCOME ARRANGEMENTS IN PLACE FOR THE SENIOR AGES | | LIABILITIES THAT EXTEND BEYOND THE WORKING AGE |
| 2 | PROJECT THE FUTURE LEVELS OF THE ON-GOING ESSENTIALS FOR SELF, SPOUSE AND DEPENDENTS CONSIDERING INFLATIONS AND PREDICTABLE TRENDS | ESTIMATE THE CORPUS REQUIRED FOR THAT CASH FLOW AT AN ESTIMATED RATE OF ANNUITIES | | HERE AGAIN CLASSIFYING IN TERMS OF MINIMUM REQUIREMENT, REASONABLE AND ASPIRATION REQUIREMENT WILL HELP IN SELECTING SUITABLE FUNDING OPTIONS |
| 3 | WHAT OTHER CONTINGENCIES NEED TO BE PROVIDE FOR THAT MIGHT REQUIRE LUMP SUM MONIES | LIKE MAJOR HOSPITALISATION EXPENSES OR SOME RITUALS RELATED TO CHILDREN/GRAND CHILDREN | | AGREE WITH THE CLIENT THE ORDER OF PRIORITY IN WHICH THEY SHOULD BE PROVIDED FOR. |
| 4 | THINGS THAT THEY WISH TO DO, WHICH THEY COULD NOT DO DURING THEIR WORK LIFE | LIKE TAKING A WORLD TOUR, A WILD LIFE EXPEDITION, PAINTING, PHOTOGRAPHY ETC | | WHETHER REGULAR CASH FLOW REQUIRED OR LUMP SUM MONIES REQUIRED OR BOTH. |
| 5 | EXPLAIN THE CLASSIFICATIONS OF INCOME | 1. ACTIVE INCOME<br>2. SEMI ACTIVE INCOME<br>3. PASSIVE INCOME BUT NOT GUARANTEED AND<br>4. PASSIVE INCOME AND GUARANTEED. | | DESIGN A SUITABLE MIX OF THESE INCOMES TO MATCH THE NEEDS OF THE CLIENT |
| 6 | GAPS IDENTIFIED | | | |
| 7 | RECOMMEND SUITABLE SAVINGS/INVESTMENTS PRODUCTS TO MEET CORPUS REQUIRED | CONSIDER THE FINANCIAL STRENGTH OF THE PRODUCT PROVIDER, THEIR LEVELS OF SERVICE PARTICULARLY CLAIMS SETTLEMENT PROCESSES. | OPTIONS OF ALLOWED IN PRODUCTS LIKE IS IT A LIFE ANNUITY? IS IT A DRAW-DOWN METHOD? LUMP SUM WITHDRAWALS ALLOWED? | RISK TAKING CAPACITY OF THE CLIENT, AFFORDABILTY LIQUIDITY PROVISIONS, COST OF THE PRODUCT, ELIGIBILITY OF THE CLIENT, TAX IMPLICATIONS |
| 8 | PLAN OF IMPLEMENTATION OF THE RECOMMENDATIONS | TIMELINE TO START THE VARIOUS RECOMMENDED PRODUCTS | | PAPER WORK INVOLVED, THE PROCESS OF UNDERWRITING AND THE LEGAL UNDERTAKINGS ON THE PART OF THE CLIENT AND THE SERVICE PROVIDERS |
| 9 | THE PROCESSES OF REVIEWING THE PLAN AND THE PERFORMANCE OF THE PRODUCTS | PREFERABLY ONCE IN 6 MONTHS | | MODIFICATIONS REQUIRED BY ALTERING THE EXISTING PRODUCTS OR REPLACING SOME OF THEM |
| 10 | CELEBRATE THE PROGRESS TOWARDS THE GOALS | HAPPY SENORITY | | SELF RELIANCE |

## THE THIRD PRIORITY

The third stage in the priority pyramid is "AMBITIONS"

During the working life and earning period when the earning capacity is at the peak and the opportunities around seem to be everlasting, people find a big pull towards providing for bigger things in life. People also compare themselves with others and try to match their life style (possessions) even it amounts to borrowing money to secure them. I have come across many clients who while talking about financial plan and the products talk about the Return on Investments and often comment that it is too low, but when it comes to borrowing they don't even look at the Rate of Interest that they have to pay on the amount they are going to spend on a big car or a gadget.

People often mixup with an ambitious goal with duties and responsibilities. For example a client feels buying a top-end brand car is his duty towards his family. They will be very happy and proud. In the process takes more loan to fund that buy. Whereas he still has a gap in his Protection needs (Insurance) Savings needs (for major responsibilities) and Self Reliant life (Retirement). A bigger house, a big car, a holiday on a luxury cruise are all examples.

