Nippon india Mutual Fund

Wealth sets you free

PLANNING FOR YOUR RETIREMENT

To know more, contact your
Registered Investment Advisor today.

Edge

Learning Academy

An Investor Education & Awareness Initiative of

Nippon india Mutual Fund

Helpful information for investors

All Mutual Fund investors have to go through a one-time KYC (know your Customer) process. Investors should deal only with registered mutual funds, to be verified on SEBI website under 'Intermediaries/ Market Infrastructure Institutions'. For redressal of your complaints, you may please visit www.scores.gov.in . For more info on KYC, change in various details & redressal of complaints, visit https://mf.nipponindiaim.com/InvestorEducation/what-to-know-when-investing.htm. This is an investor education and awareness initiative by Nippon India Mutual Fund.

Disclaimer

The information provided in this booklet is solely for creating awareness about retirement planning and can be helpful in building a retirement corpus. The views expressed herein constitute only the opinions and do not constitute any guidelines or recommendations on any course of action to be followed by the reader. Many of the statements and assertions contained in this booklet reflects the belief of Nippon Life India Asset Management Limited, which may be based in whole or in part on data and other information. Nippon Life India Asset Management Limited (formerly known as Reliance Nippon Life Asset Management Limited) does not guarantee the completeness, efficacy, accuracy or timelines of such information. This information is not intended to be an offer or solicitation for the purchase or sale of any financial product or instrument. Readers of this booklet are advised to seek independent professional advice, verify the contents and arrive at an informed investment decision. Neither the Sponsor, the Investment Manager, Mutual Fund, the Trustee, their respective Directors, nor any person connected with it accepts any liability arising from the use of this information.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

PREFACE

The Mutual Fund industry has grown fast to become an important component of the Indian economy, helping channelise household savings into the capital market. Moreover, Mutual Funds investment has become an important way for citizens' private investment and wealth management. In light of this, investor education is an important aspect to keep the investor well informed, as well as protect their legitimate rights and interests, particularly for small and medium investors.

This booklet is a specific exhibition of Nippon India Mutual Fund's efforts to spread awareness and continue building the investors' knowledge. It explains investment related information in simple language and in a lively and vivid manner. I am sure, investors of all kinds will find value in this booklet and be encouraged to use this as a stepping stone towards practicing financial prudence.

All the very best and happy reading.

Sundeep Sikka
Executive Director & CEO
Nippon Life India Asset Management Limited
(Formerly known as Reliance Nippon Life
Asset Management Limited)

An average person works for about 30 years and retires at around 60 years of age. Given the advancement in medicine and healthcare, we should plan for another 30 years post-retirement. In the modern nuclear family system, the elderly mostly live alone, paying their bills and managing their households by themselves.

If you retired with Rs.1 crore today...

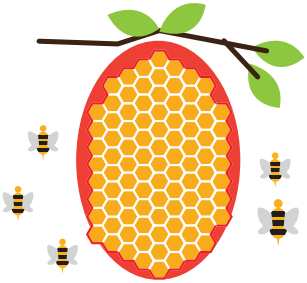
30 years later it would be as if you had approx. Rs.13 lakhs

*Assuming inflation at 7% p.a. Rs. 1 crore discounted at 7% for 30 years, would amount to Rs.13,13,671.

The biggest challenge in retirement is inflation. The income stops, but the expenses remain and grow.

Retirement planning involves two distinct phases.

ACCUMULATION PHASE



The accumulation phase is the building of assets, by saving and investing in the earning years.

DISTRIBUTION PHASE

The distribution phase is the use of assets, by ensuring that retirement is comfortably funded as long as one lives.

Without an adequate amount of retirement assets, investors are unable to beat inflation. Many retirees realise that theirs assets are too small to generate adequate income.

INFLATION : THE SILENT KILLER

Monthly expense of say, Rs.1 lakh at retirement will balloon year after year.

For eg: Let's asume that the age of Retirement is 60 years

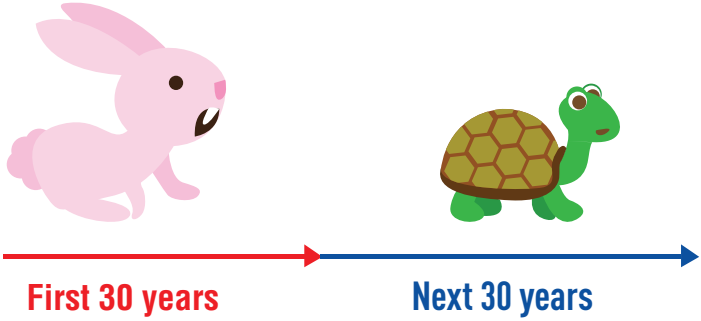
Inflation Rate	10 yrs later Age: 70 yrs	20 yrs later Age: 80 yrs	30 yrs later Age: 90 yrs
6%	1.79 Lacs	3.20 Lacs	5.74 Lacs
7%	1.97 Lacs	3.87 Lacs	7.61 Lacs
8%	2.16 Lacs	4.66 Lacs	10.06 Lacs
9%	2.37 Lacs	5.60 Lacs	13.27 Lacs

This is only for illustration purposes to purely explain the concept of impact of inflation.

