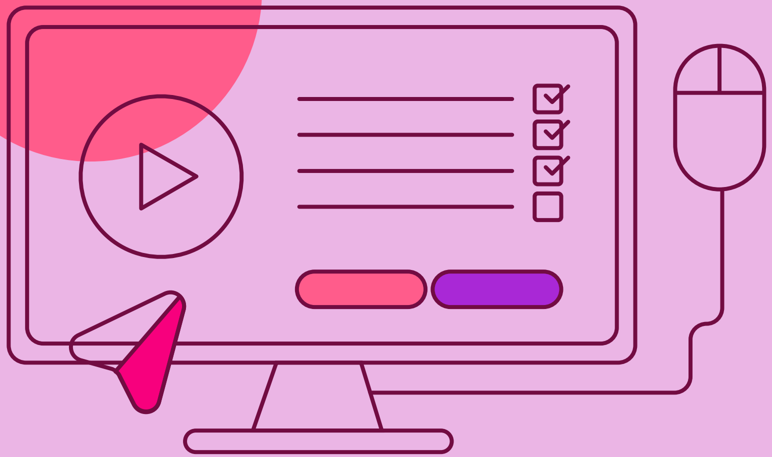


RETIREMENT

Save for you future

Why should you budget for retirement?

- Nuclear families: a western family lifestyle is slowly being adapted, this makes financial literary crucial.
- Higher life expectancy and Higher medical costs: With advancements in technology average lifespan in india has increased drastically. However, respectively these new technologies come with a higher price tag.
- Falling interest rates
- High inflation
- You won't have a constant source of income from your employment
- You want to enjoy life, see the world, play with your grand children

When do you want to retire?

Think about major expenses in your life

- Kids education
- House
- Medical emergencies
- Kids Marriage
- Have you saved enough to enjoy your retired life

How long from now is that?

- Govt Servant or Private, You can continue to work after official retirement age. Do you need to do that?
- At what Age would you like to retire and start enjoying life?

01
RETIREMENT PLANS

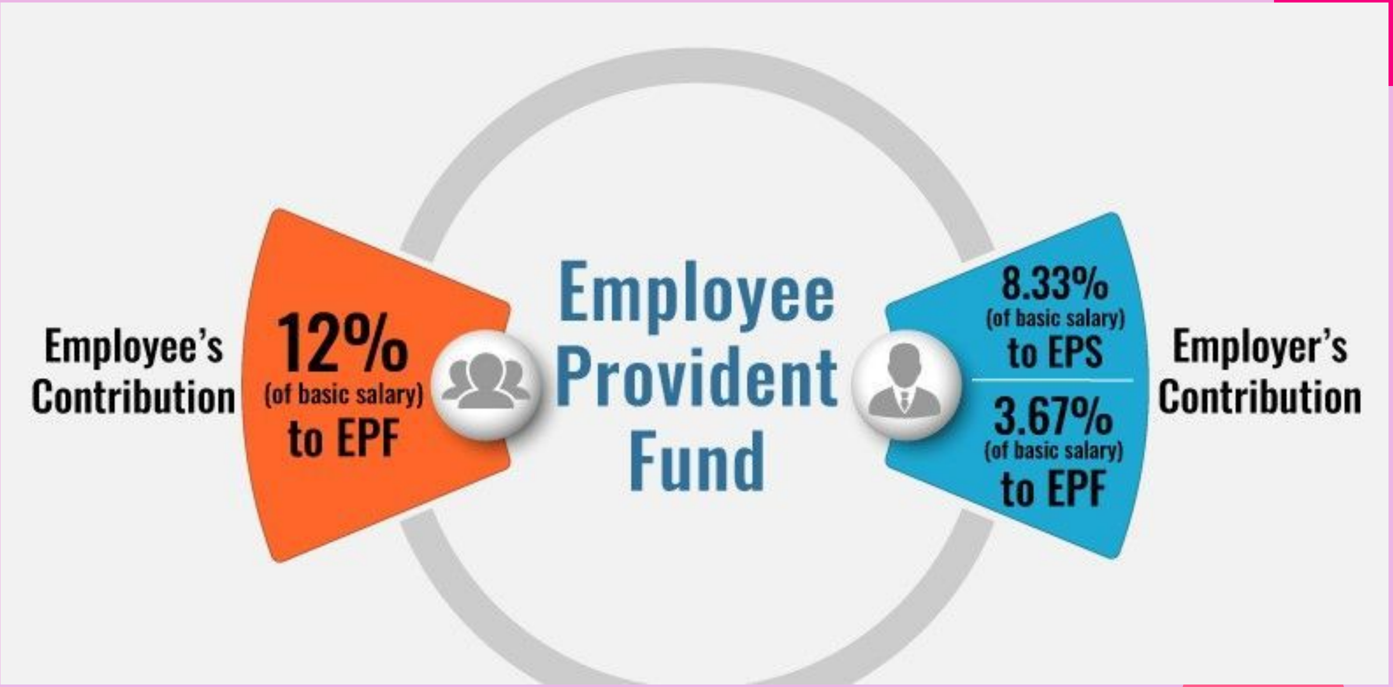
How much does it cost you to live your everyday life

