Start a Conversation around Retirement Planning

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To hang up your shoes once and for all and retire in peace is everybody's cherished dream. For most people, thoughts about their retired life sparks emotions of joy, serenity and optimism. It is then that they finally get to spend quality time with family and friends, take multiple trips around the world, or settle down somewhere far away from the city.

But this optimism hides behind it a stark pessimistic reality – that most people are financially ill-prepared for this retired life of bliss.

Retirement planning is perhaps the single most important financial plan for any individual, whether you belong to the salaried class or run a business of your own. Yet, it still does not command the kind of awareness among people that it deserves.

Therefore, the need of the hour today is to start a conversation about retirement planning. People need to be honest about their level of preparedness and conduct a thorough assessment of how much they have invested, how much more is needed, and how do they go about financially planning it.

We are living longer

One of the main reasons why we need such retirement planning is because we are living much longer lives. As per a UN Population Division data from 2017, life expectancy in India is expected to rise to 79.9 years by 2045-50 from 77.7 years in 2010-15 and 74.6 years in 1975-80. To add to it, the country's ageing population is expected to rise to 319 million in 2050 from 103 million in 2011. This improvement in life expectancy combined with rising inflation would result in a much more expensive lifestyle by the time of retirement and will continue rising in the years beyond.

Rising Medical Costs

Advancements in medical sciences have been helping people live longer despite the rising number of ailments among the older population. As per the recent Longitudinal Aging Study in India (LASI) Wave 1 Survey released by the Health Ministry, about 75% of Indians aged above 60 suffer from chronic illnesses. Although medical advancements have been unparalleled in recent years, they have come at a high cost.

These medical costs not only encompass regular health check-ups but also emergencies, which have come to the fore strikingly during the pandemic period. For instance, reports suggest that a Covid-19 patient may end up paying thousands (in INR) in medical bills per day in a private hospital in a Tier-I city, which could run well into lakhs (in INR) if the hospitalization period extends beyond a week. These emergency expenses may set your finances back quite severely, and the probability of incurring these expenses only increases with age.

Lack of a Robust Social Security System

Further, unlike many developed countries, social security in India continues to remain weak with only a limited number of people eligible for pension. These are mainly those who fall under governmental or semi-governmental employment. The same LASI Survey mentioned above states that more than three-fourth of Indians aged above 60 do not receive pension of any sort. Moreover, many a times, the pension received by retired persons is not adequate to keep up with their expenses, which forces many to walk the financial tightrope and work even after retirement.

Even as government pension plans such as National Pension Scheme and Atal Pension Yojana are available, they do not help in wealth creation, which is essential to meet medical and other expenses, especially considering inflation.

Mutual Funds for Retirement Planning

In this backdrop, mutual funds emerge as an attractive option for retirement planning for many reasons. For one, mutual funds provide one with the freedom to invest across all asset classes with experienced professionals managing these investments. Moreover, one can choose an asset mix based on one's risk appetite.

Many fund houses offer retirement plans that come with immense flexibility that cater to different risk profiles. Most retirement funds offer different investment plans that seek to align the asset allocation and risk based on the individual's age group. There are aggressive plans that invest a greater proportion of the fund's assets in equities, while conservative plans invest more in debt instruments. Some retirement funds also offer an auto transfer facility. Within this facility, once the investor/s crosses a certain age threshold, the money invested in one plan will be automatically transferred to the next less aggressive plan so that the investments stay aligned with their risk profile as they age.

Mutual funds can help you retire with a cushion of financial safety so that you can spend your retired life in peace and harmony. Consider mutual funds as an option to fund your retirement, as early as possible. The sooner you begin, the more time your money gets to grow.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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