

FPA

CERTIFICATE IN FINANCIAL PLANNING & ADVISORY

Session 7- Retirement Planning

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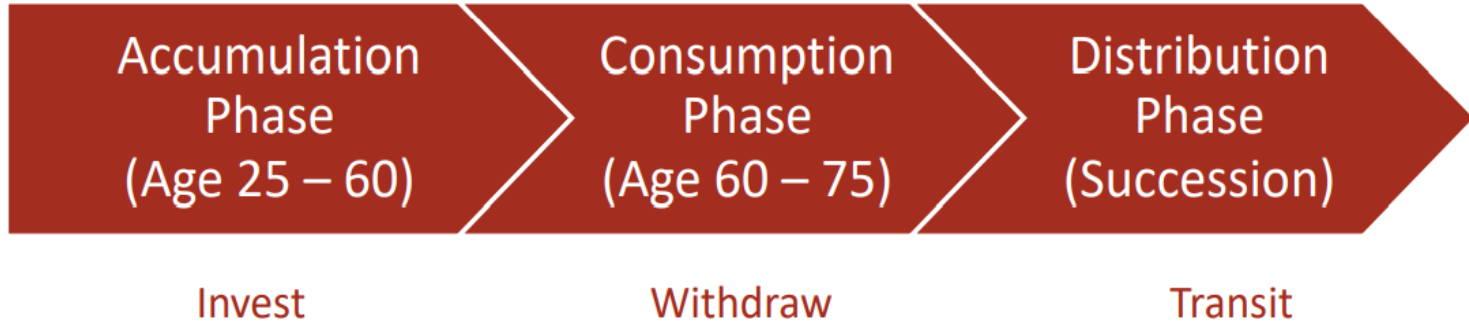
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Section

1. Retirement Planning Phases

Timeline



Phases

Accumulation

- Investments
- Equity (provided the client starts early)
- Maintain lifestyle when earning stops
- Start – earlier the better

Consumption

- Dependency on retirement corpus
- Low or nil income
- Expenses could increase
- Health is very important

Succession

- One of the best gifts to family – peace



Section

2. Suitable Investments

Accumulation Phase

Equity Investments

- Equity Stocks
- Mutual Funds
- Portfolio Management Services
- Unit Linked Insurance Plans

Debt Investments

- Employee Provident Fund
- Public Provident Fund
- Gratuity
- National Pension Scheme



Consumption Phase

- Senior Citizen Savings Scheme
- Fixed Deposits
- Public Provident Fund
- Bank Fixed Deposits
- Debt Mutual Funds



Section

3. Computation

Retirement Planning - Accumulation

Mr. Nirmal Kumar is a 30 year old, self employed person using PPF to accumulate Rs 30,000 per year. He has been saving for the last 5 years. He is willing to look at a lifestyle after retirement that fits into a fixed Rs. 3 lakhs p.a. spend for 15 years. What is the spending opportunity for Nirmal Kumar at the time of his retirement of age 60 given his savings and assume a rate of 6% on his funds after retirement. Assumptions: Compounded annually, assume beginning, Inflation 3%

Retirement Planning - Consumption

Ms. Mamta is 30 and plans to retire at 58 years. Mamta will require inflation adjusted Rs.75,000 in the first month after retirement. Inflation is 4% p.a. & return on investment is 6% p.a. What will be the corpus at the time of retirement in order to meet this? Will Mamta's corpus be enough to fund her retirement if she saves Rs. 2 lakhs pa.? (End of year). Life expectancy 75 years.



Section

4. Succession Planning



Estate Planning

- Estate planning in simple terms refers to the passing assets / investments down from one generation to another.
- Smooth transfer of assets to intended beneficiaries
- Avoid disputes
- Avoid delays
- Reduce stamp duties on transfer of assets to intended beneficiaries
- Protection from Creditors
- Overcome limitations imposed by personal laws
- Protect estate from spendthrift heirs



For whom?

- People who possess Assets & Investments
- Age doesn't matter, earlier the better
- Dying intestate causes disputes and court proceedings
- Court proceedings follow religious Succession Laws



How to plan?

- Will - Legal declaration of the intention for assets to be transferred into effect after his death
- Gifts
- Trust

Thank You