Back

Next

Employees Provident Fund (EPF):The Basic Construct

- The EPF is not one scheme. It actually comprises three different schemes with three different objectives.
- The first part of EPF is where your retirement benefits are accumulated. This is basically the wealth generation part of the scheme.
- The second part of EPF is the employee pension scheme (EPS). The purpose of EPS is to generate pension for employees after the age of 58 years.
- The third and final part of EPF is the Employee Deposit Linked Insurance Scheme or EDLI, which is a life insurance cover.
- The good thing is you don't need to register separately for all these benefits. When you register for EPF, you are automatically registered for EPS and EDLI as well.


Employee's Contribution
12%
(of basic salary)
to EPF
Employee Provident Fund
8.33%
(of basic salary)
to EPS
3.67%
(of basic salary)
to EPF
Employer's Contribution

Employee Provident Fund (EPF)

What is it?

- Both the employer and employee contribute a certain sum every month while the employee is working.
- The employee contributes 12% of their basic salary, dearness allowance, and retention allowance to the EPF.
- The employer also contributes 12%, but 8.33% of that goes towards the Employee Pension Scheme (EPS). The remaining 3.67% goes into the EPF.

investments

- The EPF is deposited with the Employee Provident Fund Organisation (EPFO).
- The EPF provides tax benefits and a relatively higher interest rate than other saving schemes.

Withdrawal & taxes

- EEE (Exempt-Exempt-Exempt) category, which means principal, interest earned, and maturity amount are exempt from taxes.
- Can withdraw Upon attaining the age of 58 years
- If you are unemployed for two months or more
- Upon the premature death of the member upon which the entire corpus is given to the appointed nominee

Rules

- The present rules require that any organization with 20 or more employees will have to compulsorily register with the EPFO and provide employees with EPF benefits
- The rules also state that employees whose salary is up to Rs. 15,000 a month have to necessarily be part of the EPF program.

Employees Provident Fund (EPF):Example

- Let us assume you pay Rs. 5,000 per month as a part of your salary towards the EPF scheme.
- Your employer will match it with another Rs. 5,000 per month.
- The combined amount i.e. Rs. 10,000 is then deposited with EPFO.
- You will get 8.15% (current rate of interest in EPF scheme) every year on this amount deposited with EPFO.
- This interest rate may change as EPFO decides on it once every financial year.

The Public Provident Fund (PPF)

- It is a government-backed savings plan
- It has a duration of 15 years, and the benefit of compound interest on the tax-free interest.
- The government sets the interest rate for PPF every quarter, based on the return of government securities. 7.1% Currently
- The PPF is considered a safe investment because the interest earned and the money you invest are guaranteed by the government.
- Investment Amount: Minimum Rs.500, Maximum Rs.1.5 lakh per year
- Tax Saving: Maximum up to Rs.1.5 lakh under Section 80C
- Risk Category: Risk-free guaranteed return

Public Provident Fund (PPF)

What is it?

- Government-backed tax-saving investment schemes in India.
- It is a long-term investment option with a 15-year lock-in that provides higher returns than alternatives like a fixed deposit.

