

## Financial Planning for Retiring personnel

Make the most of your **retired**  
**life !**

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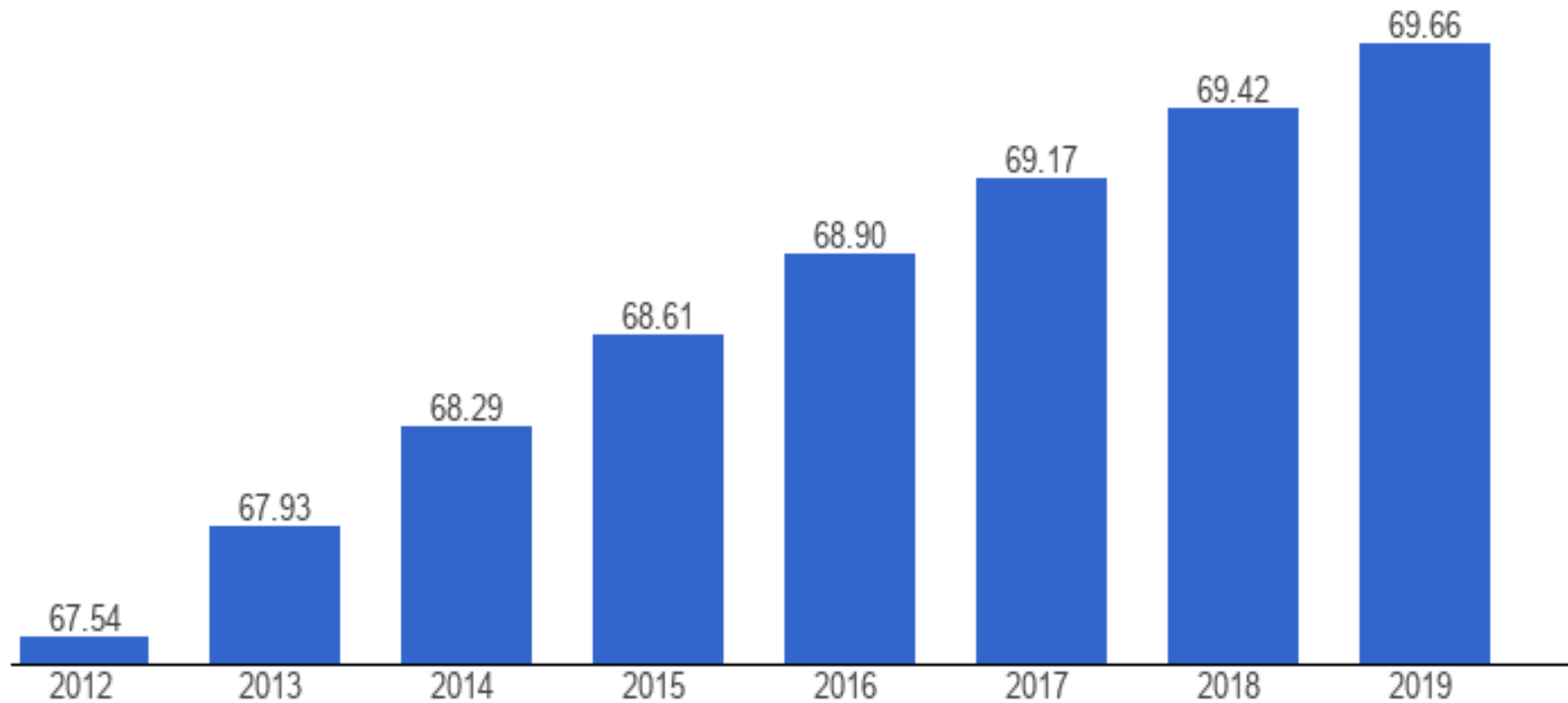
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# Did You Know? You are likely to live longer, healthier as compared to your previous generation



