

# How should you allocate your retirement funds for old age?

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The minimum contribution to NPS is ₹ 1,000 per financial year. You should evaluate your asset allocation and fund managers annually as well, to see if it meets your risk tolerance and performance parameters

My father will be retiring in six months. He has accumulated a corpus of close to ₹ 5 crore and wants to invest in instruments that are not risky so he can live off the interest accumulated. He has, among other investments, put in ₹ 15 lakh in SCSS (senior citizen savings scheme).

His mutual fund (MF) allocations include ₹ 2 crore in short term funds, ₹ 1 crore in floating rate funds, ₹ 50 lakh in balanced advantage funds, ₹ 25 lakh in overseas MFs, and ₹ 25 lakh each in conservative hybrid funds and liquid funds.

He plans to keep his fixed deposits and savings balance at ₹ 25 lakh each. Is it okay if he opts for SWP (systematic withdrawal plan) of 6% from MFs for maintaining living expenses without eroding the capital?

Although the majority of your financial assets are well planned for a retirement portfolio, we would recommend a few changes. We advise you to exit from the liquid fund as the FDs and savings balances should adequately be able to cover for emergency provisions. He could consider investing in a medium-term debt fund with good credit quality.

Removing allocation from the conservative hybrid fund is also suggested, and investing in a combination of a short-term fund and an index fund instead for that component should help in reducing the portfolio cost. Allocating the overseas portion to index offerings is also suggested.

I have resigned from a government job after serving for a decade. I want to know if it is a good idea to continue with my NPS account? If yes, how much should I add to it every year to keep it active? If no, then what would be the best investment for that money?

—Name withheld on request

We advise you to continue with your NPS account. The minimum contribution to NPS is ₹ 1,000 per financial year. You should evaluate your asset allocation and fund managers annually as well, to see if it meets your risk tolerance and performance parameters.

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