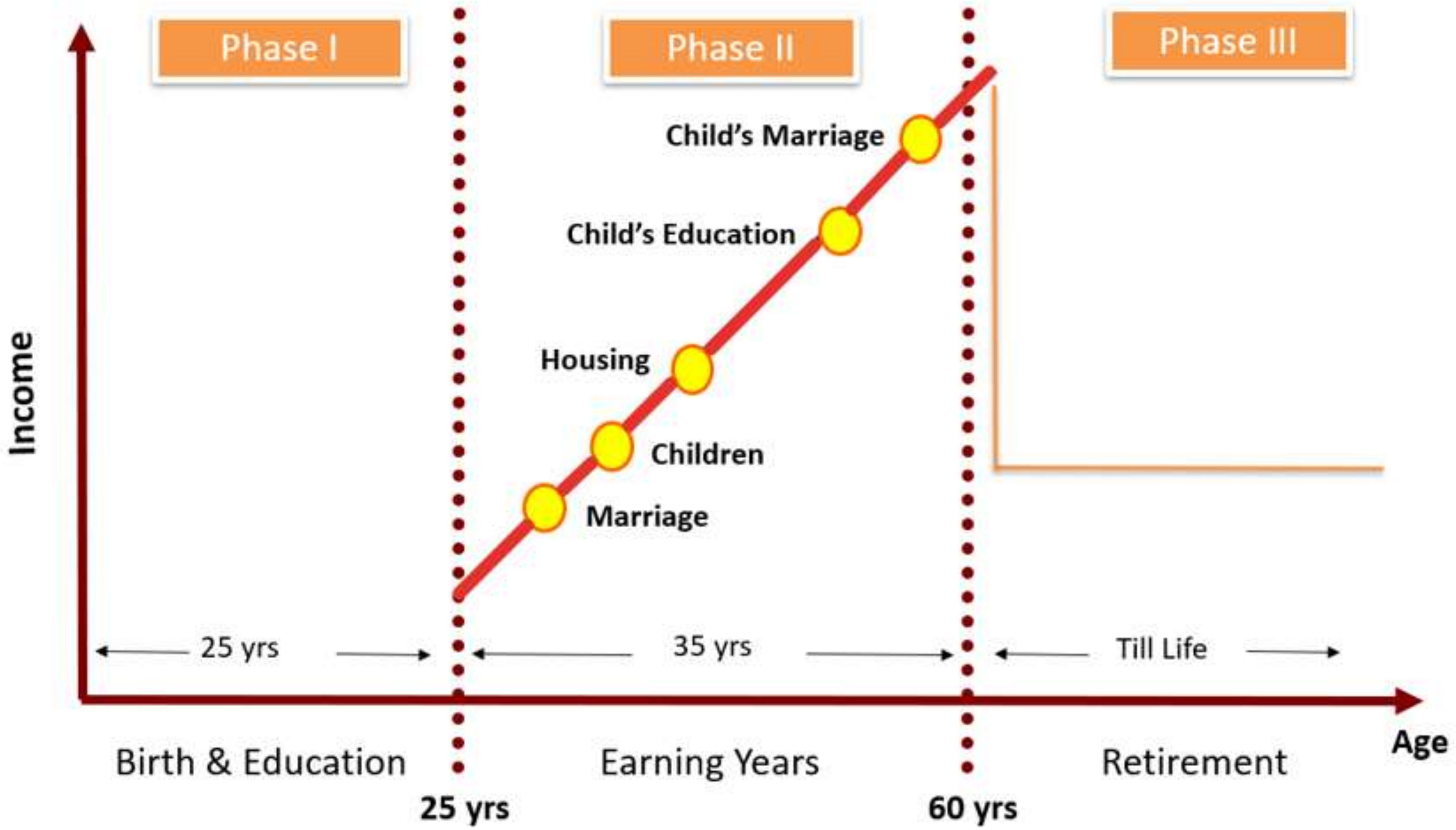
HSBC Mutual Fund

# Refire Don't Retire

## Put your cash to work

An Investor Education and Awareness Initiative by HSBC Mutual Fund

# Three phases of human life

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Rich People plan for three generations
Poor people plan for Saturday night.

