THE FACT OF LIFE

RETIREMENT

The question isn't at what age I want to retire, it's at what income. – George Foreman

Don't simply retire from
something; have something
to retire to, as life begins
at retirement.

RETIREMENT PLANNING IN INDIA

Research shows that most working people in India do not plan their savings towards retirement and believe that their current savings will be enough to take care of their post retirement needs. In a nuclear family structure, support in the old age is no longer easy and everyone has to be self content in their retirement years. Moreover, there is no social security system in the country. So it is crucial for individuals to realize that through a systematic retirement plan one can maintain their standard post-retirement lifestyle.

The following tips will definitely reduce your financial burden post-retirement, only if they are followed carefully -

START SAVING EARLY:

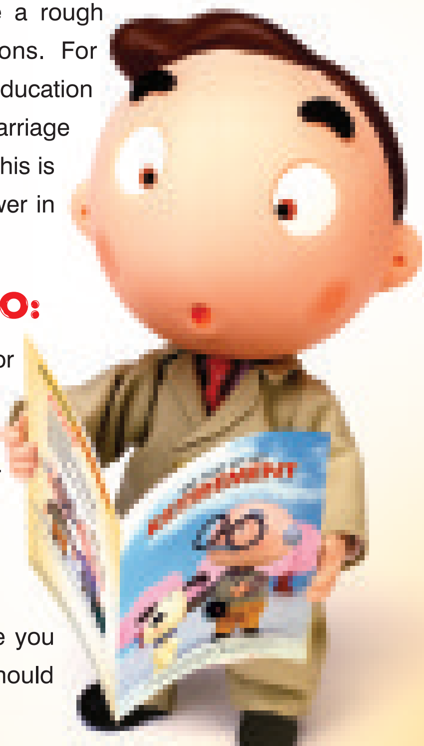
Most people make the mistake of putting off saving for retirement in their younger years, especially when they are newly employed. If you start thinking about your retirement plan from age 45, you are already late by 20 years! Starting early allows the magic of compounding to have its full effect.

CREATE A FINANCIAL PLAN:

Retirement planning is just one part of the larger process of financial planning. If you have been diligent in proper planning of your finances, the rest will come really easy!

KNOW YOUR RETIREMENT NEEDS:

Though it is very difficult to make an assessment of what you will need after retirement, especially if you are in the prime of your youth and earning capability, it makes ample sense to make a rough sketch according to the current conditions. For example, will your children complete their education by the time you will retire ? What about marriage expenses of your children (lets be realistic, this is India!!)? These questions will need an answer in the form of definite amounts of money.



READJUST YOUR PORTFOLIO:

Your financial portfolio will need major reallocations over the time, and as you progress towards retirement. It is advisable to decrease equity exposure, and increase your investments in debt & fixed income instruments.

RETIRE YOUR DEBTS:

Get rid of as much debt as possible before you reach your retirement. Special emphasis should be on getting rid of the credit card debts.

PURCHASE HEALTH INSURANCE:

Health remains a major concern with the increasing age, and is often the biggest head of expenses after retirement for most retired persons. Purchase of relevant health insurance policies can prove to be a really smart step in addressing this concern. As an added bonus, you will also get tax benefits!

DEVELOP A HEALTHY LIFESTYLE:

Do not forget your health, and the absolute importance of living a healthy life. Eat healthy, and exercise regularly. After all – health is wealth!

HAVE AN INVESTMENT ADVISOR:

Even though you may be saving as much as you can and investing as much as you can, you still might not reach your goal of retiring early if your investments do not work out. It is best to hire a financial advisor who can put you in the right situation for your goals. These professionals have tools that tailor to different investment styles and they will help protect your wealth.

A proper approach to retirement planning becomes all the more imperative, when we consider that post retirement, a person is left without a source of income, while the expenses remain constant. This is likely to produce a disjoint between expenses and income. Thus, it makes sense to plan your retirement while you are still working.

HOW MUCH WOULD YOU REQUIRE AT RETIREMENT?

Your first step in the process, is to determine the amount you will require to sustain you through your retirement.

Research shows that generally 80 to 90 per cent of a person's pre-retirement income suffices to maintain her/his current standard of living. You might argue that your standard of living is bound to go higher with increase in your income, and so will the expenditure. Hence you have to take into account, the increase in your annual income over the years. The components to be taken into account when calculating your retirement corpus are:

- Your current age
- Expected age of retirement
- Life expectancy
- Years after retirement
- Expected annual growth in income
- Current earnings
- Inflation rate
- Inflation adjusted rate of return
- Rate of return on retirement corpus
- Annual income at retirement age

Planning for your retirement is an on-going process. It requires discipline, self study and time. The earlier you start, the better it is, as you can gain from the power of compounding as well as aim for a higher return.

Now calculate your retirement corpus and the amount required to save to reach there. The components involved to derive this figure are:

- Rate of return during accumulation stage (in percentage)
- Existing invested corpus
- Number of years to retirement

The motive behind listing these components is to explain that it is not merely accumulating enough money for retirement. The right retirement corpus is one, which helps you to maintain your standard of living post retirement.

Assume your RETIREMENT age 60 years & current yearly exp. ₹ 2.40 lacs at ₹ 20,000/- p.m.

Assume your living age till 80 years, so after retirement you have 20 years to enjoy...

Yearly expense required after RETIREMENT (at the age of 60)

Current Age	6% Inflation	8% Inflation
25	₹ 18.44 lacs	₹ 35.48 lacs
30	₹ 13.78 lacs	₹ 24.15 lacs
35	₹ 10.30 lacs	₹ 16.43 lacs
40	₹ 7.70 lacs	₹ 11.19 lacs

RETIREMENT kitty required for 20 years (60 years-80 years)

Current Age	6% Inflation	8% Inflation
25	₹ 3.69 Cr.	₹ 8.53 Cr.
30	₹ 2.76 Cr.	₹ 5.80 Cr.
35	₹ 2.06 Cr.	₹ 3.95 Cr.
40	₹ 1.54 Cr.	₹ 2.69 Cr.

Monthly SIP started at current age

Investment Duration	5000	7000	10000
35	₹ 5.71 Cr.	₹ 7.99 Cr.	₹ 11.41 Cr.
30	₹ 2.82 Cr.	₹ 3.94 Cr.	₹ 5.63 Cr.
25	₹ 1.38 Cr.	₹ 1.93 Cr.	₹ 2.76 Cr.
20	₹ 0.66 Cr.	₹ 0.93 Cr.	₹ 1.33 Cr.

Investment taken in monthly SIP in equity mutual fund @15% Growth C.A.G.R. *Normal interest rate taken @6%.

Have a Peaceful RETIREMENT

At the Age 65*

- **1%** were wealthy
- **4%** were maintaining their standard of living
- **23%** were still working... can't afford to quit
- **9%** were dead
- **63%** were dependent on children & charity

*A study by American Bureau of Labour

Call Today for your Retirement Planning

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