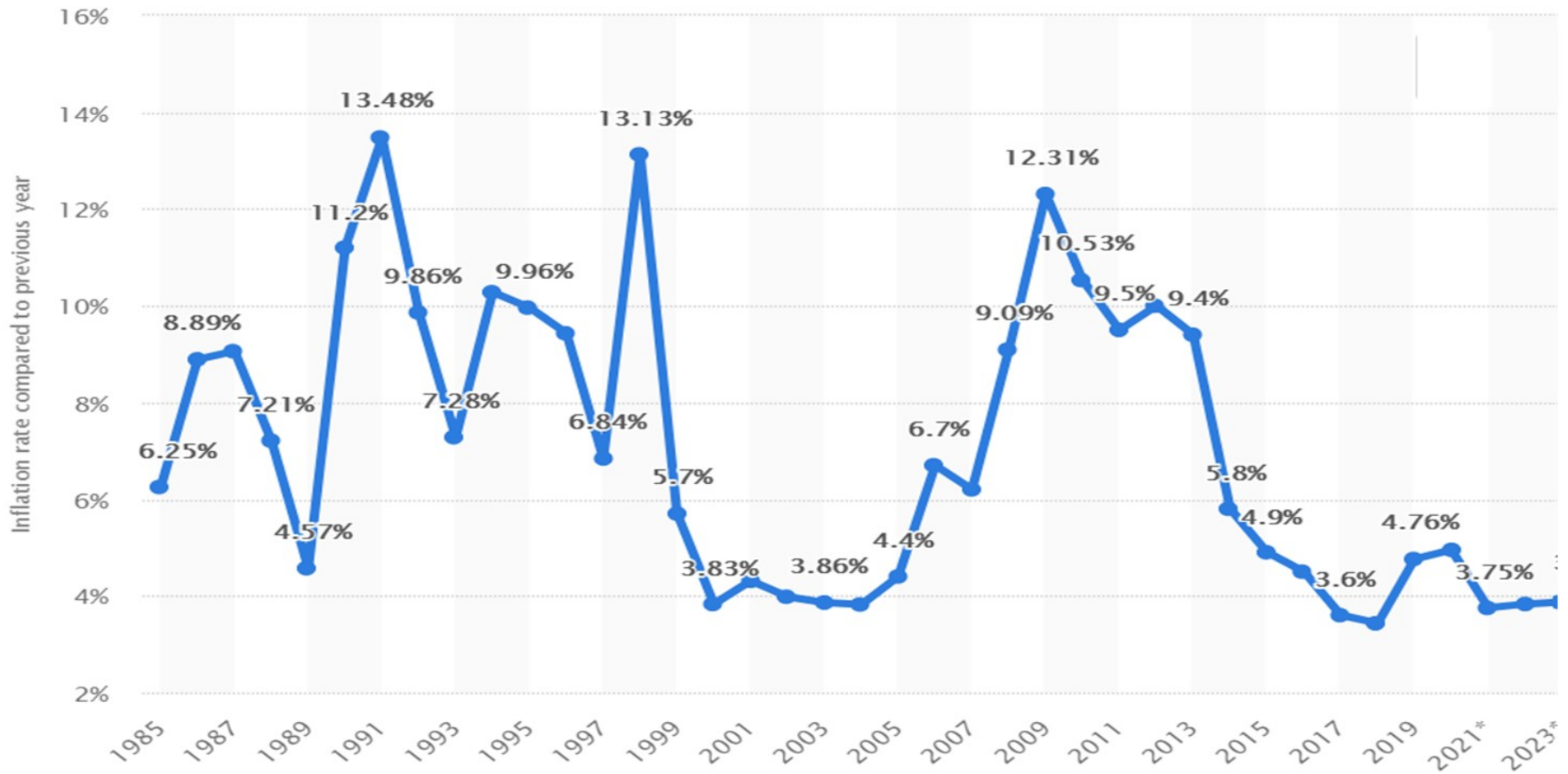
	A Generation Ago	Now
<b>Medical Technology</b>	Limited	Improved by Leaps and Bounds
<b>But, Medical Costs ...</b>	Were Expensive	Have Become More Expensive
<b>Plans Post Retirement</b>	Pilgrimage, Settle Down Quietly	Travel the World, Pursue Hobbies
<b>Career Mind set</b>	Higher Job Security, Join an Organization and Work Till Retirement	More Frequent Job Changes, Lower Job Security
<b>Income Levels</b>	Lower Income Levels	Higher Income Levels
<b>Investment Options</b>	Limited to Traditional Options, Lack of Awareness	Newer Options like Mutual Funds Designed Specifically for Retirement Planning



"Inflation is  
taxation  
without  
legislation."