It is absolutely necessary to consider such ambitions in a financial plan. Only that the priority given to be given to funding them have to be carefully decided. It can not be done at the cost of first stage or the second stage of the priority pyramid.

## THE FOURTH PRIORITY:

**The fourth stage in the Priority Pyramid is "Legacy".**

**When a person leaves this world after having a fulfilled life, he would like to leave assets in legacy to his children/grand children to other beloved relations.**

**This aspect has to be considered in his Financial Plan. But in terms of priority it will be allowed the fourth space. When we have fulfilled our duties and responsibilities we have done our best to the children and other dependents, whatever more we are going to leave behind is only an extra to that.**

**An example of the misplaced priority is when people opt for Return of Cash option in selecting annuity policies for themselves. If they would have opted for Life annuity they would have got a higher annuity amount which at their old age can be very valuable. That little extra, would have given more dignity. As far as children are concerned, they have been already provided with the best in terms of education and settling down support. Any extra cash receipt always brings happiness. But the trade-o ff between more dignity and the surprise happiness of this legacy is an incorrect stand.**

**Same is the case with accumulating more real estates with a notion of leaving behind for the next generations. I acknowledge that it is a good gesture. But if the 1st, 2nd and the 3rd stages are not yet provided for adequately, still focussing on the 4th stage in the pyramid can end up as a "Hyperopic" situation in life.**

**You can understand from the discussions above that it takes a comprehensive view to do a financial plan for the client. Planning for one or two or a few needs, or buying products based on the attractive features projected in the promotional literature can be in short called "Hazardous" approach. Therefore Agents/Advisors should always try to promote a complete financial plan and try to sell products that suit the overall plan. If there are products that a single tied agents can not provide for his clients, never mind, still draw the financial plan and guide the client with the correct approach and suggest that he get served from other service providers for such solutions that we can not o ffer, but required for him to reach his goals.**

**Selling Pre-designed products of the Insurance companies, Mutual funds and other investment products is comparatively easy. It increases the sales volume and helps agents/advisors to reach their targets surely.**

**Look at the brightest features of those products and see how it fits into a specific need of a client and show him the "Fit" is a good sales strategy. It gets more "yes" from the clients.**

**For example a life insurance product o ffering waiver of future premiums upon death of the proposer and also provide 1% of the sum assured as cash flow to the child and also provides for the maturity benefits as if the full term premiums have been paid can be quite appealing to person with a young child. The product features are fantastic and it also suits the education need of the client.**

**But has he taken care of his other needs also? Is there a very important goal that has been ignored in providing for this policy? Are the other essential expenses that are fulfilled with the income of this person taken care of? Will the death or disability of this person a ffect the minimum level of lifestyle if his income stops? Will the cost of this insurance policy handicap him from providing for the rest of the needs?**

**Constructing the Priority Pyramid will take a long time. The process will seek deeper involvement of the client, which many people may not be willing (Initially). But that is the correct approach for both the planer and the client. Even though selling product features showing how fitting they are to certain needs of the clients is much easier and quicker, we should still try convincing the client for the need to construct the Priority Pyramid and then proceed with purchasing financial instruments.**

**Priority Pyramid approach is quite rewarding. Because the quantum of investments that will bring in will be multiple times bigger than the product sell approach. But this benefit is only a byproduct the core product is the satisfaction of the client and the professionalism of the advisor that has been achieved in this process.**

**Let me quote from Thirukkural a creation of 1330 couplets written by a great Saint called Thiruvalluvar during the 1st Century. This Kural is written keeping a king in the mind, but it is equally relevant to a leader in the family.**

**DRAWING A PLAN, EARNING, PROTECTING AND DISTRIBUTING THE YIELD AS PLANNED, IS THE DOMAIN OF A GREAT KING"**

**EPIC: THIRUKKURAL: CHAPTER "GOOD GOVERNANCE":**
**COUPLET NO: 385. WRITTEN IN 0001 BCE**

**இயற்றலும் ஈட்டலுங் காத்தலுங் காத்த**
**வகுத்தலும் வல்ல தரசு.**

-குறள் 385 இறைமாட்சி; பொருட்பால்

# Retirement Science Part – 3

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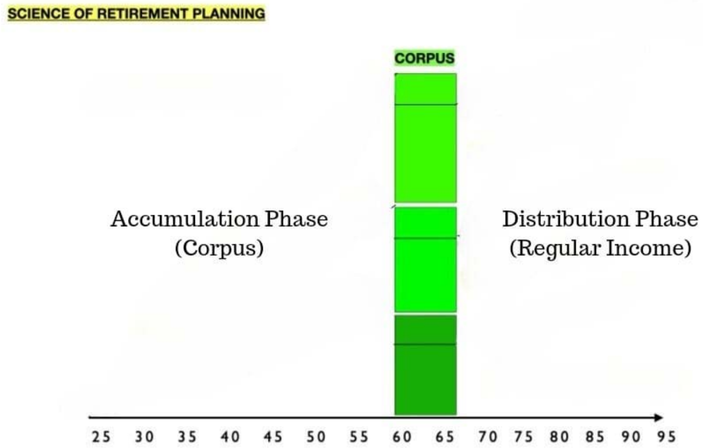
Dear readers,

