



# Retirement Planning

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**Arthagyan Financial Adviser**

Your trusted partner

*“No battle was ever won according to plan, but no battle was ever won without one.”*

- DWIGHT D. EISENHOWER, FORMER PRESIDENT USA.

# Statutory Disclaimer

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This presentation is made for the purpose of investor education only. I am not aware of your individual situation to provide you a specific, individual advise. The products discussed in this presentation needs to be carefully selected based on your risk profile and unique financial requirements.

# As Retirees, you are entering an exciting phase of your life!

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- You can travel around the world!
- You don't need to get permission for your leave!
- No more work stress!
- You can sleep for as long as you like!
- You can dress as you like!
- You get a 7 day week end!

# Life transition for Retirees

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- No more daily routine activities
- No professional responsibilities
- No circle of office people around and the feeling of importance
- No regular salary coming to your bank account

# Life transition for Retirees

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- Create a new routine
- Try to create a new second career around your competence
- Create a circle of friends
- Create a regular income from investments

# Health is Wealth

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- Start walking or running
- Join a Yoga class
- Eat healthy and balanced meals
- Get your regular general health check up done
- Take a medical insurance: Base health cover and a super top up

# Don'ts

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- Trust your bank relationship manager
- Trust an insurance agent
- Trust a mutual fund distributor
- Speculate with your money

# Financial Planning for Retirees

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- Estimate your monthly expenses
- Create a monthly budget and a yearly expected cash flow
- Anticipate higher expenses as you age
- Buy a health insurance
- Buy a personal accident insurance
- Hire a fee-only planner if you require help

# Investment Instruments for Retirees

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- Senior Citizen Savings Scheme (SCSS)
- Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Post Office Monthly Income Scheme (POMIS)
- Annuity (Jeevan Shanti)
- Kisan Vikas Patra (KVP)
- National Savings Certificate (NSC)
- Debt Mutual funds: Overnight funds/Liquid funds/Money market funds
- Equity Mutual funds: Large cap/Aggressive Hybrid/Multi cap funds

# Senior Citizen Saving Scheme (SCSS)

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- Maximum investment is Rs. 15 Lakhs per person
- Current rate of interest is 7.4% and is reviewed and changed quarterly
- Interest rate is locked when you open a SCSS account
- Interest is paid quarterly
- Interest is taxable; however there is no TDS
- Can be opened at post office and designated PSU and private banks
- Tenure of deposit is 5 years, can be extended once for additional 3 yrs
- Early withdrawal is allowed after 2 years, subject to certain rules

# Pradhan Mantri Vaya Vandana Yojana (PMVVY)

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- Maximum investment is Rs. 15 Lakhs per person
- Current rate of interest is 7.4% and is reviewed and changed yearly
- Interest rate is locked when you start the policy
- Interest is paid monthly, quarterly, half yearly or yearly
- Interest is taxable; however there is no TDS
- Can be opened online at LIC website or through LIC agents
- Tenure of deposit is 10 years
- Yearly Life certificate “Jeevan Praman” to be submitted online
- Loan facility is available after 3 years, upto 75% of deposit amount

# Post Office Monthly Income Scheme (POMIS)

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- Maximum investment is 4.5 Lakhs for single holding and 9 lakhs for joint holding
- Current rate of interest is 6.6% and is reviewed and changed every quarter
- Can be opened only at post office
- Interest is taxable; however there is no TDS
- Tenure of deposit is 5 years
- Early withdrawal is allowed subject to certain rules

# Annuity (Jeevan Shanti)

Option A: Immediate Annuity for Life

Option B: Immediate Annuity for life with 5 guaranteed years

Option C: Immediate Annuity for life with 10 guaranteed years

Option D: Immediate Annuity for life with 15 guaranteed years

Option E: Immediate Annuity for life with 20 guaranteed years

Option F: Immediate Annuity for life with return of purchase price

Option G: Immediate Annuity for life increasing at 3% simple rate

Option H: Joint life immediate Annuity for life with 50% to second

Option I: Joint life immediate Annuity for life with 100% to second

Option J: Joint life immediate Annuity for life with 100% till either one survives and return of purchase price on death of last survivor

# Annuity (Jeevan Shanti) ctd.

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- Longevity Risk is covered by Annuity
- Inflation is not covered by annuity
- Recommended to buy annuity for age group 65 and above
- Buying Option A is recommended separately for you and another one for your spouse
- Annuity is taxable; standard deduction is the only benefit
- One can consider purchasing one annuity at age 65, 70, 75, 80 and 85
- Option A upper limit is age 85
- Private insurers such as HDFC life and ICICI pru life also have competitive rates