taxes

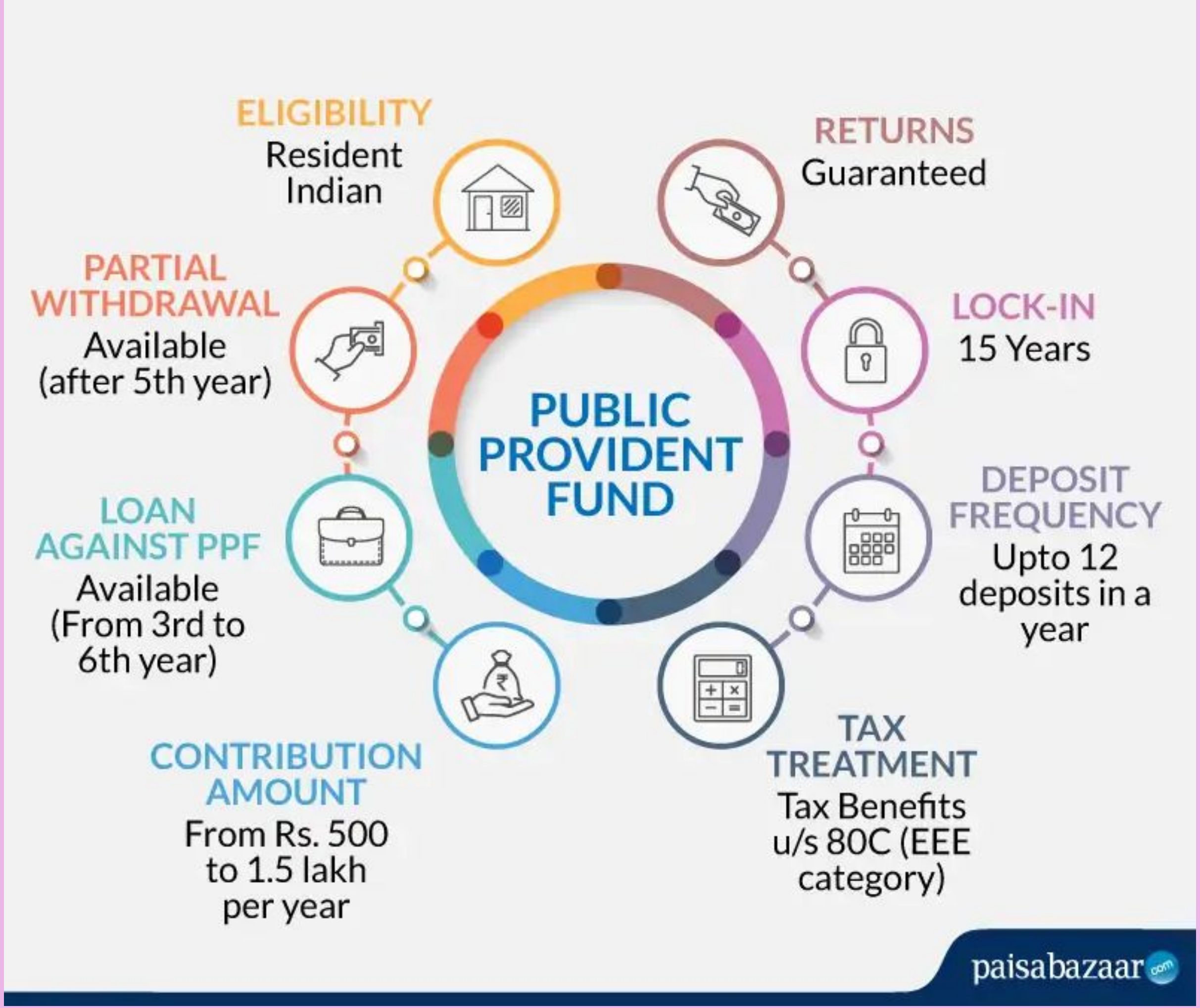
- Investments up to ₹1.5 lakh are eligible for tax deductions
- The amount you invest in PPF is exempt from tax
- The interest you earn on PPF is exempt from tax
- The final corpus at the time of withdrawal is also exempt from tax.
- PPF scheme is considered a great tax saving option.