In Part 1 we Saw the importance of regular income which is passive & guaranteed. In part 2 we explored diff ways of generating regular income post-retirement. In this part 3 we will understand exactly who should we do retirement planning.

**Retirement Planning:**

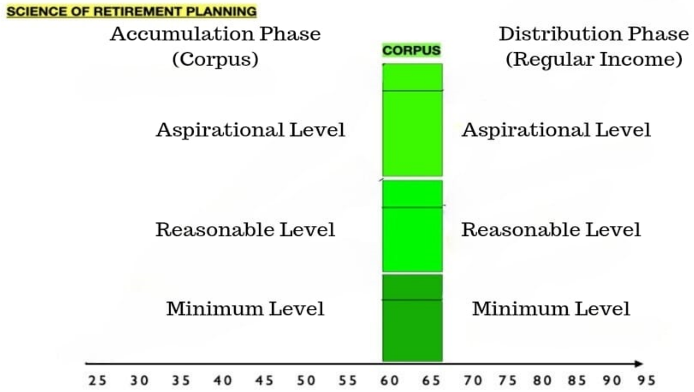



**As you can see in the picture retirement planning has 2 phases:**

1. **Accumulation Phase**
2. **Distribution Phase**

**Accumulation phase** is the time when a person saves money for his retirement. During this time, he is accumulating the corpus.

**Distribution phase** is when he is consuming the corpus by converting it into a (regular income) cash flow.



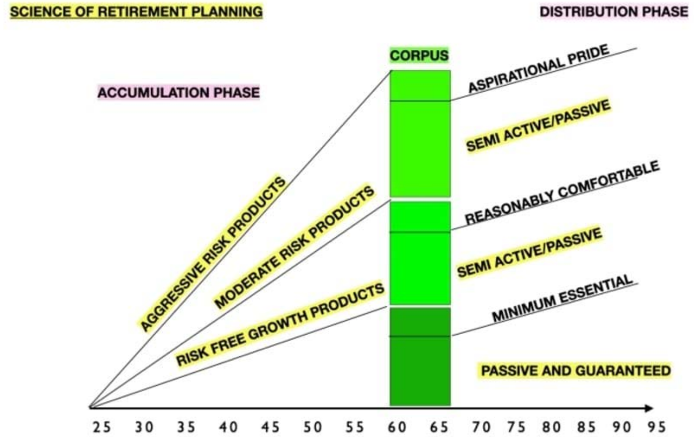

**The life style requirements postretirement can be classified into 3 levels:**

1. **Minimum level** (the barest minimum that this person can live within the means provided for (say 50% to 60% of used to level)) and
2. **Reasonably comfortable** (litle less than the pre-retirement level, letting go of whatever can be let go (say, 75%to 80% of the used to level))
3. **Aspiration level** of life (the one that a person will be fantasizing about (say 150% of the used to level))

We need to keep in these 3 levels in mind in accumulation phase to decide the asset class for savings to achieve desired corpus.

We need to keep in mind these 3 levels in distribution phase as well to decide the type of regular income.

**The picture below will explain the scientific principles one need to adopt during both the accumulation and distribution phases.**




**Case Study (saving only 5% of income for retirement)**

Name: Mr. ABC

Present Age: 25

Retirement Age: 60

Present annual Income: Rs 12,00,000

Increment every year: 10%

Safe rate of return: 6%

Retirement Corpus: find out the final corpus amount if this person saves every year just the 5% of his income to create a retirement corpus

