SATTREX CAPITAL

WEALTH THAT GROWS AND LASTS FOREVER • PRINCIPLE NO. 6

Working Capital Provision Method & Risk Zones

Protection: Securing Household Operating Cash Flow & Prof. Huebner’s Philosophy

Just as any corporate business requires both **Fixed Capital** (land, machinery) and **Working Capital** (raw materials, wages, operating expenses), a family requires cash to fund its fixed assets (house, car) and ongoing working capital expenses. There are three primary methods to estimate life insurance needs: 1) Capital Need Analysis, 2) Human Life Value, and 3) **The Working Capital Provision Method**.

1. BUSINESS VS. FAMILY WORKING CAPITAL PARITY

Corporate Business Expenses	Household / Family Expenses
Raw Materials & Operating Components	**Food, Clothing, School Fees, Groceries**
Salaries to Staff & Staff Operating Expenses	**Salaries to Driver/Maids, Rent, Maintenance, Utility Bills**
EMIs, Debt Servicing & Interest Payments	**Home/Car Loan EMIs, Credit Card Outstanding**
Corporate Tax & Property Taxes	**Property Tax, Road Tax, Municipal Charges**

2. CASE STUDY: MR. HK'S HOUSEHOLD BUDGET & CORPUS REQUIREMENT (@6% SAFE RETURN)

Mr. HK's family spends ₹1,00,000 per month (₹12,00,000 per annum) to maintain their present lifestyle. Below is the breakdown of working capital required for various lifestyle levels and the corresponding liquid insurance corpus needed to sustain them at a safe return of 6% per annum:

Lifestyle Level	Monthly Expenses (₹)	Annual Expenses (₹)	Required Liquid Corpus @ 6% Return (₹)
Minimum Level *(Survival)*	₹50,000	₹6,00,000	**₹1,00,00,000 (₹1.00 Crore)**
Adjustable Level *(Tight Budget)*	₹80,00,0	₹9,60,000	**₹1,60,00,000 (₹1.60 Crores)**
Used To Level *(Current Lifestyle)*	**₹1,00,000**	**₹12,00,000**	**₹2,00,00,000 (₹2.00 Crores)**
Aspirational Level *(Ideal Growth)*	₹1,50,000	₹18,00,000	**₹3,00,00,000 (₹3.00 Crores)**

3. THE INCOME VOLATILITY CURVE: COMFORT, PAIN & DISASTER

When family income drops below the *Used To* level, the family enters a **Discomfort Zone**. If it falls further below the *Adjustable Level*, they enter the **Pain Zone**. If income drops below the *Minimum Level*, the household is pushed into a catastrophic **Disaster Zone** where basic survival is compromised.

4. WISDOM OF PROF. SOLOMON S. HUEBNER ("FATHER OF INSURANCE SCIENCE")

> *"The family should be established and run on a sound business basis. It should be protected against needless bankruptcy."*
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> *"Why is it not fully as reasonable to have a life insurance policy accompany a marriage certificate, as it is to have a marine insurance certificate invariably attached to a foreign bill of exchange? The voyage in the first instance is, on the average, much longer, subject to much greater risk, and in case of wreck, the loss is of infinitely greater consequence."*
>
> **— Prof. Solomon S. Huebner**

Imagine an airline owning multimillion-dollar aircraft but running out of cash to pay its pilots and ground crew. The planes remain grounded and deprecate. Similarly, families with expensive houses and cars but insufficient working capital reserves are forced to sell fixed assets at distressed prices during emergencies.

5. INCOME RELIANCE RATIO & RISK ZONE CLASSIFICATION

VERY HIGH RISK ZONE (>90% Income Ratio): The family relies on a single primary earner for over 90% of total income. Death or disability causes immediate financial collapse.

HIGH RISK ZONE (70%–90% Income Ratio): High reliance on one earner; significant lifestyle degradation if income stops.

MEDIUM RISK ZONE (50%–70% Income Ratio): Moderate dual-income stability.

LOW RISK ZONE (<50% Income Ratio): Well-diversified income streams across multiple earners or passive assets.

FINAL ADVISORY RECOMMENDATION:

Transfer Income Dependency Risk via ₹2.00 Crore Term Insurance

When a single person generates over 90% of family income, retaining that risk is dangerous. By acquiring a **₹2.00 Crore Pure Term Cover** (invested at a safe 6%), Mr. HK ensures that his family's ₹1,00,000/month working capital continues perpetually without diluting fixed assets.

Structure Your Family's Working Capital Protection with Sattrex Capital

Calculate your household risk zone and secure your operating cash flows.

Visit us online: **www.sattrexcapital.com**