HSBC Mutual Fund

5 steps to help you ace your second innings

The younger the generation, the faster they aim to retire from the everyday life of a salaried employee and enjoy the luxuries of a retired man. As opposed to our previous generation, retirement now is much more than just sitting back and living off your monthly pension. Make sure you retire from work, but not from life.

So here are 5 simple steps to help you ace your second innings!

Pen down your estimated expenses: List down your expenses in order of priority and cover them one by one. You may not have a steady income, but you can live your post-retirement life, the way you want to. Be it your daughter's destination wedding, a world tour with your wife, owning a beach house or having your own organic farm. You can plan for each of this luxury, if you plan early. Have a timeline for all such events. Designate a budget for every expense.

Create a contingency fund: Don't let unplanned expenditures burn a hole in your pocket! Planning for what you know is going to happen is easier than planning for uncertain events such as medical emergencies, unforeseen circumstances or any such event which you might not have expected. Such unexpected events could empty your savings and wreck your planning. It's a good option to have funds dedicated to such contingencies which may or may not befall you.

Broaden your investment horizon; do not shy away from Equity: Move away from the notion of sticking to only low risk investments. As opposed to what traditional advisors might say, sticking to low risk investments may safeguard your money but not help it grow to meet your needs. One of the major threats affecting your retirement corpus is inflation, as it eats into your savings at an increasing rate. It's better to invest in equity instruments to counteract inflation and accelerate the growth of your money in long term.

The golden rule-start early: The earlier you start, the bigger corpus you'll accumulate

Start investing at an earlier stage to allow your savings to get compounded for a longer period of time. Treat your retirement with as much importance as your current financial needs and start saving a small amount regularly towards this goal.

Avoid breaking into your retirement corpus in between: Avoid the lure of digging into your retirement fund. A common habit amongst young individuals while switching jobs is to withdraw their PF account balance instead of transferring it. Your retirement corpus suffers a huge blow each time you withdraw your PF balance and also, the balance will be taxable, if withdrawn within 5 years. Please consult your tax advisor for any tax related information applicable to your investments.