| Mr ABC savings @ 5% of salary for Retirement | | | | |
|---|---|---|---|---|
| **Sr No** | **Year** | **Age** | **Salary** | **Savings @ 5%** |
| 1 | 2023 | 25 | 1200000 | 60000 |
| 2 | 2024 | 26 | 1320000 | 66000 |
| 3 | 2025 | 27 | 1452000 | 72600 |
| 4 | 2026 | 28 | 1597200 | 79860 |
| 5 | 2027 | 29 | 1756920 | 87846 |
| 6 | 2028 | 30 | 1932612 | 96631 |
| 7 | 2029 | 31 | 2125873 | 106294 |
| 8 | 2030 | 32 | 2338461 | 116923 |
| 9 | 2031 | 33 | 2572307 | 128615 |
| 10 | 2032 | 34 | 2829537 | 141477 |
| 11 | 2033 | 35 | 3112491 | 155625 |
| 12 | 2034 | 36 | 3423740 | 171187 |
| 13 | 2035 | 37 | 3766114 | 188306 |
| 14 | 2036 | 38 | 4142725 | 207136 |
| 15 | 2037 | 39 | 4556998 | 227850 |
| 16 | 2038 | 40 | 5012698 | 250635 |
| 17 | 2039 | 41 | 5513968 | 275698 |
| 18 | 2040 | 42 | 6065364 | 303268 |
| 19 | 2041 | 43 | 6671901 | 333595 |
| 20 | 2042 | 44 | 7339091 | 366955 |
| 21 | 2043 | 45 | 8073000 | 403650 |
| 22 | 2044 | 46 | 8880300 | 444015 |
| 23 | 2045 | 47 | 9768330 | 488416 |
| 24 | 2046 | 48 | 10745163 | 537258 |
| 25 | 2047 | 49 | 11819679 | 590984 |
| 26 | 2048 | 50 | 13001647 | 650082 |
| 27 | 2049 | 51 | 14301812 | 715091 |
| 28 | 2050 | 52 | 15731993 | 786600 |
| 29 | 2051 | 53 | 17305192 | 865260 |
| 30 | 2052 | 54 | 19035712 | 951786 |
| 31 | 2053 | 55 | 20939283 | 1046964 |
| 32 | 2054 | 56 | 23033211 | 1151661 |
| 33 | 2055 | 57 | 25336532 | 1266827 |
| 34 | 2056 | 58 | 27870185 | 1393509 |
| 35 | 2057 | 59 | 30657204 | 1532860 |
| 36 | 2058 | 60 | 33722924 | 1686146 |

In above table last column shows amount available every year for the savings. Now we want to calculate what corpus will be available if he/she saves this different amount every year @ 6%. For that we need to first find our NPV @ 6% of the last column.

| fx | =NPV(6%,E2:E37) |
|---|---|
| | **F** |
| | **NPV @ 6% of savings from Age 25 to 60** |
| | **INR 4,191,369** |

| fx | =FV(6%,37,0,-F2,1) |
|---|---|
| | **G** |
| | **NFV @ 6% of savings from Age 25 to 60** |
| | **INR 36,197,031** |

The NPV of all the savings from age 25 to 60 comes to 41,91,369. Now we need to find out its future value at 37th year @ 6%. Need to be careful. Because NPV is always calculated on beginning mode, calculate NFV at end mode.

Yes the correct answer is Rs 3.62 Crore. A person age 25 saved only 5% of his annual income for retirement corpus he created a corpus of Rs 3.62 crore. **Can we not eve save 5% of our annual income for retirement?**

In the next issue we will do a sample case study with calculations to determine

1. Exact Corpus required
2. Monthly savings required to achieve that corpus at all 3 levels (minimum, reasonable & aspirational)
3. Target ROI & asset class suggestion to save for all these 3 levels.

**SOURCE: SHRI GOPINATH SIR'S TEACHINGS**

# Education and Technology

**Prof Ayon Bhattacharjee**
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"Education is the manifestation of the perfection already in man" - this is a very famous quotation of Swami Vivekananda. This quotation was originally part of a letter written to Singaravelu Mudaliyar (Kidi) from Chicago, United States, dated 3 March 1894. In Madison Park High School, Boston, 23 June 1990, Nelson Mandela in his speech quoted that "Education is the most powerful weapon which you can use to change the world."