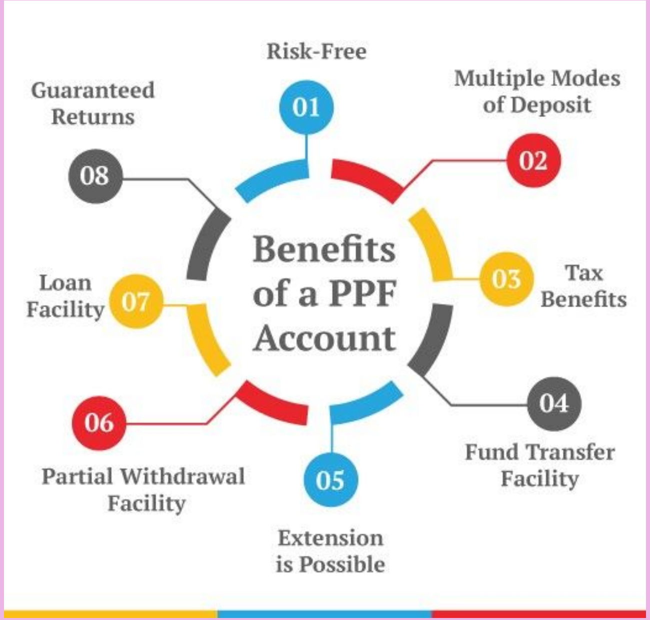
Lock in Period

- The PPF lock-in period is 15 years
- You can withdraw your entire corpus at the end of the 15th year only.
- But if you wish to stay invested for a more extended period, you can continue to do so (with or without making additional contributions). You can apply for extensions in 5-year blocks. There is no limit on how much time you can stay invested in the fund after the initial lock-in period of 15 years.

Deposit Rules

- You have to make at least one deposit per year for 15 years.
- The PPF minimum deposit is ₹500, while the maximum that can be invested in a financial year is ₹1.5 lakh.
- If you make any deposit in excess of ₹1.5 lakh in a financial year, the transaction will be automatically rejected.


ELIGIBILITY
Resident Indian
RETURNS
Guaranteed
PARTIAL WITHDRAWAL
Available (after 5th year)
LOCK-IN
15 Years
PUBLIC PROVIDENT FUND
LOAN AGAINST PPF
Available (From 3rd to 6th year)
DEPOSIT FREQUENCY
Upto 12 deposits in a year
CONTRIBUTION AMOUNT
From Rs. 500 to 1.5 lakh per year
TAX TREATMENT
Tax Benefits u/s 80C (EEE category)
paisabazaar.com


Benefits of a PPF Account
01 Risk-Free
02 Multiple Modes of Deposit
03 Tax Benefits
04 Fund Transfer Facility
05 Extension is Possible
06 Partial Withdrawal Facility
07 Loan Facility
08 Guaranteed Returns

National Pension System (NPS)

The National Pension System (NPS)

Long term

- You generally cannot withdraw the money before you turn 60, except in certain exceptional cases.
- Once you retire, you can use the accumulated savings to receive a regular pension or withdraw a portion as a lump sum

investments

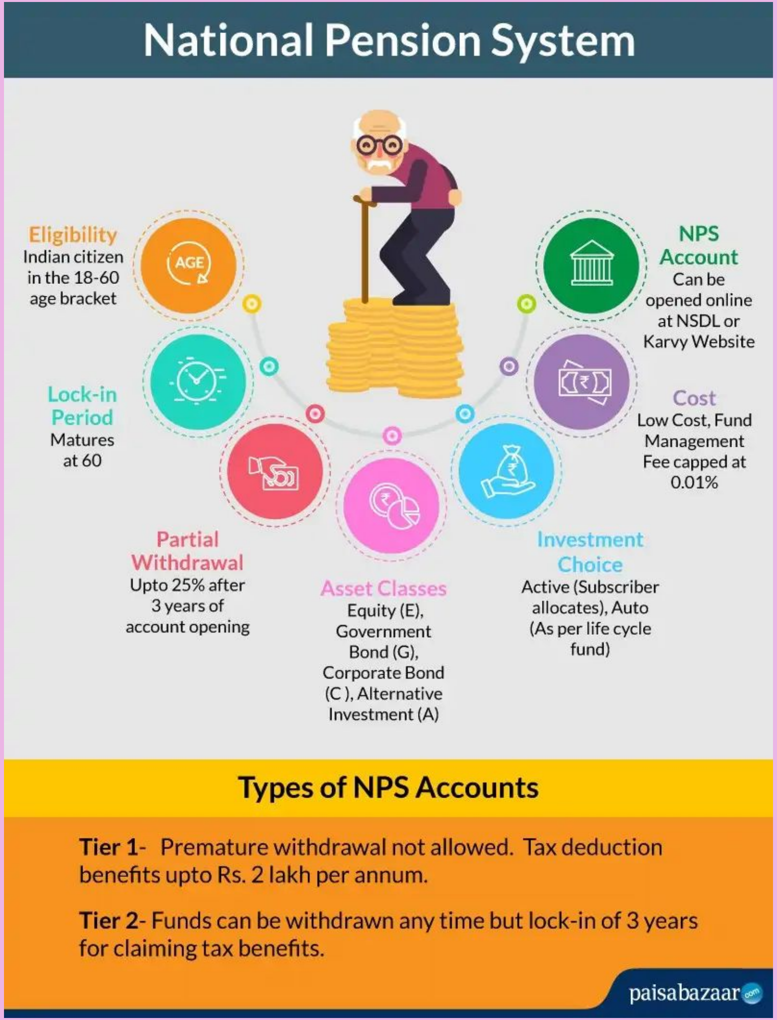
- Under NPS, individual savings are pooled in to a pension fund which are invested by PFRDA.
- They are regulated professional fund managers and invest as per the approved investment guidelines,