Retirement is a guest you can ignore for some time, but you can’t avoid. Once arrived this guest stays forever

# The Future of Retirement – Shifting Sands

## Inability to anticipate future financial needs is the main roadblock to planning

45% feel it's better to spend money on enjoying life now than saving for retirement

53% save for short-term goals rather than longer term plans

56% live on a day-to-day basis financially, setting the stage for problems later

While almost 67% of working people have a financial plan in mind, just under 40% have sought financial advice to help them plan for retirement.

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Source: The Future of Retirement Shifting sands, published in 2017 by HSBC Holdings plc.'

# The Future of Retirement – Shifting Sands

62% of people think Millennials will live much longer and will need to support themselves for longer. 82% of working age people believe retirees will have to spend more on healthcare costs in the future.

60% of working age people think low interest rates mean they will need to move their money from savings into investments.

46% of people believe that employer pension schemes may go bust or be unable to pay out to Millennials. 37% of working age people would go back to work if their retirement income could no longer provide the standard of living they were used to.

35% of people have used an online retirement calculator and 26% a retirement planning app.

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Source: The Future of Retirement *Shifting sands*, published in 2017 by HSBC Holdings plc.'

# Why Retirement planning ?

# Why Retirement Planning ?

1. Longer life spans means longer retirement

2. Nuclear families replacing joint families

3. Lack of social security benefits

4. Maintaining a good lifestyle after retirement

5. Income streams may dry up

6. Safeguard against inflation

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# Times are changing

| | A generation ago | Now |
|---|---|---|
| Medical technology | Limited | Improved by leaps and bounds |
| But medical costs | Were expensive | have become more expensive |
| Plans post retirement | Pilgrimage, settle down quietly | Travel the world, pursue hobbies |
| Career mindset | Higher job security, Join an organization and work till retirement | More frequent job changes, lower job security |
| But thankfully | Lower income levels | Higher income levels |
| Investment options | Limited to traditional options, lack of awareness | Newer options like Mutual funds, designed specifically for retirement |

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30 years ago, people earned a salary of Rs. 3000 per month. It helped pay bills, fees, taxes, premiums and support a good lifestyle


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Looks like a very small amount today, doesn't it? Think about what can you do with this amount today?

# Inflation is a silent killer



Inflation Rate in India averaged 5.95 percent from 2012 until 2024, reaching an all time high of 12.17 percent in November of 2013 and a record low of 1.54 percent in June of 2017.

Source: Bloomberg. *Assumed inflation rate of 6% p.a, The above information is for illustrative purposes only. Views provided above based on information provided in public domain at this moment and subject to change. Investors should not consider the same as investment advice.

# How well are YOU prepared for your retirement?



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# Let’s understand the rule of 70

What’s your age?

When do you want to retire?

How much money would you think will be enough to retire?

Rule of 70 tells you that in how many years the value of your money will be halved.
For example – if the inflation is 7%, then your money will be halved in every 10 years.

Let’s apply this rule to real life.

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Sameer (20) and Vikas (30) are cousins.

Both wanted to retire at the age of 50.

Both think that 20 crores enough to retire well.

What is your view?

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# Different Asset classes and their roles in portfolio.

Debt – Regular Income and relatively less volatile

Equity – Aspiration and long term Wealth creation

Gold – Usage

Real Estate – Usage

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# How to Plan for Retirement ?

