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# **Doctrines of wise** retirement planning

Retirement is probably one of the very few events in life that's inevitable but tends to remains fairly blurred till one has stepped beyond the middle high in his/her career graph. It's usually then when the inner consciousness takes over and a silent voice whisper's inside the heart – "twenty years more" making the poor incumbent then flush out majority of his earnings towards retirement saving and thereby creating a direct impact on his lifestyle.

The story however is a little different and less depressing for the conscious lot who sense the tide and plan early. The early bird planners are not only less stressed during the pre-retirement period and are able to concentrate on their career, but are also able to make the most from the power of compounding. During the second half, they are already well-placed in terms of creating a sufficient post-retirement corpus.

Therefore, while ideally most of us would imagine retirement as the second innings of our lives, it's actually the third. The three stages of adequate retirement planning cycle being the following:

1) Initiation – (First half of one's career) – (25 years to 40 years)
2) Consolidation - (Second half of one's career) - (40 years to 60 years)
3) Active retirement – (Third and the last portion of active life) – (Beyond 40 years)

Retirement cannot be wished away and everyone will stop working one day. Living expenses won't end but keep rising due to inflation. Worse, some of the more critical expenses like healthcare will be growing faster than the overall inflation. The sooner you start saving for that phase of life, the more comfortable your retirement will be.

To preserve your current lifestyle as you retire, here are 5 simple steps to help you ace your innings!

1. **Pen down your estimated expenses:** List down your expenses in order of priority and cover them one by one. You may not have a steady income, but you can live your post-retirement life the way you want to. Be it your daughter's destination wedding, a world tour with your wife, owning a beach house or having your own organic farm. You can plan for each of this luxury, if you plan early. Have a timeline for all such events. Designate a budget for every expense.

2. **Create a contingency fund:** Don't let unplanned expenditures burn a hole in your pocket! Planning for what you know is going to happen is easier than planning for uncertain events such as medical emergencies, unforeseen circumstances or any such event which you might not have expected. Such unexpected events could empty your savings and wreck your planning. It's a good option to have funds dedicated to such contingencies which may or may not befall you.

3. **Broaden your investment horizon; do not shy away from Equity:** Move away from the notion of sticking to only low risk investments such as fixed deposits. As opposed to what traditional advisors might say, sticking to low risk investments will safeguard your money but not help it grow to meet your needs. One of the major threats affecting your retirement corpus is inflation, as it eats into your savings at an increasing rate. It's better to invest in equity instruments to counteract inflation and accelerate the growth of your money.

4. **The golden rule-start early:** The earlier you start, the bigger corpus you'll accumulate. Talk about SIP from an early age, using every increase in salary to increase SIP. Talk about staying put even during volatility and looking at only the big picture.

   Start investing at an earlier stage to allow your savings to get compounded for a longer period of time. Treat your retirement with as much importance as your current financial needs and start saving a small amount regularly towards this goal.

   The following table depicts how important it is to start early
   **Investment Amount:** INR 1,00,000 yearly @ 10%p.a

| | | | |
|---|---|---|---|
| Starting age | 25 | 35 | 45 |
| Retirement age | 60 | 60 | 60 |
| Years to retirement | 35 | 25 | 15 |
| Total investment | 35,00,000 | 25,00,000 | 15,00,000 |
| Retirement corpus | 2,71,02,,437 | 98,34,705 | 31,77,248 |

5. **Avoid breaking into your retirement corpus in between:** Avoid the lure of digging into your retirement fund. A common habit amongst young individuals, while switching jobs is that they withdraw their PF account balance instead of transferring it. Your retirement corpus suffers a huge blow each time you withdraw your PF balance and also, the balance will be taxable if withdrawn within 5 years.

   These are just the basic five steps to get a proper retirement benefit. The best solution is to ask for an investment planner to help you guide through post retirement investment plans. Experts contend that retirement planning should start from the day you start earning.