taxes

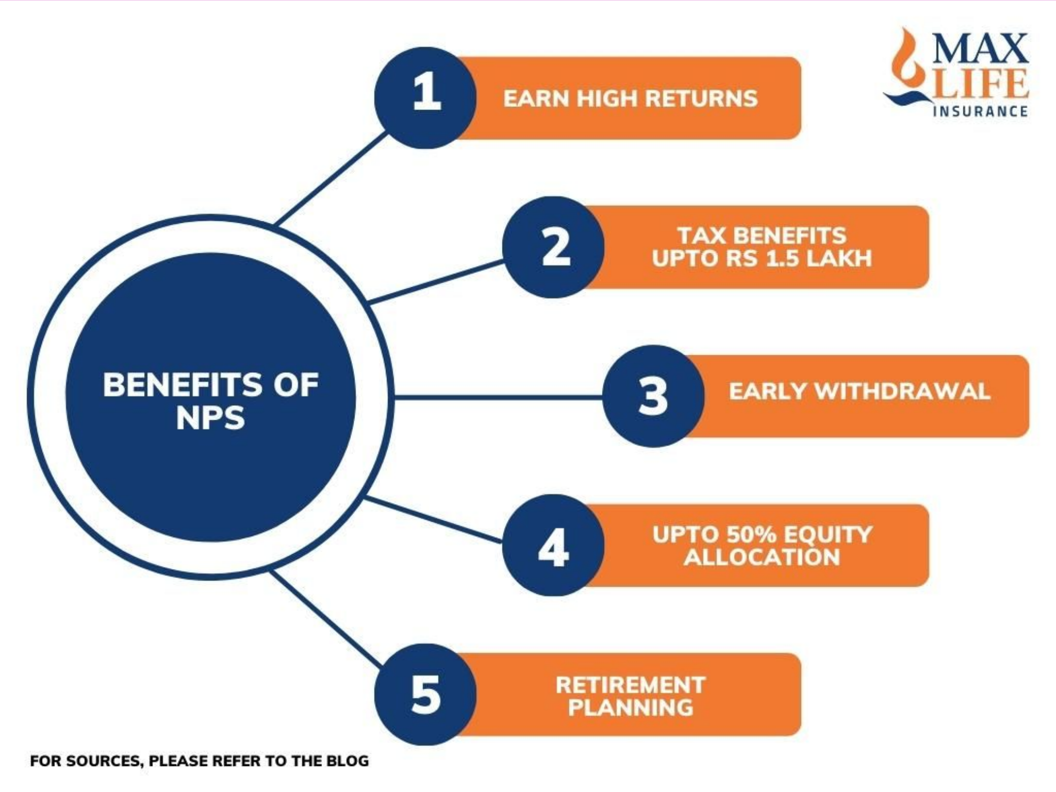
- One of the advantages of the NPS is that it offers tax benefits.
- The money you contribute is deducted from your taxable income, which means you pay less tax.
- However, when you withdraw the money after retirement, it will be subject to tax.

Trivia

- The NPS was introduced for central government employees in 2003. It is now regulated by the Pension Fund Regulatory and Development Authority (PFRDA).
- Any Indian citizen between the ages of 18 and 60 can open an NPS account. The NPS matures at age 60, but can be extended up to age 70



National Pension System
Eligibility
Indian citizen in the 18-60 age bracket
AGE
NPS Account
Can be opened online at NSDL or Karvy Website
Lock-in Period
Matures at 60
Cost
Low Cost, Fund Management Fee capped at 0.01%
Partial Withdrawal
Upto 25% after 3 years of account opening
Asset Classes
Equity (E), Government Bond (G), Corporate Bond (C), Alternative Investment (A)
Investment Choice
Active (Subscriber allocates), Auto (As per life cycle fund)
Types of NPS Accounts
Tier 1- Premature withdrawal not allowed. Tax deduction benefits upto Rs. 2 lakh per annum.
Tier 2- Funds can be withdrawn any time but lock-in of 3 years for claiming tax benefits.
paisabazaar



MAX LIFE INSURANCE
BENEFITS OF NPS
1 EARN HIGH RETURNS
2 TAX BENEFITS UPTO RS 1.5 LAKH
3 EARLY WITHDRAWAL
4 UPTO 50% EQUITY ALLOCATION
5 RETIREMENT PLANNING
FOR SOURCES, PLEASE REFER TO THE BLOG

Insurance Based Plans

- Insurance-based plans are post-retirement plans bought directly from the insurance company.
- They are also known as personal pension plans since there is no involvement of an employer or a government body in purchasing the plan.
- Such plans have both death benefits and retirement benefits.