# A simple 5 step plan for Retirement

1. Set up a SIP account
2. Top it up as your income grows
3. Switch between schemes as you age
4. SIP till you retire
5. Set a SWAP after retirement for a regular income

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# SIP - Benefits

| | | |
|---|---|---|
| Tactical | → | Rupee cost averaging |
| Financial | → | Wealth creation |
| Psychological | → | Fear proof |

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# SIP – Benefits – Tactical

Tactical Advantage → Rupee cost averaging

| Investment | NAV | Units | |
|---|---|---|---|
| 10000 | 10 | 1000 | |
| 10000 | 11 | 909 | |
| 10000 | 12 | 833 | |
| 10000 | 15 | 667 | |
| 10000 | 16 | 625 | |
| 10000 | 15 | 667 | |
| 10000 | 13 | 769 | |
| 10000 | 8 | 1250 | |
| 10000 | 6 | 1667 | |
| 10000 | 7 | 1429 | Average cost |
| 100000 | 11.3 | 9815 | 10.18825 |

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# How compounding works - Proactive Parents

| | | Value of investments after 60 years |
|---|---|---|
| Debt^ | 7.2% | 12.20 crores |
| Equity* | 12.64% | 179.33 crores |

0 | 25 | 60

Investment of only Rs. 10,000 per month

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Source - HSBC MF, AMFI, BSE, * Mean CAGR returns considered for equity illustration is 12.64% by taking mean of 10-year rolling returns between 1 June 2013 and 30 May 2023 of Sensex. ^For debt fund illustrations, the AMFI guidelines specify using the 10-year rolling return average as of May 30, 2023 which is 7.2% for 10 year G-Secs. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 109 dated November 1, 2023 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. SIP Return are calculated on CAGR basis. Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

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# How compounding works – Delay of 10 years

| | | Value of investments after 50 years |
|---|---|---|
| Debt^ | 7.2% | 5.86 crores |
| Equity* | 12.64 % | 50.93 crores |

10 → 25 → 60

Investment of only Rs. 10,000 per month

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Source - HSBC MF, AMFI, BSE, * Mean CAGR returns considered for equity illustration is 12.64% by taking mean of 10-year rolling returns between 1 June 2013 and 30 May 2023 of Sensex. ^ For debt fund illustrations, the AMFI guidelines specify using the 10-year rolling return average as of May 30, 2023 which is 7.2% for 10 year G-Secs. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 109 dated November 1, 2023 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. SIP Return are calculated on CAGR basis. Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

# How compounding works – Delay of 25 years

| | | Value of investments after 35 years |
|---|---|---|
| Debt^ | 7.2% | 1.88 crores |
| Equity* | 12.64 % | 7.64 crores |

25

60

Investment of only Rs. 10,000 per month

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# A quick reckoner

| | Amount invested* (Investment Period) | 72 Lakhs (60 years)[1] | 60 Lakhs (50 years)[2] | 42 Lakhs (40 years)[3] | 30 Lakhs (30 years)[4] | 24 Lakhs (20 years)[5] | 12 Lakhs (10 years)[6] |
|---|---|---|---|---|---|---|---|
| | SIP start Age | 0 | 10 | 25 | 35 | 40 | 50 |
| Debt^ | 7.2% | 12.20 Cr | 5.86 Cr | 1.88 Cr | 0.84 Cr | 0.53 Cr | 0.17 Cr |
| Equity* | 12.64% | 179.33 Cr | 50.93 Cr | 7.64 Cr | 2.11 Cr | 1.07 Cr | 0.24 Cr |

* Amount invested in rupees. Returns amount are in Rs. crores

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Source - HSBC MF, AMFI, BSE, SIP Investment period is between 1 June 1963 to 30 May 2023. 1 - 1 June 1963 to 30 May 2023, 2 - 1 June 1973 to 30 May 2023, 3 - 1 June 1983 to 30 May 2023, 4 - 1 June 1993 to 30 May 2023, 5 - 1 June 2003 to 30 May 2023, 6 - 1 June 2013 to 30 May 2023
* Mean CAGR returns considered for equity illustration is 12.64% by taking mean of 10-year rolling returns between 1 June 2013 and 30 May 2023 of Sensex. ^ For debt fund illustrations, the AMFI guidelines specify using the 10-year rolling return average as of May 30, 2023 which is 7.2% for 10 year G-Secs. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 109 dated November 1, 2023 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. SIP Return are calculated on CAGR basis. Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

# SIP – Benefits – Psychological

Helps reduce fear during volatile markets because of small amounts.