– Milton Friedman





\*CPI (General) (%). CPI-IW figures have been used till FY 2012-13. Source: RBI. Inflation Data as on December 31, 2021

# INDIA'S 12-MONTH INFLATION RATE TREND



Source: Ministry of Statistics and Programme Implementation (MoSPI)

- In Between 1985 to 2021 the inflation peaked at 13.48 % in the year 1991 and the inflation hit lowest in the year 2018 at inflation rate of 3.55%. The average inflation from 1985-2021 is 7.5%.
- Inflation sinks your purchasing power
- Today's money will not buy you the same things tomorrow
- Over the last 5 decades CPI Inflation in India has averaged at 7.71% per year.
- A few specific examples below show how small increases over time end up increasing costs dramatically



In Rs.	1990	2022	CAGR
1 Litre of Petrol	9.84	95.41	7.39%
Wheat grains 1 kg	2.35	30	8.32%
Toor Daal	8	100	8.25%

Petrol costs are as on March 20, 1990 in Delhi (Source: [www.in.reuters.com](http://www.in.reuters.com)), and on January 31, 2022 in Delhi (Source: Ministry of Petroleum and Natural Gas). The price of wheat grains is as sold as wholesale in Mumbai in April, 1990 (Source: Ministry of Agriculture) and on January 31, 2022 (Source: Ministry of Consumer Affairs, Food & Public Distribution). The prices of toor daal are as sold as retail in Mumbai in April 1990 (Source: Ministry of Agriculture), and on January 31, 2022 (Source: Ministry of Consumer Affairs, Food & Public Distribution).



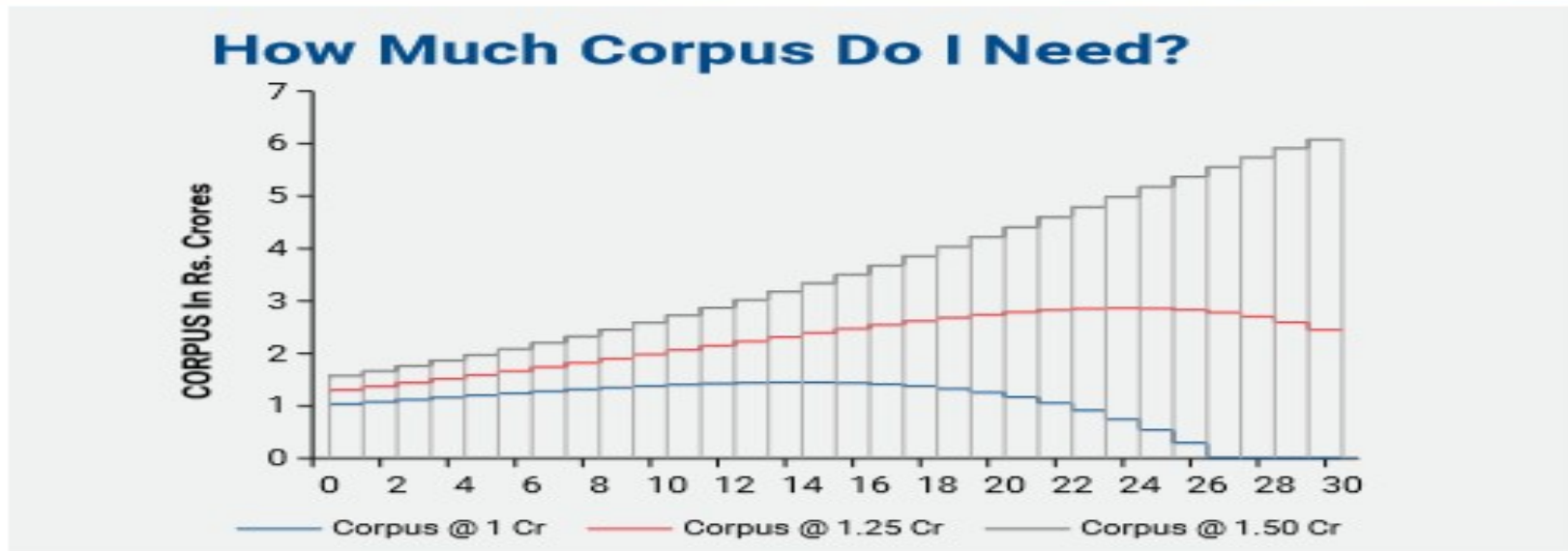
- Retirement planning should be done keeping the 'Real Rate of Return' in mind
- $\text{Real return} = \text{Return from investment} - \text{Inflation rate}$
- For instance, if my return from investment is 8% and my inflation is 7%, then my real rate of return is 1%.  
Because, what I can buy with Rs.100 today, is likely to cost Rs.107 in the next year





