
# RETIREMENT PLANNING


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*Right Plan…Right Life*

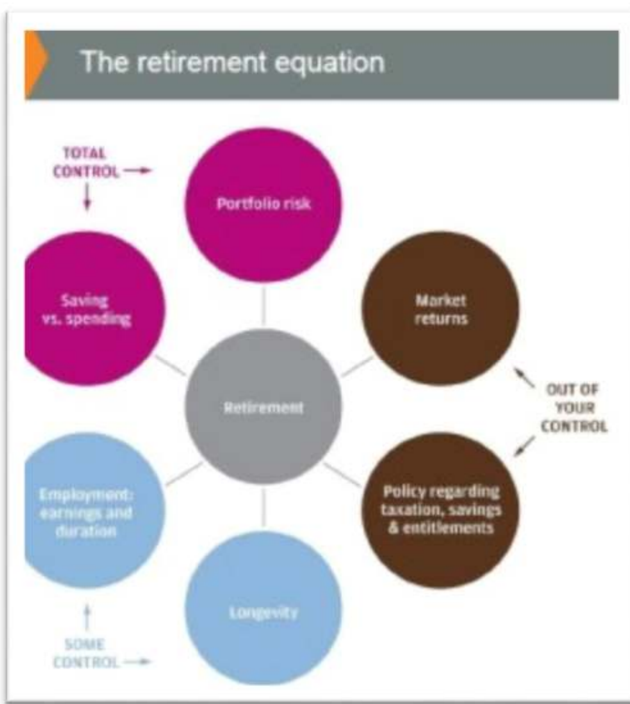

At the edges, it all falls apart, is a common saying but with a deep meaning. When it comes to retirement, if you are not planned to face the real world, life can be hard for you and family. So this time, I have tried to play question and answer session with myself and have tried to ask and answer all queries on retirement planning. What lies in it? Is it relevant? When should I start? Where to invest? Etc. all questions answered in a single reading. So here I start with – What is retirement planning?

Retirement planning is the process of planning and managing your short and long-term finances to help achieve your financial dreams **both during your working years and retired life**. It involves analyzing your financial objectives, current financial position and expected future cash flow to develop a comprehensive retirement roadmap.

## Why is retirement planning required?

Without a judicious retirement plan in place, you run the **risk of outliving your savings** and not being able to maintain the desired lifestyle in your retirement years. You also run the **risk of not being able to accumulate enough corpus** for your dependents owing to unfortunate and uncertain events like death, disability etc.

Retirement planning helps you determine how much to save today for retirement; how to invest your savings to get the desired returns; how to protect your assets and provide for in case of unfortunate events and how to make judicious use of retirement income post retirement.



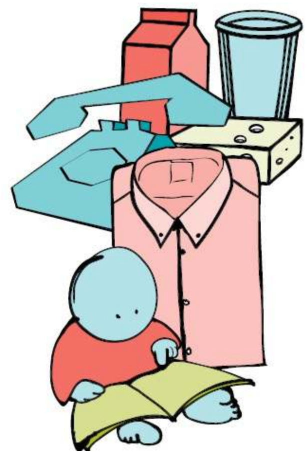
## What are the benefits of Retirement Planning?

Retirement planning helps you **maintain your desired lifestyle during old age**. It helps you plan for key life stage events leading up to retirement. It **provides financial security** to you and your dependents by enabling you to make prudent investments during your working years. It also enables you to **make the best use of your hard-earned money post-retirement**. One of the key benefits of effective retirement planning is to **cover for any contingencies** arising from uncertain events which can compromise your ability to meet your financial goals.

**What are the types of needs and life-events to plan for?**

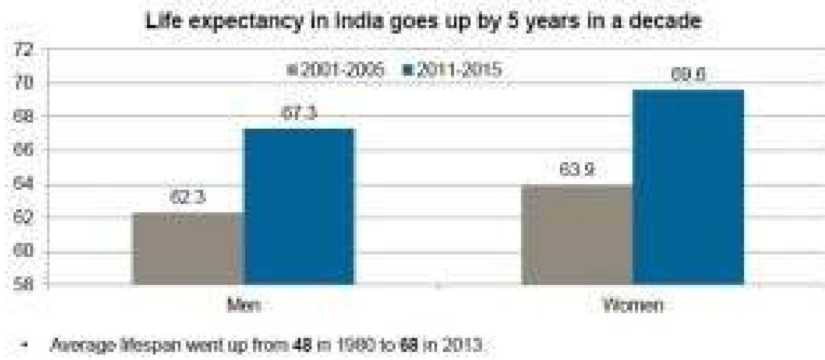
There are various kinds of needs and life events, some of which are listed below:

- Buying a Home
- Job Transition
- Parenthood
- Children's Education
- Children's Marriage
- Retirement Corpus
- Post Retirement payout
- Insurance
- Tax planning



## Is retirement planning relevant in India?

With looming demographic challenges, India faces a **swelling non-working elderly population**. Further, as the **life expectancy of Indians increases**, the number of years in retirement is also expected to increase requiring you to fund a longer retired life. Also, with the **joint-family system making way for the nuclear family system**, self-support during non-working years is the new world order. **Rising costs for health care** and other essentials means you need to save and invest that much more and with proper planning. Therefore, a planned approach to retirement is essential.




## How is retirement planning different in the Indian context?

In the Indian context, retirement can only be achieved after a person has fulfilled his responsibilities towards his family (child's education, marriage etc.). Therefore, retirement planning is not only about planning for a secure and financially independent retirement but also **entails planning for key life-stage goals**. It also necessitates providing protection against unforeseen events so that achieving these goals does not become a challenge.

## What is the process of Retirement Planning?

Retirement planning is not an art but a definitive science which requires taking a **360-degree approach** to studying one's current financial health, long-term goals and risk appetite to design a plan that addresses the retirement and other long-term goals of an individual.

It involves a step-by-step approach:
Step 1: Identifying your financial and retirement goals
Step 2: Analyzing your current financial situation
Step 3: Risk Profiling
Step 4: Asset Allocation
Step 5: Investment Allocation Strategy
Step 6: Periodic Monitoring and Rebalancing

**It is essential to seek expert / professional advice and create a comprehensive roadmap based on the different stages of your life to meet your financial requirements.**

chapter 2

1. How is Retirement Planning different from Financial Planning?
2. How is a retirement advisor different from an insurance agent/wealth advisor/investment planner?
3. When is the right time to retire?
4. Why do I start early with my Retirement Planning?
5. If I start late, can I still plan my retirement?
6. What should I look for in a retirement / financial planning advisor?
7. How does Retirement Planning help in accumulating wealth?

This is the second part, where all your questions on Retirement Planning are being answered, we plan to dig deep in terms of planning the retirement. There are questions like what's the correct age to retire, what time plan should be implemented, who can assist me in planning etc… here we start one by one:

## When is the right time to retire?

There is **no right time for retirement**. Deciding whether or not to retire is a decision that only you can take. If your **financial situation, health, age and feelings about your job** all point towards retirement, it's time to call it a day. Ideally, you should work as long as you can. Based on individual requirements, financial stability and liabilities, you should plan your retirement accordingly. Normally in India, we consider age factor as retirement. Well it was then when it was assumed that person would fulfill his responsibilities towards his kids (education and marriage), and then can settle. But things have changed now as careers, marriages, kids all have shifted little late in age. So a person can think differently if he is financially secured. Hence, planning has become more essential.

## Why do I start early with my Retirement Planning?

It's never too early to start. Wealth creation is a time-taking process and usually lasts throughout your lifetime. So the earlier you start the more time your money gets to multiply. By starting early with your retirement planning, **you can benefit from the power of compounding, manage the longevity risk and maximise your returns from high-risk and aggressive investments options.** It's always wise to start saving early.

| @12% | Start @ 25 Yrs | Start @ 35 Yrs | Start @ 45 Yrs |
|---|---|---|---|
| Investment Amount Per Month | 5,000 | 7,000 | 11,667 |
| Amount Invested | 21,00,000 | 21,00,000 | 21,00,000 |
| Value of Retirement Corpus @ 60 Years of age | 3,21,54,797 | 1,31,51,926 | 58,28,436 |
| Delay by 10 years would reduce your corpus by | | 59.10% | 55.68% |

## If I start late, can I still plan my retirement?

The **early bird catches the worm**. Starting late with retirement planning poses many difficulties for creating a strong corpus and sufficient wealth to see you through retirement. However, the good news is that **it's never too late to start**. If you are late, all is not lost and you can cover for lost ground. You can take the following measures to make up for starting late:

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**Monthly expenses of Rs.50,000/- today will grow to Rs.1,90,000/- after 20 years at 7% inflation rate.**

- Cut down expenses.
- Seek expert advice / professional help to create a roadmap for you to maximise your savings without compromising your standard of living.
- Choose investment options that give you higher returns.
- It is good to have a working spouse to generate an additional income stream.
- Look for additional income through another job / business simultaneously if possible.
- Start immediately.

