



Retirement Planning Guide

Everyone has a dream of comfortable and stress-free life after retirement. Good retirement planning helps effortlessly, if done early enough in life. Early and effective retirement planning can help you beat the blues of inflation and rising living costs after your retirement.

Early planning also has many more benefits but first, let us understand what exactly retirement planning means.

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Why Plan for Retirement?

The main objective behind retirement planning is to create a savings pool for regular income when you stop earning. **Retirement planning** is the exercise to build a roadmap for a comfortable retirement for you, your spouse, and your dependents. As you age, there are chances that your medical expenses will increase given the age-related diseases. The best time to start saving for retirement was when you had your first income. However, if you haven't started yet, the second-best time is now.

Let's imagine what life post retirement will look like

Burden of additional
medical expenses due
to increase in age

Living expenses to be
managed that will only
increase with time
due to inflation

Responsibility
of dependents
(spouse, etc)

No/limited active or
regular income

Desire to be at
leisure after
strenuous and
long working life



The best time to start saving for retirement was when you had your first income. However, if you haven't started yet, the second-best time is now. Here's why:



The longer the period of investment, the more time your money has to compound.



Retirement is one of the biggest financial goals in life.



Lack of post-retirement earning options make retirement a financially risky action.

Your risk appetite is higher in earlier stages, which diminishes with age. Thus, you may not have as much portfolio growth as on the earlier investments.

To be able to navigate the above smoothly, effective retirement planning is essential. While it is never too late to start planning for retirement, an early start reduces the burden to do it effectively.

Who Needs Retirement Planning?

Whether one is salaried or self employed or a professional like an artist, doctor - everyone will eventually enter into a “no income zone” after a stage in life. Just like the challenges and situations are likely to be similar for all, retirement planning is very critical for all of us. It doesn't matter whether the individual earning high or belongs to a low income group today, everyone needs to plan for this stage of life.

Newly Married Couples

A newly married couple may have any or all of the below-mentioned long-term goals:



a

Paying for the maternity and health care expenses of your partner

b

Buying a new house

c

Paying off any unpaid debt

d

Running a start-up

Parents with New-born

At this life stage, a couple may have any of the following long-term goals:

- a** Arranging for children's higher education expenses
- b** Sending their child abroad for studies
- c** Paying the medical bills of your ageing parents



A Person Nearing Retirement

When you are about to retire, you seek complete financial independence after retirement. At this stage, an individual may have the following long-term goals:



- a** Safeguarding the built-up retirement corpus
- b** Generating regular income out of retirement corpus after retirement
- c** Ensuring a legacy for the next generation

**Here are 3 key reasons
—— why should you plan for retirement: ——**

1 Compounding Wealth

The more time you can give your money to grow, the better corpus you will have during retirement. Since you cannot postpone your retirement date, it's better to start investing as soon as possible. Give maximum time to your money for maximum compounding to take effect. When you start investing early you have ample time to monitor the performance of the investment and make necessary portfolio adjustments.

2 Compounding Wealth

Investment in **retirement and pension plans** help you save tax every year under Section 80C. With new regulations in place limiting the amount of investment to individual retirement plans to Rs. 2.5 lakhs, starting early is even more important. You can still build a formidable corpus without exceeding your tax-exemption limits.

3 Compounding Wealth

Investing early on keeps your retirement fund pool account for inflation and your income growth more efficiently. This in turn adds to the growth rate of your retirement portfolio, leading you to have sufficient funds at the time of retirement. You can start your pension without having to compromise on your lifestyle.

What is Retirement Planning?

Retirement planning is the exercise to build a roadmap for a comfortable retirement. Before you start planning for your retirement, you need to ask yourself the following three questions:

1. How much to save every month?
2. Where to invest retirement savings?
3. How to withdraw or draw pension income out of the retirement funds?



Retirement planning is a process by which one is assured that they are on the right path to a secured post retirement life which is financially stress-free.

Benefits of Early Retirement Planning



01

Gives you a peace of mind



02

Get better returns on your savings



03

Achieve financial independence



04

Enjoy tax benefits



05

Helps you prepare for unforeseen medical expenses



06

You can continue supporting your dependants



07

Safeguard your assets and allows you to have a secured future

Retirement planning is a process by which one is assured that they are on the right path to a secured post retirement life which is financially stress-free.