- Plan your retirement with investments that can potentially earn a positive real rate of return meaning improved standard of living
- Create portfolio of assets that offers potentially higher real returns as compared to a single asset class
- Asset allocation is key to financial success





## Illustration if I was to Retire Today

- Current monthly expenses assumed – Rs.40,000
- Returns assumed: 9% p.a.
- Inflation assumed 7% p.a.
- If I start with Rs.1 cr. I would run out of money by around the 27th year of retirement.
- With each passing year, inflation will increase your monthly expenses and returns from investments may not be sufficient to take care of the same.
- At higher inflation levels the retirement corpus may not be enough. Further, any emergency fund requirement can deplete the corpus much faster.



- Longer life-spans mean longer retirement
- Joint families giving way to nuclear families
- Lack of social security benefits in India maintain the standard of living post retirement with a plan to tackle the unforeseen expenses
- Income streams may dry up
- Safeguard against inflation





Monthly expenses of Rs.50,000/- today will grow to Rs.1,60,000/- after 20 years at 6%\* inflation rate. Are you investing enough for your RETIREMENT?

# Power of Compounding

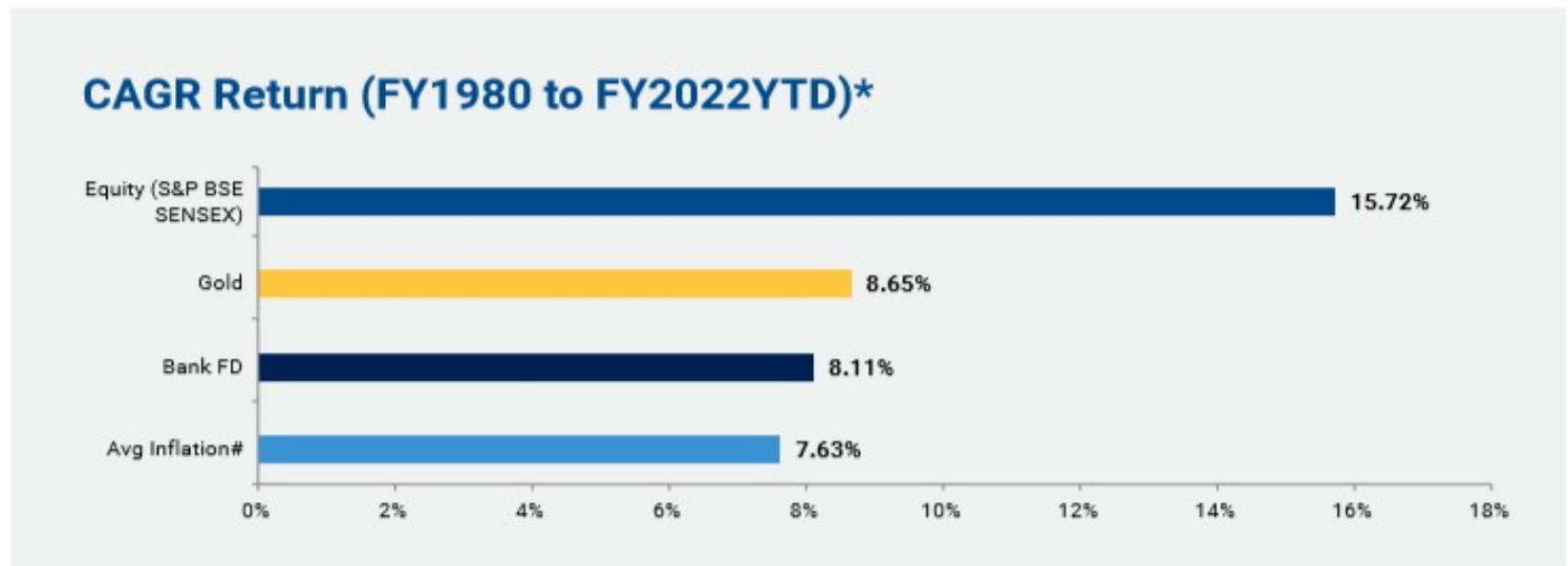


Rate of Return p.a.	8%	10%	12%	15%
Lump sum Amount Invested	1,00,000	1,00,000	1,00,000	1,00,000
Initial Amount + Simple Interest (Interest is not reinvested) (A)	3,40,000	4,00,000	4,60,000	5,50,000
Initial Amount + Compound Interest (Interest reinvested at same rate) (B)	10,10,000	17,40,000	30,00,000	66,20,000
Difference in Wealth (B-A)	6,70,000	13,40,000	25,40,000	60,70,000
Number of times Rs.1 lakh has grown in 30 years by compounding	10.1	17.4	30.0	66.2

As mentioned by Albert Einstein – Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.



# Equities Help Create Wealth Over Long-Term



Source: Bloomberg, RBI Handbook of statistics on Indian Economy, World Gold Council, SBI Average Inflation is shown for comparison with returns from various asset classes.

- Equities have compounded faster than other major financial asset classes over the last 25 years.
- Do Not Shy Away From Equities

# Starting Early Makes an impact!



	Start @ 25 Yrs	Start @ 35 Yrs	Start @ 45 Yrs
