

I am 40, can I retire at 60? Over a decade or so of being a financial planner, I have been posed this question many a times especially from 40 year old clients contemplating early retirement. It is not that early retirement is not being considered by younger clients, but this particular age group probably known for mid-life crisis and everything else associated with it, has by far been more vociferous about this query.

The perils of being 40 are quite obvious to me, being in this age group myself. Perils you might say, what perils? Of course, if you are a 25-30 year old who is just establishing your career, not too many worries in the

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Making early retirement plans...

SHALINI DHAWAN gives tips on laying a foundation for financial security in the later years of ones life

world, especially not the financial ones seem worth pondering about. In this beautiful age group, you neither have family responsibility nor loans nor dreaded EMIs neither the worries of job loss or boss management.

But as you enter the precariously perched age group of 40 something, suddenly one thing starts to dawn on you, that you do not enjoy the freedom and flexibilities that you did as a 30 year old. At this age you start to ponder about that costly higher education for children or the home loan that you would like to get out off or that elusive and romantic idea of "early retirement". Another worry that sets in is that if I sponsor my children for higher education then will my spouse and I have enough for us in the forthcoming sunset years.

To answer these and related questions my team and I, ran a small exercise to understand the numbers.

Let's assume that you are earning an income of Rs. 24 Lakhs per annum net of taxes. Let us also assume that your

family expenses are in the range of Rs. 1 lakh per month. This implies that you have a cash surplus of Rs. 1 lakh a month of which you plan to invest Rs 50000 towards your retirement goal.

We are assuming therefore a retirement investment of Rs 50000 every month for the next 20 years i.e. 240 months. It is important to note that the monthly investment amount and the monthly consistency is maintained throughout the duration of 20 years.

Corpus generated at the assumed rate of return by investing Rs 50000 for 20 years would be approximately a whopping Rs. 5 crores at age 60, which could be used for your retirement goal. With this kind of an investment strategy and corpus, let us examine whether one could fulfill the retire-

Current age	40 years, Expected retirement age - 60 years
Current nett income	Rs 2400000 p.a. or Rs 200000 per month
Current expenses	Rs 100000 per month
Current cash surplus	Rs 100000 per month, of which Rs 50000 is going towards retirement goal

Expected rate of return pre retirement is 12% (assuming an investment horizon of 20 years)

Expected rate of return post retirement is 7% is in line with the inflation assumption of 7%

Expenses at age 60 will inflate to Rs. 387000 per month

ment goal at age 60. Corpus required at age 60 is Rs. 9.29 crores whereas the corpus garnered from above strategy would be at Rs. 5 crores, which therefore leaves the pre retiree with the following options:

1 Identify other assets accumulated during the working years which could be used for your retirement goal such as the Employee Provi-

dent Fund, Equity Linked Savings Scheme investments, Public Provident Fund etc. For example if your employer + employee contribution to the EPF has been in the Rs. 50000 range and has been accumulated for 20 years, that itself would aid the retirement funding.

2 Increase the monthly cash surplus invested from the current Rs. 50000

plan to approx. Rs 1 lakh. This would give a total corpus of Rs.10 crore in 20 years which is the required number.

3 Increase the post retirement income by looking at flexible working options in your retirement, to augment income in the sunset years.

4 Improve the rate of return of post retirement portfolio by selectively investing a part of your portfolio in high growth assets such as equities, but first understand the risks involved.

5 Lastly not a much recommended option, is to delay that much needed retirement at age 60.

The author is Co-Founder and Director of Plan Ahead Wealth Advisors, and can be contacted on shalini.dhawan@planahead.in