**What should I look for in a retirement / financial planning advisor?**

- Determine the quality and tenure of his / her work **experience**.
- What are his / her **qualifications**?21
- What **services** does he/she offer?
- What is his / her **approach** to building a financial strategy for your financial goals & retirement?
- Will he/she be the only person working with you? Or **engagement** would mean other professionals to collaborate.

- What are the **costs** of working with him/her?


An important consideration is whether you are **comfortable with a prospective retirement planning professional.** Consider the following:

- Does the person have **time for you** regardless of how much money you have to invest?
- Does he or she **listen to you and respect** your opinions?
- Does the person use financial jargon or explain investments to you in **simple terms**?
- Is he/she offering a **personalized solution**?
- Is he offering you advise or **trying to sell products and solutions** that are available to him?
- Does he have a **long-term approach**?

## How do I select a retirement advisor?

- Search the Internet for top retirement and financial advisors.
- Talk with friends, family, neighbours, or business associates to get recommendations.
- Look around your community for financial specialists with offices nearby.
- Talk to your accountant or any other professional about retirement advisors they know and respect.

- **Specifically look for a Financial Planner and not an agent** to look after your investments.

## What can I expect in my meeting with a retirement advisor?

Your retirement advisor will need some time to ask you questions and understand your goals. Some questions he or she may ask include:

- What stage of life are you in and what are **your current earnings and savings**?
- What are your **specific financial goals** such as saving for a child's education, marriage or planning for retirement?
- How much **risk are you willing to take** with your investments?
- Expect that he will ask you lot of **questions on your income and expenses**.
- He will not be free so expect that he will tell you his **remuneration**.

3 chapter THREE

1. What is the difference between Retirement Planning and Financial
2. What is wealth? How is it relevant for retirement planning?
3. How does Retirement Planning help in accumulating wealth?
4. Can retirement planning beat inflation?
5. What is asset allocation?
6. Why is asset allocation critical for retirement planning?
7. How do I ensure that my retirement savings do not erode over time?

**The work of Retirement Planner** is not juggling you in different asset classes and hope to see results. There are some time-tested theories, which are used by them to achieve desired results, by minimising the risk, choosing the asset properly and rebalancing these asset classes. No, it is not like your normal investments – it is more precise and advanced. Retirement Planning some features of financial planning but the process is different as the goal is different. This post will help you understand this and will make you differentiate between other styles of investments.

This is the third and last post on Retirement Planning Question and Answer Series. Let's start answering few more questions:

## How is Retirement Planning different from Financial Planning?

Financial planning is a process of setting objectives vis-à-vis your current income. It involves assessing your currents savings and assets, estimating future financial needs, and making plans to achieve monetary goals. Retirement **Planning goes beyond financial planning** or providing investment advice and is aimed at achieving financial security for retirement**. It is a holistic solution aimed at enabling people to achieve their financial dreams both before and after retirement.**


## How is a retirement advisor different from an insurance agent/wealth advisor/investment planner?

While an Insurance Agent/Wealth Advisor/Investment Planner has a targeted audience with a specific objective either to cover life risks or ensure better returns on investments, the scope of a Retirement Planner is focused on advising solutions aimed at retirement security. This includes the entire gamut of services in terms of Advisory, Insurance, Asset Allocation, Retirement Pension Investments, Distribution of Estate (Will Planning) & Retirement Planning.

## What is wealth?

Books have been written over this. But scientifically- Wealth is the difference of value between what you own (assets) and what you owe (liabilities). Wealth enables you to achieve your financial goals by increasing your assets and decreasing your liabilities. **It is the overall reserve of assets** (cash, fixed assets, savings etc.) which you have after meeting your liabilities.

