Here’s how you may go wrong with your retirement planning

By Noopur Praveen

Blame it on our lazy attitude or the need for immediate gratification, Indians seem to invest less in their future and more on current expenses, a survey commissioned by PGIM India Mutual Fund recently revealed.

Investment planning primarily depicts your financial priorities in life and retirement probably comes at the rear end for most of us. As per the PGIM survey, the top priority for Indians today is their child’s education, future, and marriage. It is followed by the financial security of family members, medical emergency funds, improving the standard of living and then plan for a life post-retirement.

Cashing out your retirement fund

People are habitual of withdrawing from long-term retirement products like NPS, EPF and PPF. This more often than not hurts your retirement goals in significant ways.

“These periodic withdrawals will jeopardize your retirement plans because you will miss out on the compounding these products provide,” Mrin Agarwal, financial planner and founder of Finsafe India said.

Hence, financial advisors always suggest not to look at these funds unless there is an extreme case of emergency.

“It is best to assume a mental framework that long-term retirement products do not allow an exit at all even though they actually do for certain purposes/other life goals and in certain conditions," Vishal Dhawan, founder & CEO of Plan Ahead Wealth Advisors suggested.

One common mistake during retirement planning is using your retirement corpus for funding other expenses. "One often forgets to take into account expenses like replacing cars, renovating homes, etc. Many people also end up using their retirement corpus to fund goals like home purchases and children's education," Dhawan pointed.

Too early to save?

Millennials avoid this entire situation stating it's "too early for them to start saving with too little an amount."

"I earn Rs 25,000 each month and don't see any point in saving a part of this meagre amount. Few years down the line, I'd hopefully be earning a lot more and can take out the savings hat then," Rajni Upadhyay, a first-time employee said.

While the idea that you'd earn more later and can save then holds true, one must realise that expenses run parallel to earnings. Once you start earning, say, Rs 50,000 a month, your expenditure would also increase considerably. Hence there is no right time to start saving and investing.

"As soon as one receives the first cheque; the power of compounding benefits come from there. Also with age on your side, small amounts and the use of potential higher return asset classes like equity can be considered. Start with sips in a domestic and international index fund," Dhawan asserted.

Expenses drop post-retirement

There is a myth that most of your expenses vaporize post-retirement hence you wouldn't require as much money as you currently do. This causes people to lose commitment towards saving and investing for their retirement corpus as religiously as one would want to.

"I think it's a complete myth that expenses reduce post service. One must understand that expenses increase due to lifestyle upgradation and you won't go back to living how you started off at a later stage of life," Mrin Agarwal said.

Medical insurance

If you’re someone who doesn’t want to get an individual insurance policy since you get coverage via corporate or employer’s group policies, think again. Having health insurance is the most vital safety instrument in today‘s times. You don’t want to be dependent on your company or anyone else during a medical emergency, especially after retirement.

If you don’t get health insurance at a younger age, the path only gets trickier. Aging causes several lifestyle diseases which may become a stumbling block for insurance companies to accept your proposal. Paying unnecessary high premium isn’t something you’d want out of pure choice, right?

Pension schemes

It must be noted those who joined the public sector after 2004 aren’t eligible for a government pension. They should increase their NPS contribution and invest in other retirement tools as well from as early as possible.

Meanwhile, private-sector employees should ideally be more concerned about their post-retirement hacks as the pension provided under Employee Pension Scheme is negligible. One can get a maximum of Rs 7,500 per month from here. Each passing day is a chance for you to build a better retirement corpus and wasting it doesn’t sound the wisest.

Living the present day to its fullest is as important as planning for a day when you’d not be capable to do plan enough. Instead of finding excuses to avoid planning your retirement, why not set aside some amount right away to bear its fruits when you need it.