Investment Amount Per Month	5,000	7,000	11,667
Amount Invested	21,00,000	21,00,000	21,00,000
Value of Retirement Corpus @ 60 Years of age	3,21,54,797	1,31,51,926	58,28,436
Delay by 10 years would reduce your corpus by	NA	59.10%	55.68%

...A delay in 10 years cuts your retirement corpus by more than 50% at every step even though you may invest the same amount over time





Age	Rate of Return (Compounded Monthly)			
	8%	10%	12%	15%
25	4,331	2,612	1,540	673
35	10,445	7,474	5,270	3,045
45	28,707	23,928	19,819	14,774

- Start Early
- Invest Regularly
- Stay Invested



# The Saving Habit

As mentioned by Warren Buffet – Do not save what is left after spending, but spend what is left after saving.

**A rupee that you saved is the rupee that you earned**

## The Thumb rule

- - In your 20s – Save at least 20% of your income
- - In your 30s – Save at least 30% of your income
- - In your 40s – Save at least 40% of your income
- - In your 50s – Save at least 50% of your income



## Goal Based Investing

- Targets a specific amount of corpus for your retirement
- Money is earmarked only for retirement. For instance, investors do not touch PF corpus for buying a car (as the money is earmarked for retirement)
- Investors tend to rationalize their spending on other personal / social requirements
- Investing with a goal brings discipline
- Balances your current aspirations Vs future requirements. A sizeable corpus can be built over time.
- Mental Accounting is involved, ensuring long-term holding of investments



- Savings are kept
- Money gets withdrawn from the “common savings pool” for all financial requirements
- Tend to overspend on other commitments
- What is left after spending gets saved
- What is left out of the “common savings pool” may not be adequate to tackle retirement needs
- Investors can get irrational in allocation of funds for various purposes and may resort to premature withdrawal



## WHAT ARE THE BEST INVESTMENT PLANS FOR ME?





- Each asset class has a different Return-Risk Liquidity profile
- Asset allocation decision is the most important factor for long-term wealth building
- Diversification is needed to achieve optimal balance between rewards and risks
- There is no “one size fits all” formula for asset allocation.