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# 2. Top it up


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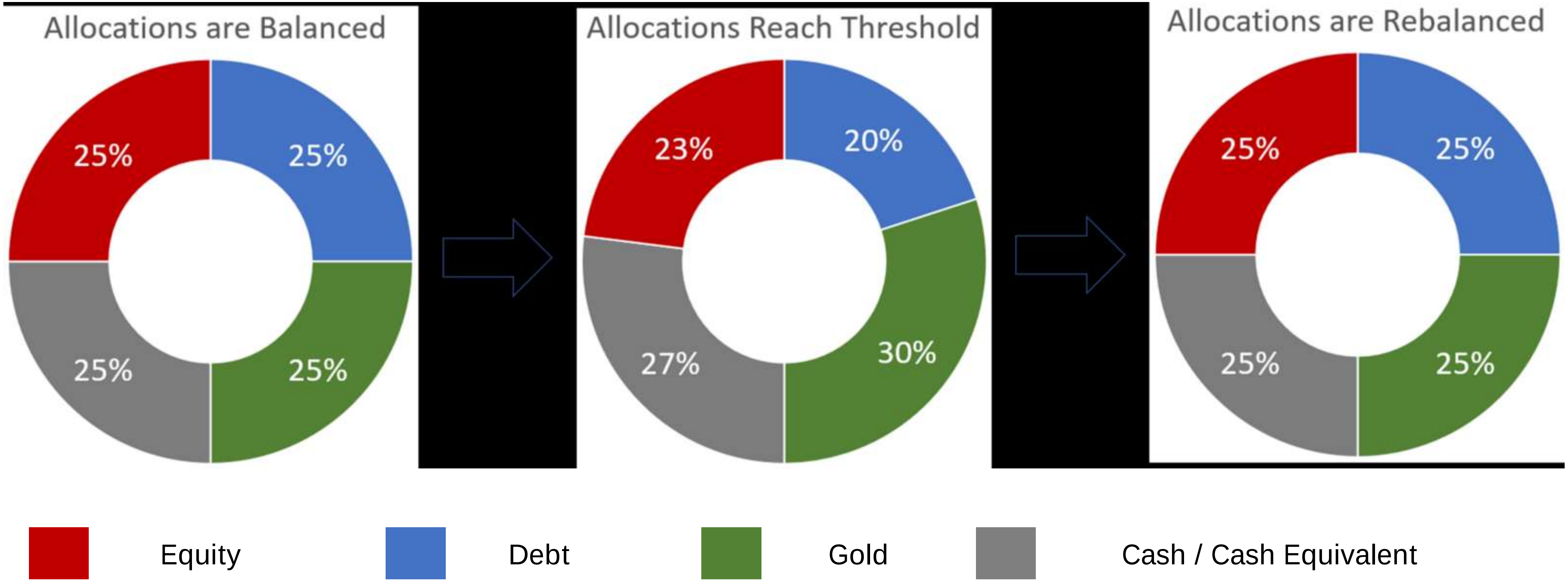
# 3. Switch between assets as you age

