HAVE YOU BEEN ASKING THESE QUESTIONS PERTAINING TO YOUR RETIREMENT INVESTING?

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I’ve been writing articles on retirement planning in Sammaan magazine since its inception. They address issues relating to managing your money so that the retirement becomes a truly Golden Retirement, the way you’d visualised it all along. Over a period of time, during the course of my lectures on financial and retirement planning all across the country at various formations, organisations and headquarters, I am also asked a lot of other questions that bother officers about their retirement – such as management, taxation, planning and legal issues. Hence, this year, I decided to address such Frequently Asked Questions (FAQs) to clarify the nagging issues which keep cropping up in the mind. In case you still have any further queries on such issues, you can get in touch with me directly by emailing me at contactus@humfauij.in or ringing up the contact numbers given on the website.

FAQs for Retired / Retiring Officers

I’m going to get a large amount of money on my retirement a few years later:

• Why should I build a house right now – I’ll do it with my retirement money?

• My son’s higher education expenses will also come up at the same time as my retirement. I have no worries as the money will be available at that time.

• My children’s marriages can be easily financed by my retirement money. I don’t intend saving anything from now onwards, since I’ll get a lot of money on retirement.

I firmly believe that the retirement corpus that you get is meant for you and your wife for a Golden Retirement – for living out your dreams, doing the things you could not do due to occupational and locational constraints, and for giving you a feeling of financial security. If you make major expenses from this corpus, a few months or a couple of years down the line, you are either likely to feel financially very insecure or be unable to fulfil your post-retirement dreams. My suggestion is to save well during your working life so that your major responsibilities are over and ideally there are no loans or debts left to be paid when you retire. Then only would you have finally retired to indulge in pleasurable activities like travelling the world, giving to charity, spoiling your grand-children and other such fruitful activities.

What would be the best way to invest my retirement corpus?

The best way to invest is to first jot down what you want your future to be – what are likely to be your monthly expenses, the major expenses that are coming up: (children’s higher education, their marriages, house purchase or renovation, etc); regular living expenses (regular replacement of car, domestic and international vacations, etc), your passions and leisure activities that you would wish to indulge in; and anything else which requires a large amount of money or regular income. Now prioritise each expense – take care not to chronologically prioritise, but to do so by notionally assuming that all of them are happening together. Then calculate the outlay each requirement (termed
‘financial goals’) involves on a one-time or regular basis, as the case may be. This is the ‘expense’ side. You will also have to factor in ‘inflation’ – the rate at which the cost of living is going up on a compounded basis, year-after-year.

On the ‘income’ side, calculate the amount of money coming to you as a lump sum and on a regular basis. Now tone down (or up, if you’re the lucky type!) your expenses if need be. Once you have done the above, shortlist the investment avenues where you would be comfortable investing your money.

Finally, tally the income and expenses, make the investments and monitor the progress of income, expenses and the goals on a regular basis. And if you do not wish to get into the above hassles or feel that they are not your cup of tea, seek out a good financial planning company – they will do it for you at a nominal fee.

I want to invest in such a manner that I get an income each month. How should I go about it?

The very first thing here is to ponder the point – do you actually need an income on a monthly basis? If your pension can meet your monthly expenses, then do not unnecessarily take money out from your retirement corpus or from what it earns. Keep your retirement corpus for meeting your obligations, responsibilities and for maintaining the lifestyle you’ve visualised for yourself and your family. Remember, if you withdraw money unnecessarily from your corpus or its earnings, you are depleting it and it will either not be available or there would be a shortfall when you actually need it.

However, if you do need some money on a regular basis because your pension does not meet your regular needs, then there are many ways of getting a regular income. These include the: Senior Citizens Savings Scheme (SCSS); Post Office Monthly Income (PO MIS) Scheme and; mutual funds. Of all these avenues, considering the returns, flexibility of withdrawal, tax efficiency and tenure, I would strongly recommend a carefully constructed portfolio of mutual funds. You should use the Systematic Withdrawal Plan (SWP) mode to get a monthly ‘pension’ which will be much more tax-efficient and flexible than any other avenue.

I want to have about Rs 10-15 lakhs readily available at all the time to cater for emergencies. How should I do it?

This is a frequently asked question but if we think pragmatically, how many times have we had an emergency that involves such large amounts? And if it has happened once earlier, what are the chances of it occurring again? Probably because the large amount of money is available now, our concept of an ‘emergency fund’ also becomes large! If such an emergency does occur, one normally gets adequate time to arrange for the money. There is the credit card (whose limit can be enhanced on a one-time basis to meet the emergencies), the friends’ and relatives’ network and maybe some liquid investments like FDs, mutual funds etc which can