STUDY NOTES · BASIC CONCEPT

What is Retirement Planning?

Indian Economy

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What Is Retirement Planning?

Retirement planning is the process of preparing financially for the stage of life when you stop working and no longer earn a regular salary.
It ensures that after retirement, you have enough money to cover your expenses, maintain your lifestyle, and stay financially independent.

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Why Retirement Planning Is Important?

- Your salary will stop, but expenses won't.
- You still need money for food, rent, medical care, travel, etc.
- Life expectancy is increasing.
- People are living 20–30 years after retirement.
- Healthcare costs are rising.
- Medical emergencies can destroy savings without planning.
- Inflation reduces the value of money.
- ₹1,00,000 today will not have the same value after 20 years.
- To avoid dependence on children or others.
- Retirement planning ensures dignity and independence.

What Retirement Planning Includes?

1. Estimating future expenses

- Monthly living cost
- Healthcare needs
- Lifestyle goals (travel, hobbies)

2. Building a retirement corpus : A retirement corpus = the total money needed for post-retirement life.

3. Investing early

Invest in:

- EPF
- PPF
- NPS
- Mutual funds (SIP)
- Pension plans
- Fixed deposits
- Early investing = bigger wealth due to compounding.

4. Managing risks

Through:

- Health insurance
- Life insurance
- Emergency fund

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5. Planning income after retirement

Sources may include:

- Pension
- NPS annuity
- Rental income
- SWP from mutual funds
- Interest income

When Should You Start Retirement Planning?

The earlier, the better. Starting at 25–30 years builds a huge corpus due to compounding. Even starting at 40–45 is possible, but requires higher monthly savings.

Key Principles

- Start early
- Invest regularly
- Increase investments as income grows
- Diversify (equity + debt)

- Protect with insurance
- Review plan every year

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