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# 4. SIP till you retire

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# 5. SWP after you retire


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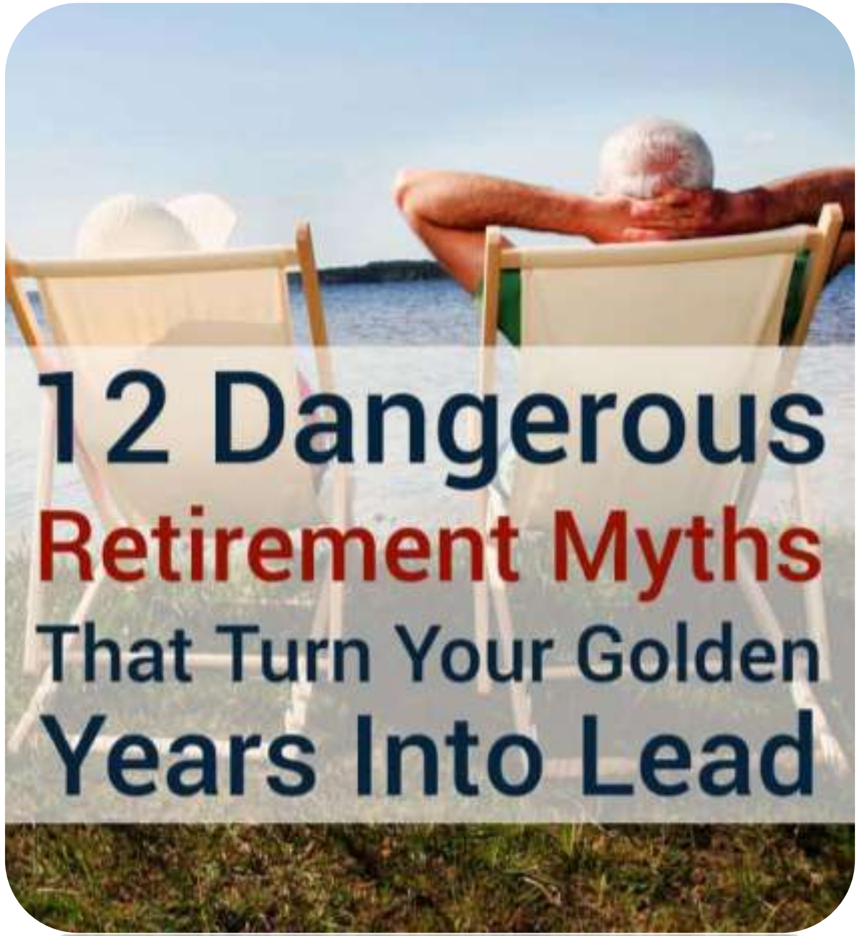
# 12 dangerous retirement myths

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# 1. I'll delay saving for retirement until later when it is easier

Saving is never easy

You lose on compounding as you delay

You have to save more as you age

Procrastination is wealth suicide on installments

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# 2. My company/Govt. shall take care of my retirement

**Company/govt. can’t do much**

**PF won’t be sufficient**

**Unless you invest and don’t just save**

You need more assets to fund longer lifespans

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# 3. My inheritance shall take care of it

Unless your parents are rich enough to take care of their and your health and needs

Too many uncertainties on this path

Your parents could be a victim of investment fraud

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Source - Federal reserve board of Cleveland, Data as at December 2022.

# 4. My Spouse shall take care of it

Could be a mistake in event of a death or divorce

Joint payouts are less

It doesn’t necessarily make you financially secure

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# 5. Govt. & Medicare shall take care of health insurance

Very few employers provide retiree health benefits

Health care expenses can cost 20% of  annual income

You are on your own here

You need supplemental health care insurance which means more cost

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Source – PayNearby, Data as at August 2023

# 6. I’ll need only 60-70% of my preretirement income after retirement

**You may spend less as you age but don’t forget inflation**

Even at a reduced expense level you shall need 90-95% of your preretirement income

If you know how to spend less than you get, you have a **philosopher’s stone**

Look back what you needed 30 years ago and see yourself

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# 7. Invest in bonds and aim for relatively low volatile journey

Made sense for earlier generations when life expectancy was short

Retirees face 25 years+ in retirement today

Inflation of just 4% halves your purchasing power every 18 years

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# 8. Retirement means not working

**Musicians don’t retire, they stop when there is no more music in them**

Some continue working to balance the work and leisure

Some work to maintain the quality life style

Many realize that their savings have fallen short

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# 9. Retire at 60

Retirement begins when you are no longer able to work

Some people may retire at 30 and some may not - even at 60

More aggressively you build wealth, earlier you can retire

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# 10. My expected lifespan is at the median