# Kisan Vikas Patra

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- This is an instrument to double money
- Interest is reviewed and changed every quarter
- Current rate of interest is 6.9%
- Tenure is 124 months to double money
- TDS is applicable on maturity at 10%
- Can be opened at Post office or designated public sector banks
- Lock in period is 2.5 years after which premature withdrawal is permitted
- Interest is taxable: every year based on accrual or at maturity

# National Savings Certificate (NSC)

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- Interest is reviewed and changed every quarter
- Current rate of interest is 6.8%, compounded yearly
- Tenure is 5 years
- There is no TDS on maturity
- Can be opened at Post office
- Interest is taxable: every year based on accrual or at maturity

# Fixed Deposits

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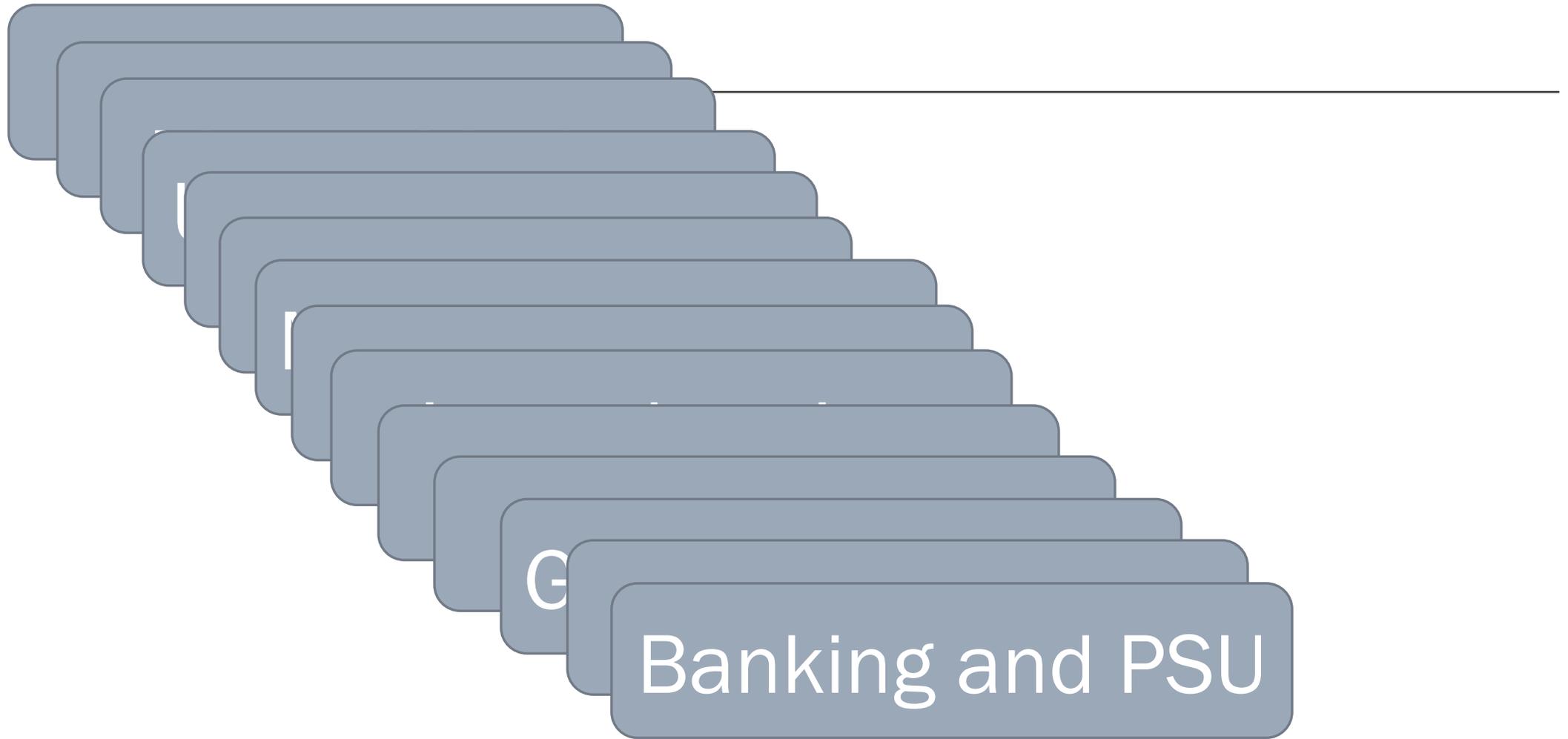
- PSU and large Private sector bank FDs are safe investments
- Corporate FDs may provide more interest rate at a higher risk
- State government backed NBFCs may give higher rate of interest at a higher risk
- Check for CRISIL rating before investing in Corporate FD
- FD interest is taxed every year at your individual tax bracket
- TDS of 10% is applicable
- Avoid FDs of small finance banks

