INVESTMENT NAVIGATOR

Planning for retirement? Think deeply

—Vishal Dhawan

ONE of the sights we have been witnessing quite frequently in the international media is protests in different parts of Europe about enhancing the retirement age. Considering that curtailing government spending has been on top of the agenda of most of these countries, raising the retirement age by a few years to reduce pressure on the pension system has been touted as a solution by many.

Considering that we work closely with investors on their financial goals, one of the most common things we hear from clients, especially younger clients, is their desire to retire at an extremely young age, ranging from 35 to 45. For most individuals, this would probably be close to the prime of their careers, unless they are sportspersons and been forced to retire earlier due to physical limitations.

As we delve further into understanding this desire to retire earlier, we find that the most common answer we receive is probably, "not retire in a classical sense but essentially not having to work for the money."

As financial planners, we find that most investors tend to start working seriously on their financial plans between the age group of 30 and 40. Considering that life expectancy in India is increasing rapidly and medical advancements make it very likely that we will live much longer than we currently envisage, creating a corpus of that size can be quite a challenge. To put it into perspective, investors expect savings and investments made over 10 to 15 years to support them and their families for a 35-40 year period.

Remember that inflation could also structurally move in India to a much higher level *vis-à-vis* where it has traditionally been due to supply constraints.

Whilst successful entrepreneurs and employee beneficiaries of stock options tend to be the most common group of individuals to achieve this aggressive target that they have set for themselves, most other investors need to enhance their targeted retirement age so that they can build up the requisite corpus.

Since the rate of return on their investment portfolio is another variable that investors can aim at changing if they wish to achieve their target, we strongly advise that investors look at investment strategies that, although riskier over shorter time frames, have the potential to outperform over longer periods. Investments in asset classes like equities for a retirement portfolio should be looked at very closely for their potential to deliver superior returns over longer time frames.

In addition to the quantitative aspects of retirement, we also urge investors to answer two questions when they plan for retirement:

1. What would your ideal day be like when you retire?

2. And will this continue to be your ideal day if you do this day after day?

We find that these answers are far more difficult for most investors, as a spreadsheet cannot answer this for them. We urge investors to think deeply about these answers today so that they are prepared for retirement not only financially but holistically.

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***Vishal's rich experience of 15 years in the financial services industry has led him to frequently write columns and appear on television, including* CNBC *and* Bloomberg UTV. *He shares his insights and views in various leading publications, including the* Wall Street Journal, Economic Times, Indian Express, Reader's Digest, ET Wealth, Asian Age *and* Deccan Chronicle. *He is also a member of the* Financial Planning Association, USA.**

***Plan Ahead is a wealth management and financial planning firm that works with both Indian and NRI investors to help them achieve their financial goals and manage their wealth.* (www.planahead.in)**