Insurance based plans

Deferred Annuity Plan

- This retirement plan helps you save money for retirement by investing a lump sum or paying regular premiums.
- You can only access the money after a certain period mentioned in the plan.
- Your money is invested in low-risk options like debt or stocks, depending on your choice.

Pension with cover

- Convergence of life insurance plans and retirement benefit schemes and offer death compensation.

Immediate Annuity Plan

- Under this plan, you invest a lump sum, which you can withdraw at any time and do not have to wait. If you have a big sum lying with you, such a plan is for you.
- The frequency of annuity payment can be monthly, half-yearly, quarterly, or annually as per your individual choice.

Pension without cover

- Pension Plans without cover only offer annuity in the form of insurance after retirement; however, they do not provide death compensation to users.

Steps to plan for retirement

01 Identify cost of living

02 Calculate total needed at time of retirement

03 Identify risk level

04 Pick a plan

01
Calculate cost

Using cost of living, life span, and inflation

What are your current expenses and how will they grow or shrink in the future?

- Do you have to pay for mortgage? House Loan?
- Do you need to pay to support your children?
- Do you need to pay for your own Medical Expenses?
- What will be your monthly Expenses
- What kind of hobbies or passion would you like to pursue after retirement? Travel with World? How will you pay for it?
- Will you be responsible for any type of loans or financial obligation when you retire?
- How long do you think you will live? Will you have enough money till you die?
- Do you want to leave something behind for your kids?

- **Inflation : Know the impact of inflation by the time you retire.**
- **A loaf of bread will be significantly expensive when compared to what it costs today**

Adjust monthly expenses for inflation

India average yearly inflation rate : 8.8%

Future Value = Present Value * (1 + Inflation Rate)^Number of Years

What will 100 be in 5 years?

Future Value = $100 * (1 + 0.088)^5

Future Value = $100 * (1.088)^5

Future Value = $100 * 1.46933

Future Value ≈ $146.93

Workbook

Monthly retirement budget = current budget(1+0.088)^years till retirement

Total needed = monthly * expected months of retirement

03

Risk level

How risky should you be with you savings?

Back

Next

Risk Factors : All of these can impact your Life

Health

- Rising health care costs

longevity
-outliving your money

inflation
-possible changes in inflation rates

What if..
House damage
Accidents
Health crisis

Market volitility
You cant predict the market

Bad Financial decisions
Investments, Savings, Loans, etc

How does risk change your retirement plan?

- The younger you are the most risk you can take
- You need to invest to grow your money! But Growth depends on your risk tolerance
- Unexpected / Unplanned obligations and expenses can derail your retirement
- Saving and investing early is the recipe for success
- Compound Interest is very powerful
- Having a financial advisor helps

Saving for retirement is about starting small

Let’s say from now on you skip your daily coffee and invest it instead.

We are going to invest 250 daily into a mutual fund. It returns an average of 13% yearly. You start when your 20 and plan to retire at 60.

$$A = P\left(1 + \frac{r}{n}\right)^{nt} + \frac{PMT\left(1 + \frac{r}{n}\right)^{nt} - 1}{\left(\frac{r}{n}\right)}$$

A = Future Value of investment

P = Principle amound invested (the original contribution)

PMT = Regular contributions (additional money added to investment)

r = Interest rate investment is earning

n = Number of times interest compounds
** i.e. 12 = monthly, 4 = quarterly, 2 = semi-annually, 1 = annually

t = Number of years investment will be active

Give up on that cup of Coffee?

You will accumulate 3,074,308 by the time you retire, just from sacrificing your coffee.

Take Away from Day 4

Dos

- Retirement is a serious topic. Start early
- Saving and investing early is the recipe for success
- Compound Interest is very powerful
- Inflation devalues your money
- Debt free by the time you want to retire
- Ensure enough coverage

Don’ts

- Using excuses for not participating in retirement plans
- Withdraw money early from retirement plan
-

Thank You

Q & A