The distribution phase begins when we retire. We now depend on the retirement assets to generate adequate income. The focus now shifts from growing the value of the corpus, to the regular income it should generate.

Distribution phase requires careful management of the retirement assets, to generate an inflation-adjusted income over a long period of time.

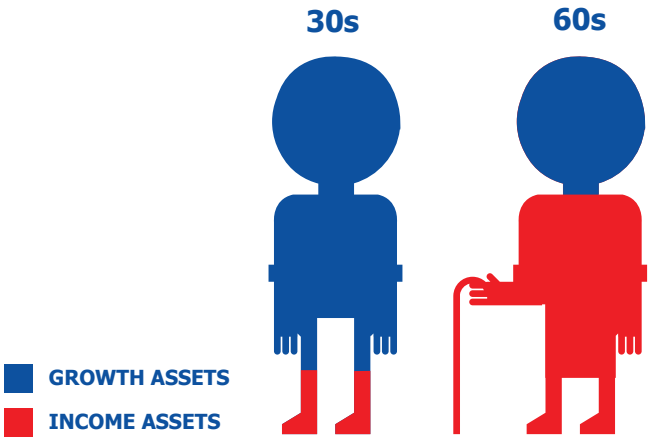
Shift in preference..



In the distribution phase, you are drawing down some of your assets, to fund your expenses. You may need income assets to generate this regular income. You should allow the rest of the assets to grow in value, even if modestly, by holding a small portion in growth assets.

Asset allocation is your key strategy in both phases of retirement planning. Your goals are different in both phases, so the combination should also be different.

Building your Portfolio

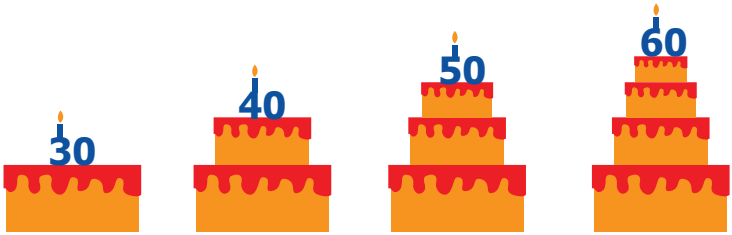


During accumulation you primarily need growth, but you also want some downside risk protection. A predominantly growth oriented portfolio shall endeavour to serve this need.

During distribution, you primarily require sufficient income to meet your expenses. A predominantly debt oriented portfolio shall endeavour to serve this need.

You should review your portfolio periodicaly in consideration with your risk return profile and aim to achieve your retirement goal.

Use the Peak Income to Save More

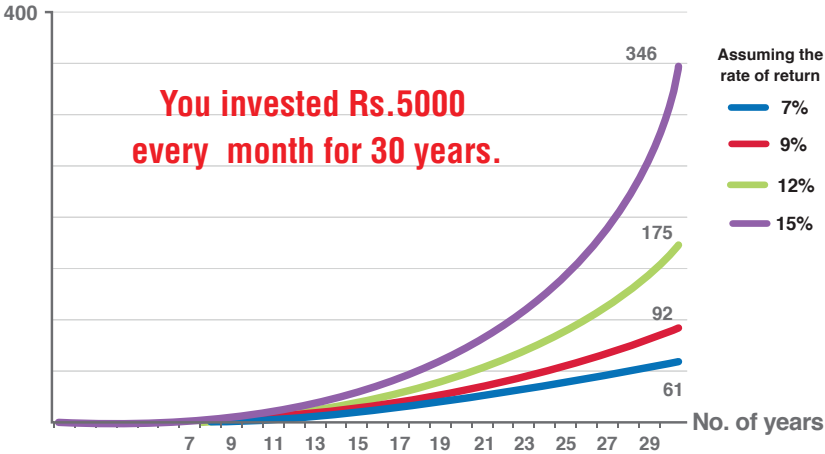


It is ideal if we began early... But in reality, we will find ourselves being able to save more, as we age. In our peak earning phase, many of us may be able to even save 50% of the income. Small amounts saved in early years, topped up by large amounts saved in later years, will help accumulating a large corpus.