Average life expectancy in India is 67 years now

Half the people shall live above it. You shall surely want to be in it

Like other nations India shall age too

Better to die early and leave something behind than other way round

Source – WHO, Data as at Dec 2021,
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# 11. I can plan the growth of my savings based on Long term historical average returns

**Past isn't future**

Average returns deceive just as average life spans

You need a better plan than the one based on averages

You need a good investment advisor

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# 12. I will be in a lower tax bracket when I retire

Unless you are planning to earn much lesser

Tax laws are uncertain

You need lots of tax free income

Plan to earn more, Taxes can be handled

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# Young earner – (up to 25 years)

Establish a budget

- Keep a track of what you earn and spend each month
- Include all liabilities – student loan/personal loan

Save and invest a minimum of 10% of your income

- Power of compounding kicks in early
- Growth-oriented investing

Important to manage liabilities wisely

- Resist credit card offers
- Car loan – consider maintenance/ other expenses

Save for planned purchases

- Instead of taking a loan

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# From single to a couple – (25-35 years)

1. Contributing to the household expenditure?

2. Seek to protect your assets
   - What if you or your spouse are not around, unwell or unable to work?
   - Adequate Life and Health cover

3. Manage loans/liabilities wisely
   - Acceptable: car/home loan
   - Liabilities consolidation/minimize interest

4. Know your Spouse's financial plan

5. Make individual /joint financial decisions

6. Start retirement planning
   - Maximise exposure to growth assets

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# From couple to a family – (35-45 years)

1

Save for child's education
- Needs at various life stages for a child
- Long-term and short-term goals

2

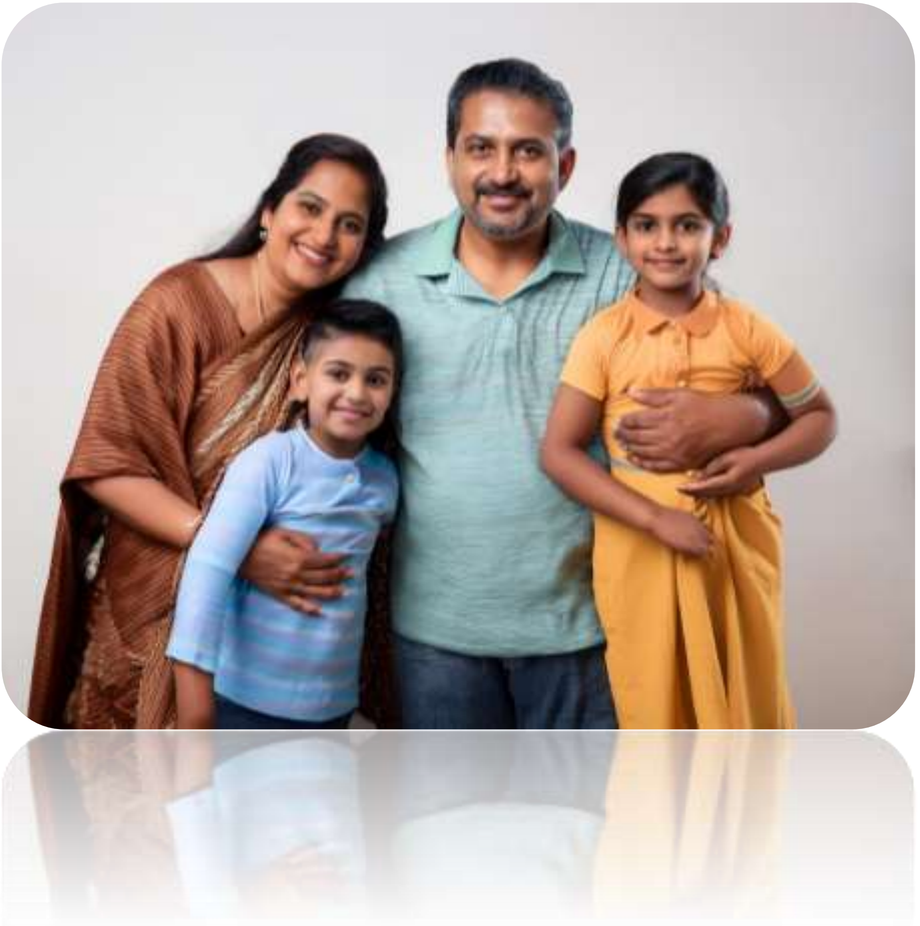
Increase allocation towards retirement plan
- Prioritisation can be tricky
- Balancing various goals might be a better approach than ignoring one goal vs. others