## How does Retirement Planning help in accumulating wealth?

A well-conceived retirement plan ensures you meet your expenses adequately at various stages of your life including your liabilities and contingencies. **Wealth creation is a lifelong process and so is retirement planning**. Accumulating wealth and simultaneously incurring cost for meeting your needs warrants that you have proper wealth creation and management strategies in place. Retirement Planning is one of the most important strategic exercises that you need to do to accumulate wealth.

## Can retirement planning beat inflation?

**The very first aim is to beat inflation**


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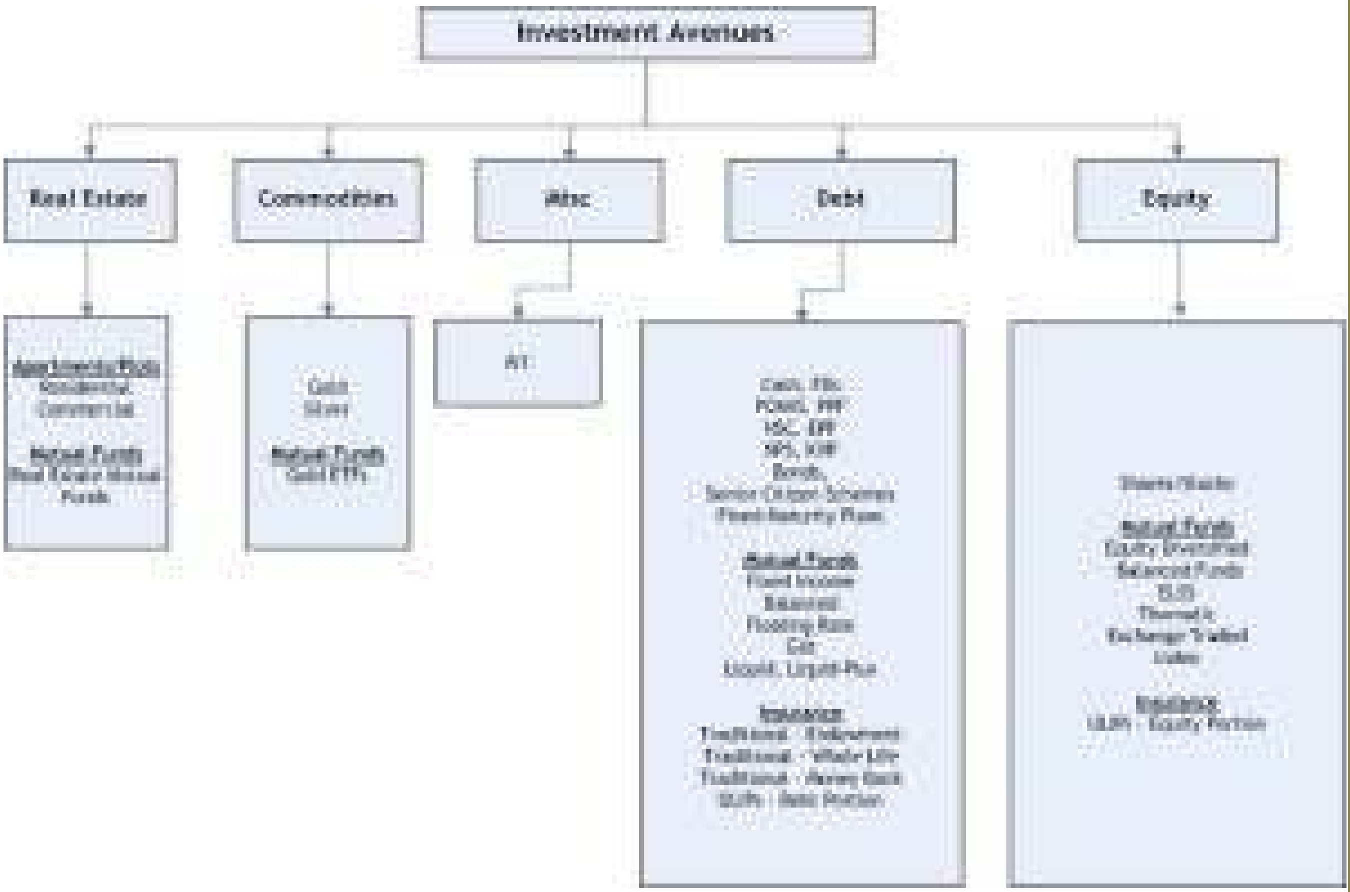
Inflation can erode your retirement corpus and diminish the purchasing power of your savings. It's necessary to absorb the impact of inflation with a sound and prudent Retirement Planning strategy in place. It's important to make realistic projections for the rising rate of inflation and adjusting your savings accordingly. Seek professional / expert advice to **create an investment portfolio which gives you higher returns and helps you meet rising costs and inflation.**