Investing systematically, stepping up the amount every year, and adding lump sums to it whenever we can is a good strategy.

BUILD BIG, BUILD AGGRESSIVELY

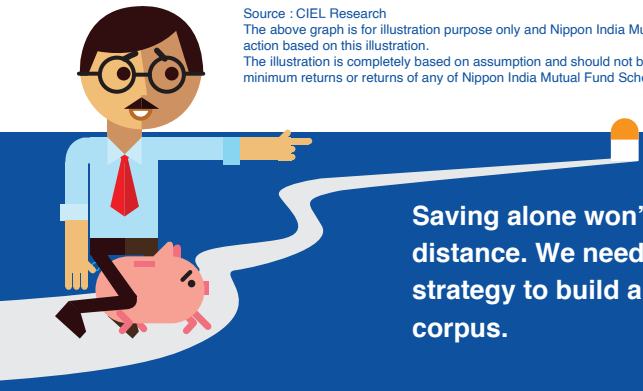
Accumulating adequate retirement assets is a challenge. We can only save a portion of our income, even with the best effort. But to retire comfortably, we need those assets to generate an income that completely funds all expenses, after inflation.



At 7% p.a. your retirement assets will grow into Rs.61 lakh

At 15% p.a. your assets would have grown to Rs.3.46 crore

Source : CIEL Research
The above graph is for illustration purpose only and Nippon India Mutual Fund does not recommend any action based on this illustration.
The illustration is completely based on assumption and should not be construed as promise or forecast of any minimum returns or returns of any of Nippon India Mutual Fund Scheme.



Saving alone won't take us the distance. We need an investment strategy to build a healthy retirement corpus.

BEGIN EARLY OR BUILD BIG

30s

Those in their 30s are too busy with other priorities.

40s

In the 40s there is a nagging worry, but most live in denial.

50s

In the 50s there is a sense of urgency and desperation.

60s

By the time it is the 60s, it is too late.

A good retirement plan should begin early. Or should make-up for lost time sooner, than later.

SECOND INNINGS

Thinking about retirement as the time to live frugally is so old-fashioned. The new-age retirees look forward to a second innings. An innings filled with travel and discovery; pursuit of new interests; and a life of joy and dignity.

The nagging question however is, can I afford it? With sensible planning, a happy retirement may be within reach for most of us.

RETIREMENT CALCULATOR

Assumptions		
Monthly Instalment Rs.	10,000	The returns earned on the retirement corpus is assumed to be systematically withdrawn as annuity. Hence, the principal of the retirement corpus will remain intact and the annuity will be perpetual in nature.
Retirement Age	60 Years	

SIP Start Age	Period (Yrs)	No. of Installments	Amount Deposited	Returns during Accumulation	Returns during Distribution	Returns during Accumulation	Returns during Distribution
				9%	8%	15%	10%
				Retirement Corpus @ 60 years	Monthly Annuity Post Retirement	Retirement Corpus @ 60 years	Monthly Annuity Post Retirement
18	42	504	50,40,000	562,69,834	3,75,132	4181,73,021	34,84,775
20	40	480	48,00,000	468,13,203	3,12,088	3101,60,548	25,84,671
25	35	420	42,00,000	294,17,845	1,96,119	1467,71,802	12,23,098
30	30	360	36,00,000	183,07,435	1,22,050	692,32,796	5,76,940
35	25	300	30,00,000	112,11,219	74,741	324,35,296	2,70,294
40	20	240	24,00,000	66,78,869	44,526	149,72,395	1,24,770
45	15	180	18,00,000	37,84,058	25,227	66,85,068	55,709
50	10	120	12,00,000	19,35,143	12,901	27,52,171	22,935
55	5	60	6,00,000	7,54,241	5,028	8,85,745	7,381

*The illustration above is based on assumptions and is solely for the purpose of understanding how the age of retirement planning affects the retirement corpus. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s).

A person who starts a monthly SIP of Rs. 10,000 at age of 20 has 40 years of accumulation till retirement at 60. This gives him 40*12 = 480 installments. Each installment is compounded at a monthly rate of (9/12) = 0.75% for the months till retirement. The total investment amount is Rs. 48,00,000 and corpus accumulated will be Rs, 4,68,13,203. When this amount when invested at 8% gives Rs. 3,12,088 per month during retirement.

Calculation Methodology: The above calculation is based on monthly compounding of rate of returns assumed during accumulation and distribution phase. For example, for 9% assumed rate of return, 0.75% (9% divided by 12) monthly compounded rate is used for the time period under consideration.

Nippon india Mutual Fund

Wealth sets you free

SMS 'EDU' to '561617'

Visit https://mf.nipponindiaim.com/InvestorEducation

SMS charges apply.