## Risk Profiling and Asset Allocation

### Your Risk Appetite is a Function of

Factor	Risk Appetite
Age	The younger you are higher is your risk taking capability
Income stream	A regular and predictable income means a higher risk appetite
Capital Base	Higher the capital base, higher will be risk taking capability
Personality / Investor Risk Appetite	Each individual is different and so is the acceptability of risk

### Suggested Equity – Debt split

Age	Income Stream	Capital Base	Personality / Investor Risk Appetite	Suggested Equity (%)	Suggested Debt (%)
25	Regular	Inadequate for retirement	Moderate to High Risk Taker	80%	20%
40	Regular	Inadequate for retirement	Moderate to High Risk Taker	50%	50%
50	Regular	Inadequate for retirement	Moderate to High Risk Taker	25%	75%
50	Regular	Healthy corpus	Moderate to High Risk Taker	50%	50%
25	Unpredictable	Inadequate for retirement	Moderate to High Risk Taker	25%	75%
40	Regular	Inadequate for retirement	Low to Moderate Risk Taker	25%	75%





# Bye-bye Tension! Welcome Pension!

## Bye-bye Tension! Welcome Pension!

### Phase 1: Earn and Accumulate

- Accumulate till 60 through:
  - Lump sum
  - SIP
- Do not touch the retirement corpus till you actually retire

### Phase 2: Distribute

- Withdraw post 60 through SWAP
  - Systematic Withdrawal Advantage Plan (SWAP)
  - Identify a reasonable standard of living and the monthly costs associated with retirement
  - Create a monthly SWAP instruction for the said amount

**Why depend on others? Create your own tax efficient Pension plan! Stay Financially Independent!**



# Investment Patterns For Different Age Groups- Which Plan to Invest ?



Factors	Equity Plan	Hybrid Equity Plan	Hybrid Debt Plan
Age	Investors younger than 40 years of age	Investors between 40 to 50 years of age	Investors above 50 years of age or nearing retirement
Risk Appetite	Investors who understand nature of equities	Investors with moderate risk appetite	Highly conservative investors who should have minimal exposure to equity volatility
Investor Life Cycle	Accumulation phase, young investor with long time horizon	Consolidation phase, balance between growing and protecting wealth.	Spending phase, approaching retirement or following retirement
Investment Objective	Primary goal is to grow capital	Investors who want reduced volatility as compared to equities through blend of equity and debt	Looking for income enhancement through marginal exposure to equities



# Ideal Investment Pattern for Youngsters (30-40)



Invest with a view to build long term wealth →  
A healthy allocation to equity will aid in long term wealth creation

A Systematic Withdrawal Advantage Plan (SWAP) is an ideal tool to ensure that you withdraw only the amount you need while letting the remaining corpus grow that little bit longer.

- Invest with a view to build long term wealth A healthy allocation to equity will aid in long term wealth creation
- A Systematic Withdrawal Plan (SWP) is an ideal tool to ensure that you withdraw only the amount you need while letting the remaining corpus grow that little bit longer.





Invest with a view to build long term wealth →  
A balanced allocation between debt and equity will aid in long term wealth creation

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- A Systematic Withdrawal Plan (SWP) is an ideal tool to ensure that you withdraw only the amount you need while letting the remaining corpus grow that little bit longer.

# Ideal Investment Pattern for Those Who are Nearing Retirement(50-60)



Invest with a view to build a healthy corpus without taking much risk → A higher allocation towards debt will aid in this process

A Systematic Withdrawal Advantage Plan (SWAP) is an ideal tool to ensure that you withdraw only the amount you need while letting the remaining corpus grow that little bit longer.

- Invest with a view to build a healthy corpus without taking much risk  
A higher allocation towards debt will aid in this process
- A Systematic Withdrawal Plan (SWP) is an ideal tool to ensure that you withdraw only the amount you need while letting the remaining corpus grow that little bit longer.