Between these two definitions of education, the world has seen a lot: two world wars, atom bombs, cold war and the coming of internet. Most of these events had an origin in technology. These events among various others have made serious impacts on the human society in the past 100 years. With the development of the different machines, coming of the computer and the internet the face of education has seen many transitions during this period. From the early 2000s, the concept of using computers in the teaching learning process has been explored in different countries. The concept of ICT (information and communication technology) was brought up repeatedly by various agencies, both by the governments as well as many private players, but it remained more of anunder-attained endeavour than anything else. However, with the advent of easy-to-use devices, education and technology got more and more intertwined to the fabric of modern society, shaping the way we learn, teach, and interact with knowledge. The rapid advancement of technology has revolutionized education, offering both opportunities and challenges that redefine traditional educational paradigms.But, with the onset of the COVID pandemic, when isolation became important, academic institutes were closed for a long time and classroom education was not permitted, the use of technology for education was explored at various levels. The marriage of technology and education showed tremendous success at the higher levels, and even now, after the pandemic has seemingly disappeared, online classes, webinars and online lectures have become the norm. However, at the school level (elementary, middle and high), where the presence of human element is necessary and non-verbal communications are important, the technology of today showed an immense failure. The use of technology, when we look at it in the pre- and post-COVID scenarios, have led to many important changes, and these changes are there to stay for a long time.  Firstly, technology has democratized access to education. The internet, in particular, has opened up a wealth of knowledge to anyone with a connection, breaking down barriers of geography and socio-economic status. Online courses, virtual classrooms, and digital libraries have made it possible for students from remote areas or disadvantaged backgrounds to access high-quality education resources that were previously inaccessible. This democratization has empowered individuals to pursue learning opportunities tailored to their needs and interests, fostering a more inclusive educational landscape. As a direct result of that, we see numerous examples of success these days, where people from very humble backgrounds have shown great results in diverse fields. Of course, there is a discussion on digital divide, but access to free internet, devices that are not expensive and the growing connectivity of internet networks is slowly thinning out the digital divide.

Moreover, technology has transformed teaching methods and pedagogical approaches. Interactive whiteboards, educational apps, simulations, and virtual reality tools provide educators with innovative ways to engage students and enhance learning experiences. These tools cater to diverse learning styles, enabling personalized learning paths that adapt to individual student needs. For instance, adaptive learning software can assess students' strengths and weaknesses in real-time, providing targeted feedback and resources to support their learning journey. Technology has also made education more inclusive, and the differently abled students now have an access to the best of the resources as compared to anyone else.

Additionally, technology has revolutionized educational administration and management. Learning management systems (LMS) streamline administrative tasks such as grading, attendance tracking, and course management, allowing educators to focus more on teaching and less on paperwork. These systems also facilitate communication between teachers, students, and parents, fostering a collaborative learning environment where stakeholders can easily share information and updates.

Furthermore, technology has catalysed innovation in curriculum development and content delivery. Digital textbooks, multimedia resources, and open educational resources (OERs) offer dynamic and interactive learning materials that enrich traditional textbooks. Educators can incorporate current events, multimedia content, and real-time data into their lessons, making learning more relevant and engaging for students. This flexibility enables educators to adapt their teaching to reflect the rapid pace of change in our globalized world.

However, alongside these benefits, technology in education presents challenges and considerations. One major concern is the digital divide, that I had mentioned earlier, where disparities in access to technology and internet connectivity perpetuate educational inequalities. Bridging this gap requires concerted efforts to ensure all students have equal access to digital resources and tools.

Moreover, there are concerns about the impact of technology on human interaction and critical thinking skills. Over-reliance on digital tools may diminish face-to-face interactions and discourage deep, analytical thinking. Educators must strike a balance between integrating technology into the curriculum and preserving essential interpersonal and cognitive skills.

In conclusion, the integration of technology into education represents a transformative shift with profound implications for learning and teaching practices. While technology offers unprecedented opportunities to enhance access, engagement, and efficiency in education, it also necessitates careful consideration of its impact on equity, pedagogy, and human development. By harnessing the potential of technology while addressing its challenges, we can cultivate a more inclusive, innovative, and effective educational ecosystem that prepares students to thrive in the 21st century global society. Further, with the development of tools like artificial intelligence(AI) and internet of things(IoT), the intervention of technology is bound to increase ever more, opening new ways of accessing knowledge, where the thoughts are not restricted by any artificial barrier, and human creativity opens new doors towards a better future.

# Survival Income

**Nayan Bhowmick**
*MA, QPFPA, MCAFP*

"While a father or husband's presence can never be replaced, life insurance ensures that his love and care continue to support his family financially."

In February 2024, we faced a profound loss as one of the most productive adviser on my team, Sri Sudip Kumar, passed away at just 44 years of age. After a courageous three-year battle with cancer, he left behind a wife and a seven-year-old son. Earning nearly 20 lakhs per annum, his untimely death was a devastating blow to his family, especially since he had no life or health insurance. Their entire savings were depleted for his treatment, and he had to redeem all his systematic investment plan (SIP) investments for medical expenses.

This tragic situation compels us to reflect on two potential scenarios in life:

1. My family continues to thrive well beyond my 60th birthday, but my income ceases when I turn 40.
2. I live a long life, surpassing 85 years, but my income stops when I reach 60.

**Scenario 1**

After more than three decades as a financial professional, I have come to understand that profit maximization cannot be the sole goal of any individual. Our true aim should be to focus on our life's responsibilities, viewing money as just one of many resources. I've encountered many individuals who spend a significant amount of their valuable time obsessing over whether their investments are growing.