This process entails 3 distinct steps in order -

● **Wealth Accumulation**

Create a healthy corpus through regular investment in high growth instruments.

● **Wealth Preservation**

Using the corpus generated in a way to ensure that they continue to grow with definite outcomes (guaranteed returns).

● Wealth Distribution

Use the final corpus available from above two to convert the same into regular guaranteed income for a longer period.

Out of the 3 steps, the first two stages (Wealth Accumulation and Wealth Preservation) are most critical and lay the foundation for the 3rd, which then secures financial freedom during the retirement.

3 Stages of Retirement Planning

The main goal behind retirement planning is to minimize cash outflow after retirement and maximise the length of regular income.

Accumulation Phase or Wealth Building Phase



Wealth Distribution Phase



Wealth Preservation Phase



The final phase of the retirement goal is when you finally start receiving the pension out of your retirement wealth.

| Stages | Purpose | What should Investment at this Stage Ensure | Options Available |
|---------------------|--|---|-------------------|
| Wealth Accumulation | To create a healthy corpus in a regular & disciplined manner | Provide high growth (look for above avg returns rather than guaranteed returns) | ULIPs |
| | | Investment for long term | Equity based MFs |
| | | Tax friendly | PPF |
| | | | EPF |
| | | | |

| Stages | Purpose | What should Investment at this Stage Ensure | Options Available |
|---------------------|---|--|---|
| Wealth Preservation | To continue to grow the corpus built during accumulation but with a guaranteed outcome over a longer period | Provide consistent and fully guaranteed returns | Guaranteed plans from Life Insurance |
| | | Tax friendly | PPF |
| | | Are longer term in nature to ensure steady and disciplined savings | EPF |
| | | | Bank/corporate FDs |
| | | | Other fully guaranteed scheme with longer horizon |
| | | | |
| Wealth Distribution | To provide regular and guaranteed life long income | Guaranteed income | Annuities and Guaranteed income plans from Life Insurance |
| | | Long term income, possibly life long | |
| | | Tax friendly | |

How much should you Save for Retirement?

It is difficult to exactly find out how much one needs to save during the working life in order to ensure financially secured life post retirement however; there are thumb rules that provide a good estimate of your **retirement corpus**.

The simplest way to figure out how much you will need for a comfortable retirement is to use a retirement planning calculator. This free to use tool is an easy way to estimate what you should aim for as a financial goal.



Retirement Planning Calculator

However, there is even a simpler method – “Income Replacement”.



[Calculate Now](#)

Income replacement means that you want to replace your present (presumably when you are 30) income at the time of retirement. For example, if you are earning ₹1 lakh a month now and living comfortably, you will need equivalent amount when you retire.

Given the inflation and long-term rate of interest in the country, you need to save a part of your income to achieve this feat. The retirement goal is not just about a number you can achieve at retirement, but also about the income you receive later. Retirement goal should be defined as a percentage contribution you can have out of your present income, instead of in a specific amount to be achieved in future.

What are the Advantages of Life Insurance Plans for Retirement Planning?

There are many saving and investment plans you can use for your retirement savings. However, **Life Insurance Plan** is most suitable for comprehensive retirement planning, since no other investment categories provide long-term guaranteed returns.

There are competitive Life Insurance Plan for each step of retirement planning –high growth ULIP, fully guaranteed endowment and income plans, immediate annuity. Also, life insurance plans offer tax benefits as per Income Tax Act. Tax benefits play a very important role in any long-term investment.

| Stages | Type of Life Insurance Plans | Plans Offered by Canara HSBC Life Insurance |
|---------------------|------------------------------------|---|
| Wealth Accumulation | ULIP | Invest 4G |
| | Pension Plans | Pension4life - Deferred Annuity |
| Wealth Preservation | Fully Guaranteed Endowment Plans | Guaranteed Savings Plan |
| Wealth Distribution | Fully Guaranteed Income Plans | Guaranteed Income4Life Plan |
| | Fully Guaranteed Immediate Annuity | Pension4life - Immediate Annuity |

Decide how much income you require to live comfortably in your post-retirement years. Remember to take into account aspects like increased medical costs, expenses, and gifts for your family.

Start investing very early so that you have time on your side and can enjoy the power of compounding. Select the right retirement plan that enables you to meet your post-retirement requirements. Preferably, choose to invest in asset classes, which can provide you with potentially higher returns in the long run.



LIFE INSURANCE