



CREATING AN INDIVIDUAL RETIREMENT PORTFOLIO: SECURING FINANCIAL INDEPENDENCE

DARSHANA T. PATIL

Research Scholar,

Late Sow. Kamaltai Jamkar Mahila Mahavidyalaya, Parbhani,
Jintur Road, Parbhani

Abstract

A well-designed retirement portfolio ensures financial stability and income generation during retirement years. This paper provides a comprehensive guide on how individuals should save and allocate income during their working years to build a retirement corpus. It focuses on investment strategies, disciplined savings, and allocation methods to ensure financial independence post-retirement, especially for individuals in sectors like IT without pension benefits.

Introduction

Retirement planning begins during the earning years. With no pension in certain sectors like IT, employees must rely on their savings and investments to secure their post-retirement life. This paper explores how individuals can systematically save, invest, and allocate income to create a robust financial foundation that generates sustainable income after the age of 60.

Objectives of the Study

1. To outline savings strategies for individuals during their working years.
2. To provide guidance on income allocation across different investment avenues.
3. To suggest methods for building a retirement corpus.
4. To ensure individuals can transition from active income to passive income after retirement.

Saving and Investment Strategies During Working Years

To build a retirement corpus, individuals should follow a structured saving and investment plan. Below are strategies to be implemented during their working years:

1. Set Clear Financial Goals:

1. Define retirement goals, including desired lifestyle and anticipated expenses.
2. Estimate the retirement corpus needed using tools like retirement calculators.

2. Follow the 50/30/20 Rule for Income Allocation:

1. **50% for Essentials:** Housing, utilities, and groceries.
2. **30% for Lifestyle:** Entertainment, travel, and discretionary expenses.
3. **20% for Savings and Investments:** Strictly allocated for retirement and financial goals.



3. Start Early and Leverage Compounding:

1. Begin saving in your 20s or as soon as possible to benefit from compounding interest.
2. Even small contributions early in life can grow significantly over time.

4. Automate Savings:

1. Set up automatic transfers to retirement accounts, mutual funds, or recurring deposits.
2. Ensure savings happen before discretionary spending.

5. Increase Savings with Income Growth:

1. As income increases, proportionally increase savings instead of upgrading lifestyle significantly.

Income Allocation for Retirement Savings

The following allocation framework provides a roadmap for building a retirement corpus:

1. In Your 20s and 30s:

- **Risk Appetite:** High, as there's time to recover from market fluctuations.
- **Investment Allocation:**
 - 60% in equities (stocks, equity mutual funds, or index funds).
 - 20% in debt instruments (bonds, fixed deposits).
 - 10% in gold or alternative investments (REITs, ETFs).
 - 10% in liquid assets for emergencies.
- **Focus:** Building an aggressive growth-oriented portfolio.

2. In Your 40s:

- **Risk Appetite:** Moderate, as retirement approaches.
- **Investment Allocation:**
 - 50% in equities.
 - 30% in debt instruments.
 - 10% in real estate or gold.
 - 10% in liquid assets.
- **Focus:** Balancing growth with stability.

3. In Your 50s:

- **Risk Appetite:** Low, prioritizing capital preservation.
- **Investment Allocation:**
 - 30% in equities.
 - 50% in debt instruments.
 - 10% in annuities or retirement plans.
 - 10% in liquid assets.
- **Focus:** Securing the corpus while generating income through safe investments.

Building a Corpus Without a Pension (Case Study for IT Professionals) IT professionals often lack pension benefits, making self-funded retirement plans critical:

Step 1: Estimate Corpus Requirement

5. Assume monthly expenses post-retirement: ₹ 50,000.
6. Multiply by 12 to get annual expenses: ₹ 6,00,000.
7. For 25 years of retirement (age 60-85): ₹ 1.5 crore (adjusted for inflation).

Step 2: Savings Target Per Month

8. If starting at age 25, saving ₹ 15,000 per month in equity funds with an average return of 10% can build over ₹ 2 crore by age 60.
9. Increase contributions with each salary hike.

Step 3: Diversified Investments

10. Use a mix of equity mutual funds, government schemes (PPF, NPS), and fixed deposits.
11. Maximize employer contributions in EPF or NPS if available.

Step 4: Emergency Fund and Insurance

12. Maintain 6-12 months of expenses as an emergency fund.
13. Secure health and life insurance to avoid dipping into savings.

Data Analysis

Table 1: Suggested Portfolio Allocation by Age

Age Group	Equities (%)	Debt (%)	Real Estate (%)	Alternatives (%)	Liquid Assets (%)
20s and 30s	60	20	10	10	10
40s	50	30	10	10	10
50s	30	50	10	10	10

Observations:

14. Early years focus on growth, while later years prioritize stability.
15. Diversified portfolios balance risk and return.

Recommendations for Retirement Planning

1. **Discipline:** Maintain consistent savings and avoid withdrawing from retirement funds prematurely.
2. **Professional Guidance:** Seek advice from certified financial planners to tailor strategies to individual goals.
3. **Tax Efficiency:** Use tax-saving instruments like NPS, PPF, and ELSS funds to optimize returns.
4. **Inflation-Proof Investments:** Include equities and real estate to combat inflation.



5. **Periodic Review:** Reassess and rebalance the portfolio every 2-3 years or after major life events.

Conclusion

Saving for retirement requires discipline, planning, and a long-term perspective. By allocating income strategically during working years and building a diversified portfolio, individuals can secure a comfortable and independent post-retirement life. Particularly for those without pensions, early planning and consistent investment are crucial to creating a robust financial safety net.

References

1. Morningstar. (2021). "Retirement Portfolio Strategies."
2. National Pension System (NPS). (2022). "Government of India Guidelines."
3. Fidelity Investments. (2023). "Retirement Planning Insights."
4. Bogle, J. C. (1999). "Common Sense on Mutual Funds." John Wiley & Sons.
5. World Bank. (2021). "Global Retirement Savings Trends."