"Money is a terrible master. If it dominates us, we become its slave, losing sight of what truly matters."

The Importance of Buying Life Insurance

When we purchase a piece of land, we typically build a fence around all four sides to protect it. Imagine if, after completing just half of the fence, we run out of funds and leave the rest of the land unfenced. This gap leaves our property vulnerable to encroachment, defeating the purpose of our initial investment in protection. Similarly, without comprehensive coverage, our objective of safeguarding our assets remains unfulfilled.

One of the fundamental principles of finance is the Cash-to-Cash Cycle. We work diligently to earn money and then invest in various assets. These assets are intended to be converted back into cash when needed, emphasizing that cash is the king while assets serve as intermediaries.

Before purchasing any asset, we need to ask ourselves three key questions:

1. When do we need money?
2. How much money do we need?
3. What do we need the money for?

The family of the late Sudip Kumar had multiple sources of income. Generally, families with a single income source are in a high-risk zone. Let me analyze the various sources of income that were supporting Sudip Kumar's family.

| | The Sources of Income were flowing into his family in a year | ₹ |
|---|---|---|
| A | Income From Occupation | 20,00,000 |
| B | Spouse's Occupation | 0 |
| C | Bank Interest | 2000 |
| D | Rental Income | 1,44,000 |
| E | Dividends | 0 |
| F | Parents Occupation/Pension | 1,20,000 |
| G | Roaylties Income | 0 |
| H | Total Income was flowing into Sudip Kumar's Family | 22,66,000 |

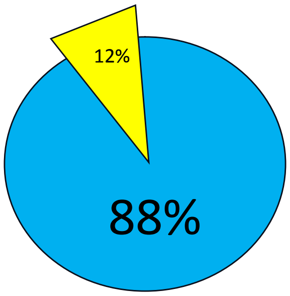
A/H = %?

20,00,000/22,66,000 = 88%

Eighty-eight percent of Sudip Kumar's family's income came from him, indicating that his family was in a very high-risk zone. The remaining 12% of their income came from other sources. It was crucial to protect the 88% of the family's total income that depended on him under any circumstances.

"When A/H is very high, the future of the family members is very uncertain."-Sir Gopinath

"Life Insurance converts uncertainty into certainty and is opposite to gambling."- Sir Gopinath




Let's delve into how life insurance can replace the future income of Mr. Sudip Kumar in his absence through a calculation called Capital Need Analysis. This method helps determine the amount of life insurance coverage needed to secure the financial future of his family. We will look at four levels of lifestyle that a family may experience:

1. Used to Level
2. Aspiration Level
3. Minimum Level
4. Disaster Level

Capital Need Analysis Explained

By carefully planning for the Minimum Level lifestyle through detailed analysis, Mr. Sudip Kumar could have provided his family with the financial security they need to manage essential expenses and maintain stability during a challenging time.

Minimum level or Survival level focuses on covering the essential needs of the family, such as basic living expenses, education costs, and paying off outstanding debts, ensuring that the family can meet its most critical financial obligations.

**Planning for the Minimum Level Lifestyle**

To ensure our family is financially secure at the Minimum Level lifestyle in our absence, we can use Capital Need Analysis to determine the appropriate amount of life insurance coverage. The Minimum Level lifestyle focuses on covering essential needs, including basic living expenses, education costs, and outstanding debts.

Steps for Calculation:

Determine Essential Annual Expenses:

1) Calculate the annual cost of basic necessities such as food, housing (rent or mortgage), utilities, transportation, healthcare, and other essential living expenses.

   Include the cost of children's education and any outstanding debts (e.g., loans, credit card balances).

2) Estimate the Number of Years of Financial Support:

   Determine how many years his family will need financial support. This typically includes the number of years until children are financially independent or until the surviving spouse reaches retirement age.

3) Subtract Current Savings and Investments:

   Subtract any existing savings, investments, or other financial resources that can be used to cover these essential expenses. This includes emergency funds, retirement accounts, and other liquid assets.

4) Calculate the Required Life Insurance Coverage:

   The remaining amount after considering all these factors is the life insurance coverage needed to ensure the family can maintain their Minimum Level lifestyle.

Recommendation

Given that reducing A/H immediately is not feasible, the best course of action is to transfer the financial risk to a life insurance company. By doing so, we can ensure that our family will be financially secure in our absence, regardless of the level of lifestyle our family need or aspire to maintain.