# Non Convertible debentures(NCD)

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- Issued by non-deposit taking corporates
- Interest rate are higher compared to FD
- They carry a higher risk of default
- Check for CRISIL ratings before investing in NCDs
- Traded in the stock exchange, however low liquidity
- Periodic interest paying NCDs or cumulative NCDs are issued
- Indexation benefit is available if the Debenture is held for over 3 years

# Debt Mutual funds



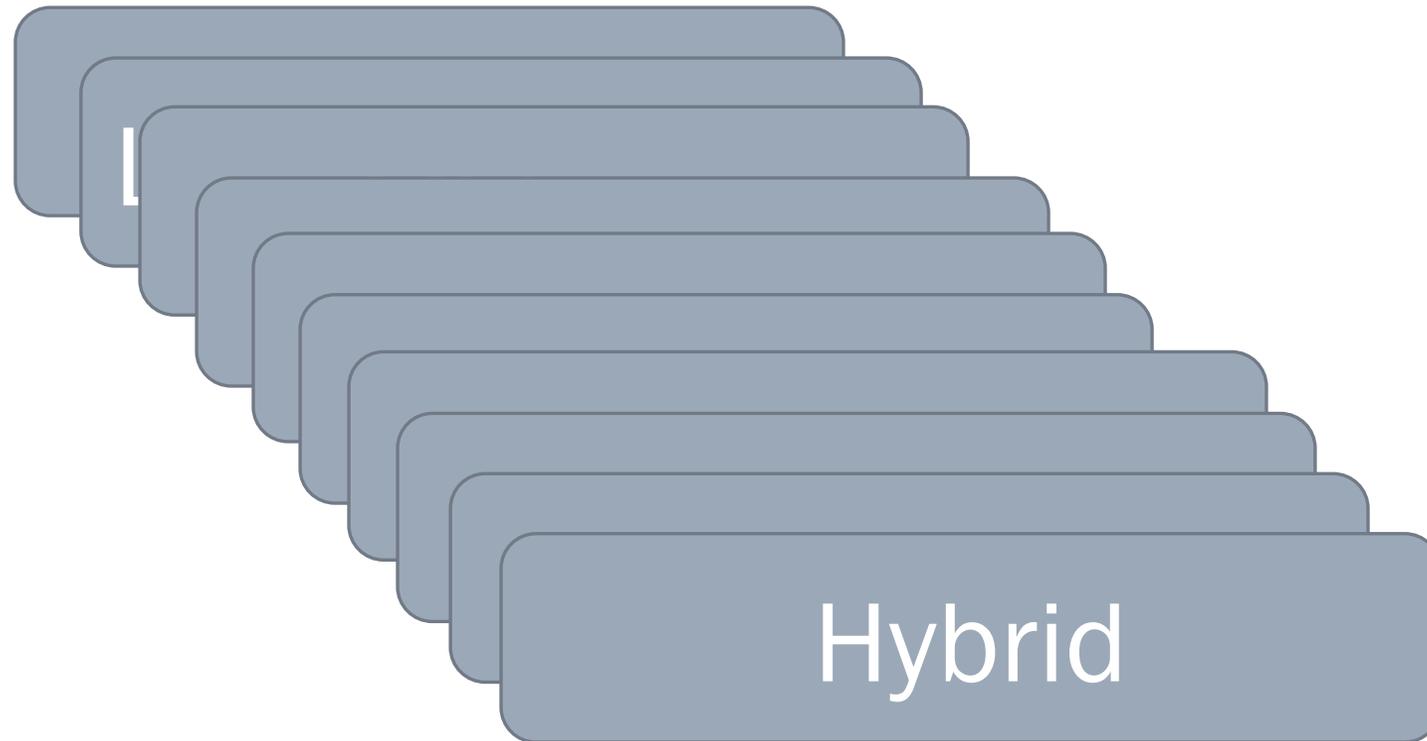
# Debt Mutual funds – ctd.

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- No guaranteed returns
- Many of them invest in corporate debt which are exposed to credit risk
- Long duration funds are exposed to interest rate risk
- No TDS on redemption
- Direct plans give you better returns compared to regular plans
- Risk averse investors are recommended to invest in Overnight, Liquid and money market funds only
- 10 year Gilt could be a useful category for holding period of more than 5 years

# Equity Mutual funds

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# Equity Mutual funds – ctd.