## Are regular / traditional savings like PFs, PPFs, EPFs etc. not enough to take care of life after Retirement?

No, regular savings including PFs, PPFs, EPFs, bonds or any debt instrument are no longer enough to see you through your life after retirement.  The returns from **these regular default investments are guaranteed but low in comparison and are not sufficient to beat inflation and market volatilities.** Besides, the quantum of savings made in these instruments might not be enough if future requirements are not carefully considered and planned for. Today Retirement Planner uses Equity Investments coupled with your risk appetite to devise a plan which can lessen return volatility and beat inflation.

## What is asset allocation?

Asset allocation is essentially an **investment strategy to stabilize risks and returns by choosing investment instruments according to your financial goals, risk tolerance and time horizon**. Asset classes have different levels of risk and return variability. Each asset class may perform differently over time. Successful asset allocation requires finding the proper mix of assets to balance reward with an acceptable level of risk.




## Why is asset allocation critical for retirement planning?

Asset allocation is critical for long-term investing and retirement planning **as it can help absorb the impact of market fluctuations and balance your tolerance for risk.** A downside of a specific asset class is usually neutralised by an upside of another asset class. This way you can enjoy the upside and de-risk the downside to a great extent. Asset allocation is one of the most important steps in retirement planning and research has shown that **90% of returns are on account of asset allocation decisions.**

## How can asset allocation absorb the impact of market fluctuations?

Prudent asset allocation can help you ride out the ups and downs of long-term market performance. **No single asset class will outperform another consistently and no single asset allocation strategy may be right for everyone**. Some investments may be up while others may be down helping minimize the overall potential impact of market decline and enable you to reach your retirement goals smoothly.

## How can I balance my risk tolerance?

High-yield assets typically experience high volatility. You can balance these assets by investments with lower but guaranteed rates of return (like debt or sovereign instruments) to protect against large-scale decline in value.

## How do I go about my asset allocation?

Prudent asset allocation can help you balance your appetite for risk within your timeframe and retirement goals. This requires assessing, adjusting and tracking your investments regularly.

**Assess your portfolio** — Assess your portfolio allocation regularly to make sure it matches your risk tolerance, time horizon and retirement goals and needs.

**Adjust your allocation** — Adjust your allocation mix and re-align it to your retirement goals based on your risk tolerance and investment horizon.

**Track your investments** — Revisit your asset allocation regularly to make sure your investments are aligned with your retirement goals, since your investment timeframes and risk tolerance may change over time.

**How often do I need to check my asset allocation?**

A **3-6 monthly financial check-up** for the **short term and a three-year long-term horizon** check to make sure your investments are aligned with your risk tolerance and long-term retirement goals is usually recommended. However, you need to **review your portfolio when you anticipate a major life-event.**

## How do I ensure that my retirement savings do not erode over time?

You would be required to do the following:

1. Make a realistic assessment of your existing wealth and risk appetite based on your life-stage.
2. Perpetuate your income ladders.
3. Make wise investments and stay invested.
4. Make wise choices and do not overestimate or underestimate your options.
5. Be prudent and disciplined with your finances.
6. Seek professional advice.

## How do I continue building wealth even after retirement?

It is necessary to continue building wealth even after you retire. Some of the ways to make more wealth out of your preserved wealth are:

1. Reinvest in annuities, debt instruments and equity investments.
2. Avail tax free investment options as far as possible.
3. Invest in debt funds with dividend options.
4. Take all tax breaks available under senior citizen schemes.
5. Again I say- seek professional advice.

I have tried answering all that came to my mind. Drop a comment if you need details or you wish to clarify anything. My aim is to tempt you to start thinking on Retirement Planning seriously as this is the single key towards a prosperous and stress free life.


Seek Professional Help Of An Investment Advisor

Contact Us for Retirement Planning & Wealth Management

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