Performing a thorough Capital Need Analysis at each of the four levels provides a clear picture of the life insurance coverage required. This allows us to make informed decisions about the appropriate amount of coverage, ensuring that the family's financial needs and aspirations are met, whether we need to maintain our current lifestyle, aim for future aspirations, or just cover essential or bare minimum needs.

| Family | Monthly ₹ | Yearly ₹ |
|---|---|---|
| Food, Clothes, School Fees etc. | 40,000 | 4,80,000 |
| Salaries to Driver and Maids, Rents, Maintenance, Electricity Bill, Water Bill, Etc. | 25,000 | 3,00,000 |
| EMIs, Credit Cards | 35,000 | 4,20,000 |
| Property Tax, Road Tax | 0 | 0 |
| Total | 1,00,000 | 12,00,000 |
| 50% of that | | 6,00,000 |
| Liquid Capital Required (6%) | | 1,00,00,000 |
| Cash and Equivalents | | 10,00,000 |
| Requires | | 90,00,000 |

**Scenario 2**

**Survival Income**: This term refers to the essential amount of money required to meet basic living expenses each month. How much do we truly need to survive—₹1,00,000 or ₹1,50,000? By eliminating all non-essential expenses and focusing solely on covering the fundamental costs, what would our monthly survival budget be? We often overlook this fundamental financial question: what is the true cost of survival? Understanding the amount of money needed to cover our basic necessities is crucial to defining our survival income.

One of the fundamental principles of wealth management is to "Start early and reach safely." It is essential to plan for our retirement well in advance. First, we need to determine our current survival or minimum financial requirements. Then, we must project these survival expenses for when we reach 60 years of age, taking inflation into account.

What we save today is an advance payment to ourselves, ensuring our survival until 85 years and beyond. The money we set aside for the future is essentially an investment in our survival, "Paying for Survival". Once we have secured our minimum income requirements for the future, we can then budget for the joys of living, working, and leading a meaningful life. Financial clarity brings comfort. Let's take the time to complete the "Survival Money Worksheet" and discover our financial position.

Financial clarity brings comfort. Let's take the time to fill out the "Survival Money Worksheet" and discover our financial standing in both monthly and yearly terms. It's important to discuss this with our spouse to ensure we are prepared for our minimum level of survival income when we reach 60 years and beyond.

Once we have calculated our survival expenses in the worksheet, we will place the total in the box at the bottom. Planning for a stable and secure financial future after the age of 60, or at the time of retirement, is essential. One effective strategy is to ensure a passive and guaranteed lifetime income. This can be achieved by incorporating annuity-based products into your retirement plan. These products are designed to provide a steady and reliable income stream for the rest of our life, offering peace of mind and financial stability during our retirement years. With guaranteed income from annuities, we can enjoy our retirement without the constant worry of outliving our savings.

| SURVIVAL MONEY WORKSHEET | | | |
|---|---|---|---|
| 1. Home/Utilities/Related Needs<br>Descriptions | Monthly Needs | Yearly Needs | With 6%(say) Inflation |
| a. | | | |
| b. | | | |
| Total | | | |
| 2. Food/Health/Medical Needs<br>Description | | | |
| a. | | | |
| b. | | | |
| Total | | | |
| 3. Clothing/Personal Care Needs<br>Description | | | |
| a) | | | |
| b) | | | |
| Total | | | |
| 4. Transportation Needs<br>Description | | | |
| a) | | | |
| b) | | | |
| Total | | | |
| 5. Taxes<br>Description | | | |
| a) | | | |
| b) | | | |
| Total | | | |
| 6. Other Needs<br>Description | | | |
| a) | | | |
| b) | | | |
| Total | | | |
| | | | |
| | | | |
| **Monthly Survival Total** | **Survival Money** | | |

Recommendation:

Planning for a stable and secure financial future after the age of 60, or at the time of retirement, is essential. One effective strategy is to ensure a passive and guaranteed lifetime income. This can be achieved by incorporating annuity-based products into our retirement plan. These products are designed to provide a steady and reliable income stream for the rest of our life, offering peace of mind and financial stability during our retirement years. With guaranteed income from annuities, we can enjoy our retirement without the constant worry of outliving your savings.

# FAMILY– A MUTUAL ENTERPRISE

***Mrs. Savita Harsh Pillai***
*Specialized Financial Portfolio Advisor,*
*MBA – IFP*

**FAMILY:** The word "family";in itself is one's whole world which is complete in it's true sense. When we ask howyou would define a family?we get numerous definitions for the same. But, today as a financial advisor; I would like to take you all to a unique level of perception when it comes to the word **"FAMILY"** based on the teachings of my Guru Gopinath Radhakrishna Sir Ji.

