HSBC Mutual Fund

Retire without retiring from life.

#RetireToMore

Your dream of a worry-free, active and enjoyable retirement starts here with a little bit of smart investment planning.

Retirement is more than just stopping work, it's about continuing your current lifestyle and doing the things you love. From leisurely walks, to pursuing hobbies, travelling and spending precious time with family and friends, the list is endless.

Today, we're looking at a retired life that's longer than a few decades ago. Average life expectancy is up, cost of living, inflation and health costs are bound to put a dent in your finances. But with proper planning, you can prepare emotionally and financially for future situations and continue enjoying the life you have.

The challenge of rising prices

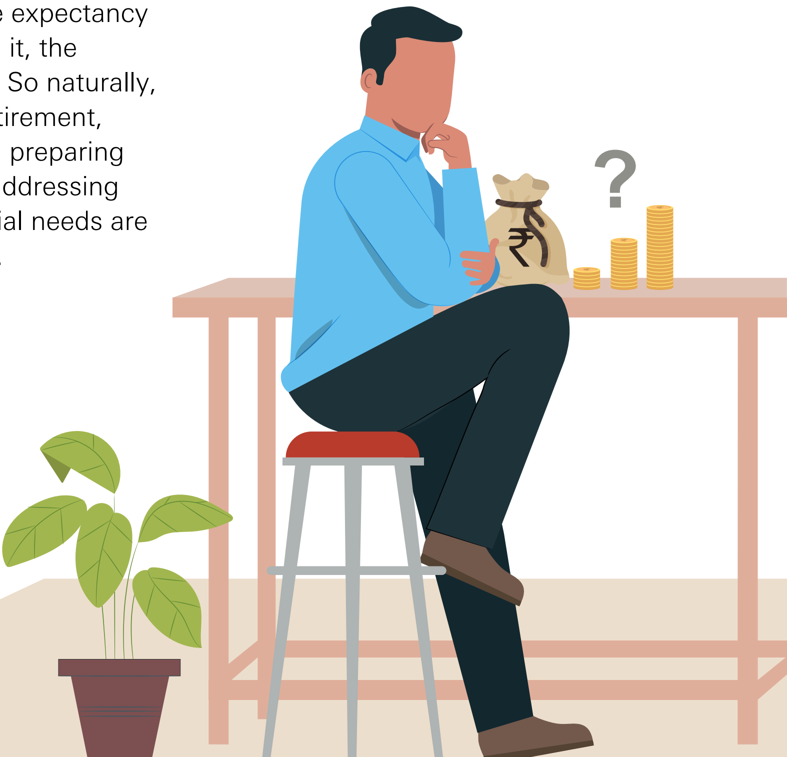
Inflation will continue to eat away at your savings no matter what, and that means an increase in daily expenses and mounting healthcare. See how the cost of goods increases due to inflation over a 20-year period.

Current Value	Rate of inflation	Future Cost
Rs.50,000	6%	Rs.1.6 lakhs

The above is for illustration purpose only. Source: SEBI.
The illustration does not represent actual rate of inflation and it is not possible to predict the future rate of inflation.

It's important to keep in mind that rising costs can affect your retirement corpus.

With today's advances in medicine and healthcare, our life expectancy is increasing. And with it, the burden of a longer life. So naturally, while planning your retirement, thinking long-term and preparing for a longer life while addressing your health and financial needs are increasingly important.



Key steps to plan your retirement

1. **Discuss Retirement with your spouse:**
   Begin your financial planning conversation with your spouse and family members. Create a checklist of health, investments, savings, assets and liabilities to share with them.

2. **Prepare for a long life ahead:**
   Today we all have the opportunity of a long life, so it makes sense to understand the financial implications of health and other needs during this time.

3. **Consider the effect of inflation:**
   The biggest challenge is inflation. So plan your investments to counter its effects and keep your money growing over the long term.

4. **Remember to communicate with your Financial Advisor:**
   A professional will give you the right advice on how to manage your investments to sustain the life you enjoy living today and tomorrow.

5. **Be prepared for any eventualities:**
   An emergency fund will help you tide over any sudden illnesses, medical conditions, or other financial emergencies that may occur during retirement.

6. **Remember that wealth is measured in time:**
   Living longer comes as an opportunity to grow your money. Through the power of compounding, your investment can continue to grow to help you enjoy your retirement.

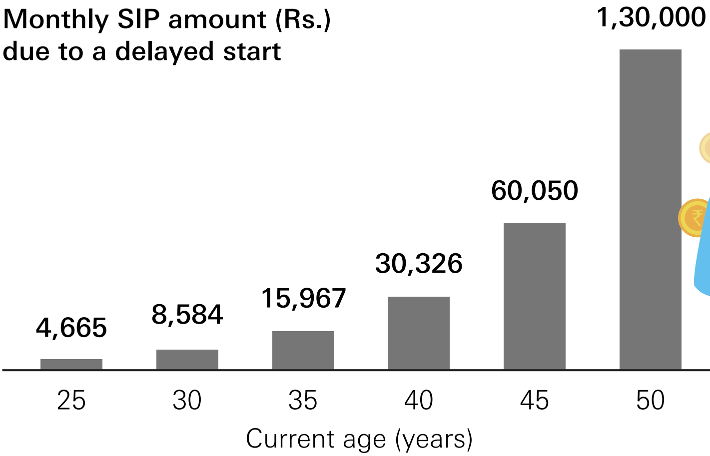
The power of compounding

> *"Compound interest is the eight wonder of the world. He who understands it, earns it… he who doesn't, pays it."*
>
> **- Albert Einstein**

We all know the benefits of compounding, but not all of us have the patience for it. Investing through a Systematic Investment Plan (SIP) is a smart way to give your retirement fund the potential to grow over time.