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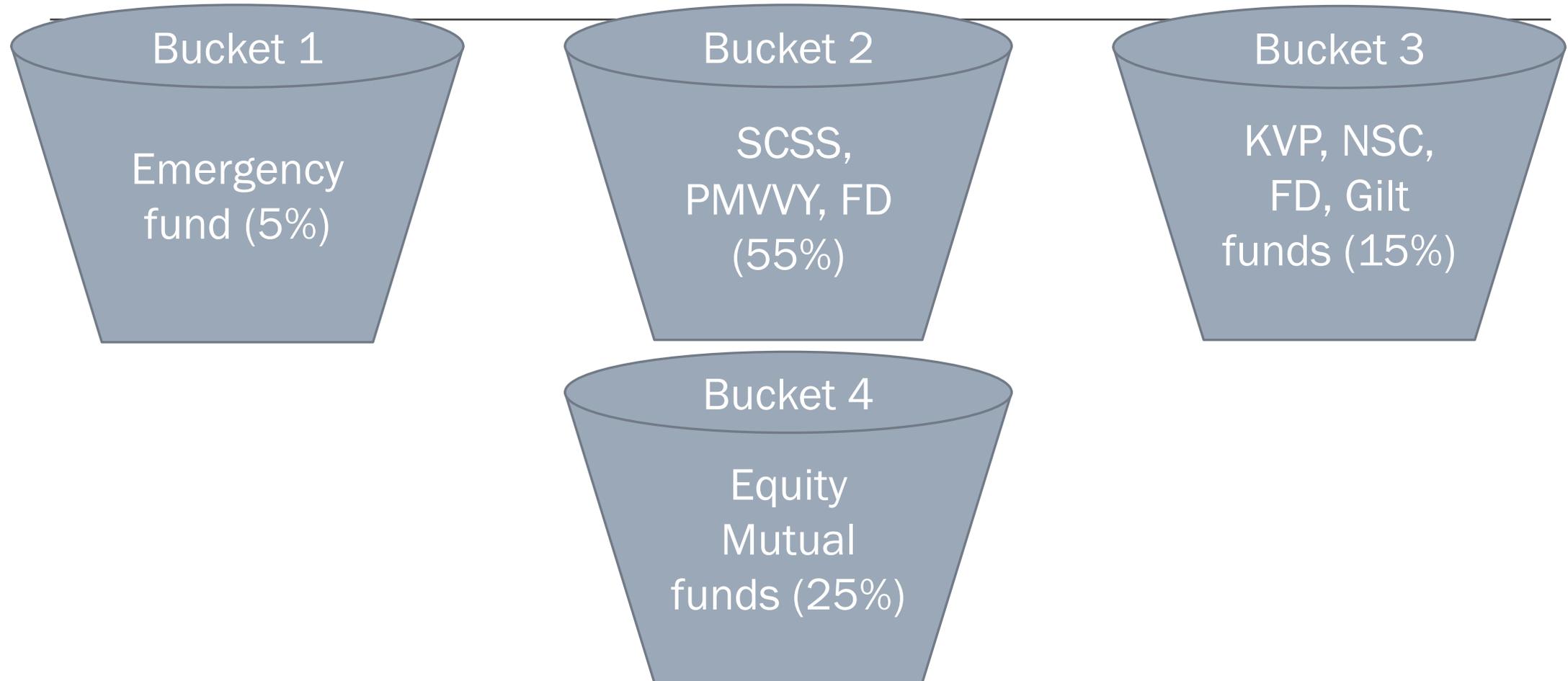
- No guaranteed returns – stock market linked
- 20% to 30% allocation is recommended for retirees
- Inflation can be beaten only with equity
- Debt and fixed income after tax give zero real returns
- Taxation is 15% for short term gains
- Taxation is 10% for long term gains if more than Rs. 1 Lakh per annum
- Largecap, Hybrid and multicap are sufficient for equity exposure
- Within largecap, use index funds for lower cost
- Invest only in direct plans

# Case study: Retiree with 1Cr. Retirement corpus

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- Assumption: Retiree is aged 60 and spouse is also aged 60
- Assumption: life expectancy for both is 90 yrs
- Assumption: returns will match inflation
- They need to live 30 years with corpus of 1 Cr.
- Per year:  $1\text{Cr}/30=3.33$  Lakhs
- Per month:  $3.33\text{ L}/12=27,777$
- The retiree needs to restrict monthly expenses to Rs. 28,000

# Case Study: Retiree with 1Cr. Retirement corpus – ctd.



# Questions

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# Thank you!

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Fee only planners can be found as per your choice from below website:

[www.feeonlyindia.com](http://www.feeonlyindia.com)