**"FAMILY IS A MUTUAL ENTERPRISE."**

As you all have heard about private and public limited companies, partnership and proprietary firms; a family depends on mutuality, that is depending on each other. Each family member plays an important and distinctive role for the smooth functioning of a family. It depends mainly on four mutual factors; mutual love, mutual respect, mutual resources and interdependent. Coming to each factor, let me start with the first one.

1. **MUTUAL LOVE:** Mutual love is where love, care, affection, trust resides among all the family members equally. There is a feeling of

being secured and loved unconditionally amongst every member of the family. If anyone member of a family is sad or upset for any reason, then all the other members try their best to bring back happiness in that member.Thus, every member tries that there is peace and harmony in the family. They celebrate all festivals and special days together, exhibiting unity among them.

2. **MUTUAL RESPECT:** This means giving respect to each other equally in a family. It also shows values of life practiced by all the family members from small kids to the older generation. Understanding and supporting each other equally and unconditionally is also followed by everyone.

3. **MUTUAL RESOURCES:** Here I would like to say that whatever sources of facilities are available in a home are commonly used by all. Say for example, all watch the same television in the living room. Then food which is being cooked for all the family members is common for everyone; etc.

4. **INTERDEPENDENT:** I would mention that ultimately because of all these reasons mentioned above all family members are interdependent on each other. I would further like to explain this by giving an example that, as a father works and strives to fulfil all the monetary needs of the family members, a mother takes care of all the household needsand nowadays in some cases, mothers also support the monetary needs of the family. Coming to grandparents they play an important role in the upbringing of the grandchildren by taking care of them and imbibing good values.

Thus, you all can see these are the four reasons why we call **"FAMILY A MUTUAL ENTERPRISE"**.

Furthermore, I would like to say a family depends on FOUR PILLARS to stand strong and represent itself in a society. Now, let us have a look what these four pillars are:

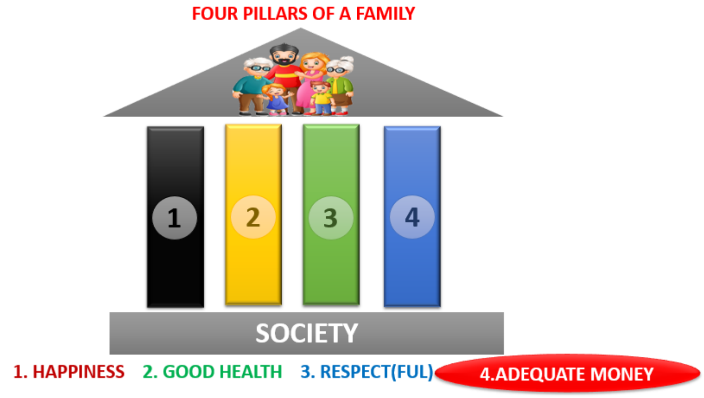
1. **HAPPINESS:** It is important that happiness prevails in one's family and all are living happily with each other. Sometimes there can be minor fights and misunderstandings; but it is fine if it is resolved and taken care off immediately for everyone's peace.

2. **GOOD HEALTH:** Good and sound health of all the family members is also especially important as a healthy family can stand strong always.

3. **RESPECT(FUL):** Every family member should respect each other and in the same way they should respect the society at large. This helps them in getting respect wherever they go.

Up till now, I have mentioned about three pillars which was mostly related to the family members in respect to their happiness, good health and their respectfulness in society. So, what about the 4th pillar? As the three pillars the 4th pillar also plays an important role in holding the family firmly. The 4th pillar is ADEQUATE MONEY.

4. **ADEQUATE MONEY:** Adequate money in relation to a family means the financial capability of a family to meet all the needs regular or on emergency. So, what do we do about this pillar? If this pillar is strong enough then the previous three pillars will automatically be strong. But if this pillar is weak then there are chances that the other three pillars might also be weak or get imbalanced in absence of adequate money.




**CONCLUSION:**

How do we know if the 4th pillar of adequate money is strong or not?

To know this; I shall recommend some primary and secondary levels of scientific tests and calculations usually done by financial advisors or financial planners. A few tests among them are named as below:

1. Human Life Value Calculations
2. Capital Need Analysis
3. Net Worth Analysis

To conclude this write up, I would like to mention a couplet written by the great Saint Thiruvalluvar.

**கறள 1030:**

**இடககணகாலகனறடவழமஅடததனறமநலலாளஇ லாதகட.**

SAINT THIRUVALLUVAR

"If there is no support made ready to prop up and maintain a family (in distress), at the first stroke of misfortune it will instantly fall as if an axe cut the growing tree."

Thanking you all. Wishing you all a happy, healthy, wealthy and peaceful family life. Stay blessed.