If you start investing at **25 years** towards a **retirement corpus of Rs.3 crore** by age 60, your **monthly SIP will be just Rs.4,665.** But delaying your investment until age **30 years** for the same goal means your monthly SIP would be **Rs.8,584,** which is nearly double!

Monthly SIP amount (Rs.) due to a delayed start



The longer your money remains invested, the greater is the power of compounding.

For illustration purpose only. Source: Crisil Intelligence, BSE, AMFI, Data period 1 June 2004 to 31 May 2024, Mean CAGR returns considered for illustration is 12.62% by taking mean of 10-year rolling returns between 1 June 2014 and 31 May 2024 of BSE Sensex. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 135/BP/ 109 /2023-24 dated November 01, 2023 read with 135/BP/ 109-A /2023-24 dated September 10, 2024 and as amended from time to time to define the concept of power of compounding. Past performance may or may not be sustained in future and is not a guarantee of any future returns. The investors should not consider the same as investment advice. Inflation = 6% per annum, Inflation Average of May 2014 – May 2024.

The gift of time to grow your money

Another important and often ignored factor is time. The power of compounding works best over a longer time. So the sooner you start investing for retirement, the more time your money gets to work towards building wealth.

Consider two investors investing in a monthly **Systematic Investment Plan (SIP)** of Rs.10,000 at an average annual return of 12.62% per annum. Mr. A starts at age 30 and Mr. B starts investing at 40.

Period of investment	Total Invested (Rs.)	Estimated Value CAGR (Rs.) (Inflation Adjusted)
20	24,00,000	48, 87,669
30	36,00,000	1,09,65,068

Source – CRISIL Research, HSBC MF, AMFI, BSE. Data period 1 Jun 2004 to 31 May 2024. Mean CAGR returns considered for illustration is 12.62% by taking mean of 10-year rolling returns between 1 June 2014 and 31 May 2024 of BSE Sensex. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 109 dated November 01, 2023 read with 109A dated September 10, 2024 and as amended from time to time to define the concept of power of compounding. Past performance may or may not be sustained in future and is not a guarantee of any future returns. The investors should not consider the same as investment advice.

For SIP returns, monthly investment of Rs.10,000 invested on the 1st day of every month has been considered. SIP returns are calculated on CAGR basis.

Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

At retirement age of 60 years, Mr. A’s investment is over Rs.1 crore, because he invested for a longer period compared to Mr. B. Thus, the time you remain invested makes a big difference on your retirement corpus. So the earlier you invest, the better.

Top up to reach your goal, faster!

Regular contributions towards your retirement goal is a good idea. But by increasing your SIP amount annually in line with your salary increments, you can potentially boost the growth of your investment.

Take a look at the investment journey of two investors, one with a regular SIP and one with a SIP Top-Up.

Both begin with a monthly SIP of Rs.10,000 at an average annual interest of 12.62% over a 20 year period. Mr. X increases his SIP amount by 10% each year while Mr. Y continues with the same amount throughout.

Annual Step Up	Amount Invested (Rs.)	Estimated Returns (Rs.)	Total Value (Rs.)
10%	68,73,000	1,28,96,451	1,97,69,451
0%	24,00,000	89,00,000	1,13,00,000

Source – CRISIL Research, HSBC MF, AMFI, BSE. Data period 1 Jun 2004 to 31 May 2024. Mean CAGR returns considered for illustration is 12.62% by taking mean of 10-year rolling returns between 1 June 2014 and 31 May 2024 of BSE Sensex. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 109 dated November 01, 2023 read with 109A dated September 10, 2024 and as amended from time to time to define the concept of power of compounding. Past performance may or may not be sustained in future and is not a guarantee of any future returns. The investors should not consider the same as investment advice.

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As seen above, a small step up in your SIP amount can compound over the long term to potentially increase the value of your retirement corpus.

Use SIP Top-Up for greater freedom to do more during your retired years!

Risk. Reward. Review.

The risk profile of every investor is unique and different. Consequently, the allocation of assets in your portfolio is based on your risk profile. This too keeps changing as you reach different milestones in life. At a younger age, you can afford to take more risk, hence a higher allocation to equities. During retirement, while you need a steady income, you must also safeguard your capital, hence a larger allocation towards debt and fixed income is better.

Your financial advisor can help you to determine your risk profile and also the best asset allocation for your portfolio at that stage of your life. Additionally, once you've invested according to your risk profile across asset classes like equity, debt, gold, silver, etc. you also need to review your portfolio. Regular reviews may also necessitate a rebalance between assets classes to maintain the portfolio allocation according to your risk profile.

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