3

Review life cover

4

Asset allocation should depend upon time to goal and risk profile.



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# Earnings peak – 45 - 60 years

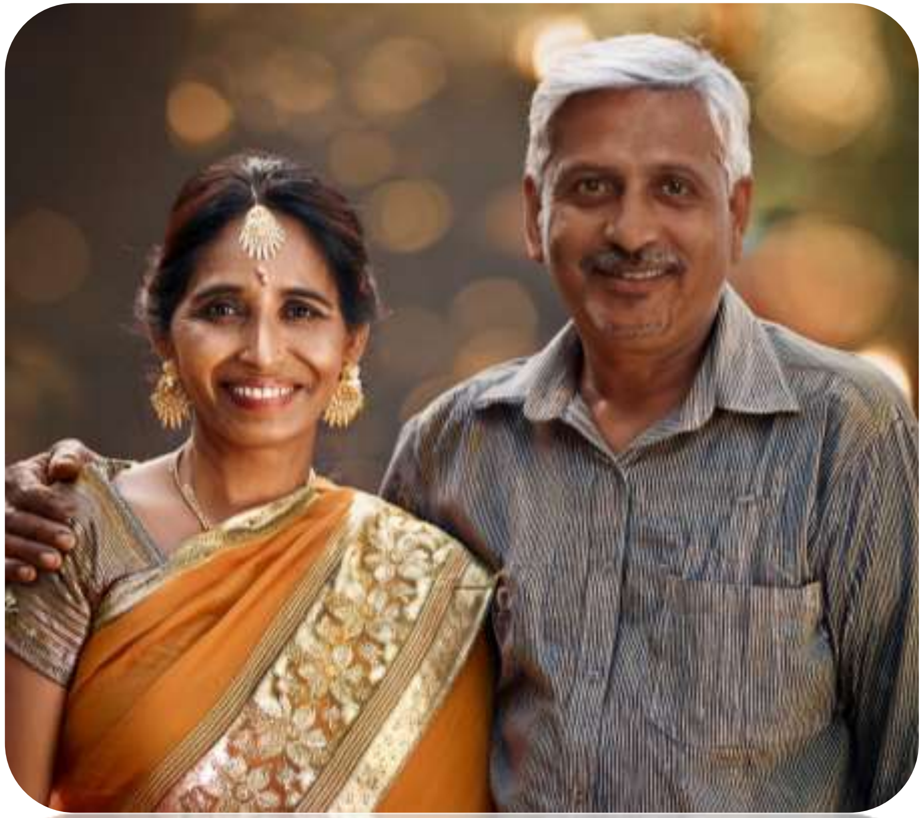
Increase saving towards retirement

- Review retirement corpus, based on current lifestyle
- Aim for maximum savings possible
- Begin to gradually shift to debt

Save for other life goals

- Dream home/luxury vacation
- Goal-oriented investments
- Save so as to avoid loans for such goals
(EMI unnecessary commitment)

Review health cover needs



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# Living in retirement – 60 plus

Rebalance your portfolio towards fixed income-generating assets

- Need regular income
- Small allocation to growth, to help to hedge against inflation

Help your children to become financially independent

Consider planning your estate distribution

Avoid taking on additional liabilities

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HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.
GST - 27AABCH0007N1ZS, Email: investor.line@mutualfunds.hsbc.co.in | Website: www.assetmanagement.hsbc.co/in

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