Is your retirement on track?

If you are worried that your retirement planning is taking you nowhere, these investment tips can help steer you in the right direction.

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| Delhi, January 11, 2017

With life expectancy increasing by a fair margin over the past decade, and inflation and healthcare costs growing at 5.88 per cent and 18 per cent, respectively, it is important to make sure that investments to secure your golden years do not fall short. According to the Union Ministry of Health and Family Welfare, life expectancy in India has gone up by over five years, from 62.3 years for men and 63.9 years for women in 2001/05 to 67.3 years and 69.6 years, respectively, in 2011/15.

However, considering most people retire at 60, one must secure one's nest egg for at least another 20 years, or more. "Most investors tend to look at the age group of 55-60 years when they wish to retire," says Vishal Dhawan, certified financial planner and founder, Plan

Ahead Wealth Advisors. Besides, you must also have a contingency plan if you were to outlive your retirement plan.

Take Control

If you think your retirement funds are going to be inadequate, working for a few more years can make a huge difference. Starting early is, however, the best solution for lowering the risks of outliving your savings. "The important thing is to be aware in advance that such a situation may arise and the only answer from the investment planning perspective is to add some equity through the mutual fund route to the fixed income portfolio," says Kalpesh Asher, a certfied financial planner. Therefore, one must take stock of one's savings from time to time to ensure that the retirement corpus is adequate.

While early- and mid-career professionals have significant time to retire and, therefore, have the chance to build a large retirement corpus through equity investments, for those who start planning their finances later in life must have a higher proportion of their savings in growth assets but slowly move to debt instruments as they near retirement. Equity is more likely to deliver returns to beat inflation over the long-term, despite its volatile nature in the short-term.

If you are approaching retirement or have already hung up your boots, opportunities could be limited. So, focus on greater tax efficiency on your retirement income, cut down on luxury expenditures and decrease unnecessary expenses. You may also allocate a small portion of your investible surplus in inflation-beating assets, while considering reverse mortgage or relocating to a cheaper location or smaller residential home. "In case of a shortage, there are three ways to deal with it - increase the amount of investments; aim to generate higher returns; reduce the amount of expenses," says, Lovaii Navlakhi Founder and CEO, International Money Matters.

Early Retirement

For those of you who are considering early retirement, it is critical to be clear about your post-retirement financial goals, including sufficient corpus for annuity income, adequate investments to take care of your medical expenses and life expectancy. Apart from starting early and investing larger sums in a shorter time span, you must also have specific and time-bound goals with how you want your retirement corpus to grow, and tweak your investment portfolio accordingly. At the same time, you must also ensure that your existing cash-flows do not suffer.

If you have other responsibilities, such as your children's higher education or wedding, do a back-of-the-envelope calculation for these specific goals and invest for each of these goals separately. "It is also critical to have adequate risk coverage - life insurance, health insurance, critical illness and disability covers so that the risks to a long retirement can be mitigated significantly" says Dhawan.

Since an early retirement could mean much more availability of time, expenses need to be controlled so that the monies earmarked for retirement are not spent on discretionary items, including travel and entertainment, if separate funds are not reserved for the purpose. "It is also critical to appropriately understand what one would do with the time available as a result of an early retirement," adds Dhawan.

How much for retirement

It is always better to get professional help before calculating the retirement corpus. You can also take help of financial calculators to determine how much you will need to save today for your sunset years. But before that you will need to know the inflation-adjusted future value of your existing monthly expenses, estimated rate of return on your investments, inflation post retirement, the rate of return after retirement and life expectancy. Moreover, one should determine the ideal product mix between debt and equity. Instruments, such as Public Provident Fund, fixed deposits and equity funds, among others, must be considered. Even in your retirement years you must also have a mix of both growth and fixed income investments, as the period in retirement could be long. As suggested by financial planners, proportion of EPF and PPF as debt for retirement should progressively increase as you approach your retirement. "The contribution to PFs in the early stages of one's career could be 25-30 per cent, which should be gradually increased to 80-85 per cent by the time the individual reaches 55 years," says Arvind Rao, CFP and founder, Arvind Rao & Associates.