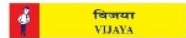


# BANK OF BARODA OFFERS MILITARY SALARY PACKAGE





बैंक ऑफ़ बड़ौदा  
Bank of Baroda



शौर्य का सम्मान - बैंक ऑफ़ बड़ौदा की शान

Baroda  
military  
salary  
package  
(MSP)

# FEATURES OF MSP – Retired Defense Personals



बैंक ऑफ बड़ौदा  
Bank of Baroda



## Free Personal Accident Insurance Covers

Personal Accidental Death Cover Rs. 40 Lakhs

- Permanent Total Disability Cover Rs. 40 Lakhs
- Permanent Partial Disability Cover Rs. 20 Lakhs
- **Personal Accident Insurance cover for Pensioners upto 70 Years**

## Banking Facilities

- Zero Balance, Auto Sweep, Free Multi City Cheques, Free SMS Alerts
- Free - Unlimited transactions at all Bank ATMs, NEFT / RTGS remittances, DDs/PO
- 50% Discount on locker rentals
- **Video KYC**
- 100% waiver in Demat Annual Maintenance charges
- Complete Banking facility for Indian Defence Personnel available with one QR Code Scan

## Personalized Retail Loan for Defence Personnel

- 100% waiver on processing charges for Baroda Yoddha Home Loan, Baroda Yoddha Auto Loan, Baroda Yoddha Education Loan,
- Baroda Yodha Loan to Defence Pensioners
- Cut off CIBIL Score is 701 & -1,
- Baroda Yoddha Home Loan Advantage, Baroda Yoddha CRE Home Loan, Baroda Yoddha Top Up Loan, Baroda Yoddha Home Suvidha Personal Loan also available

## Cards

- Life time free Baroda Credit & Debit Card subject to eligibility, Add on Cards, Cobranded Cards with Army & Navy
- 75% waiver on issuance of gift/travel card



**BOBCAPS**  
TRUST | INNOVATION | EXCELLENCE

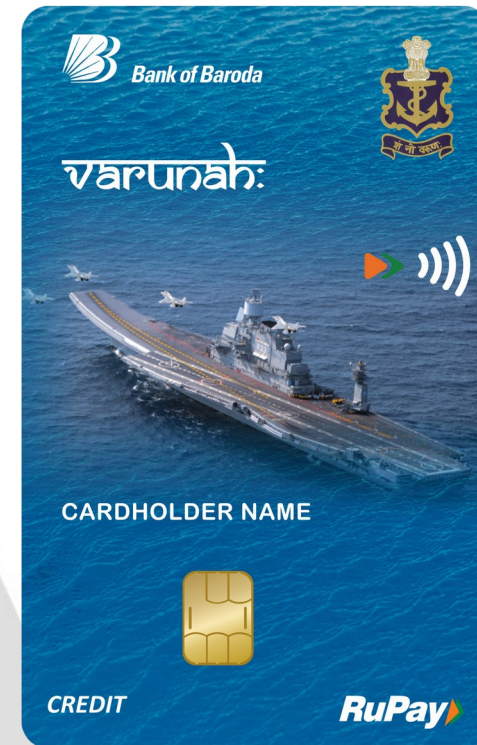




बैंक ऑफ़ बड़ौदा  
Bank of Baroda



## CO-BRANDED CREDIT CARD Exclusive for Indian Navy- VARUNAH



**MoU Signed with Indian Navy - 27 Oct 2021**



**BOBCAPS**  
TRUST | INNOVATION | EXCELLENCE

## Explore Ocean of Reward & Exclusive Benefits with Bank of Baroda Varunah Credit Card



### Welcome Gifts-

- Complimentary 12 Months Amazon Prime Membership
- Complimentary 12 Months Zomato Pro Membership
- Complimentary 6 Months FITPASS Pro Membership
- Joining Bonus: 1000 Reward Points
- Earn 5X i.e. 15 Rewards Points for every Rs.100 spent on Travel, Dining, Online & International Spends\*
- Earn 3 Reward Points for every Rs.100 spent on other categories
- Unlimited Complimentary Domestic Airport Lounge Visits
- Reduced Forex mark-up of 2% for Savings on International Spends
- Pay safely with Contactless Cards
- Unlimited Complimentary Domestic Airport Lounge Visits
- Spend ₹ 25,000 within first 180 days and ₹ 1,50,000 in a year for reversal/waiver of annual fees
- Reward Points can be redeemed as cashback @ ₹ 0.25 per reward point
- Convert purchase of ₹ 2500 & more into Smart EMI of 6 to 36 months



# Invest with Baroda Radiance for a premium banking experience



## Dedicated team

A team of experienced wealth management professionals will help you devise a customized financial plan



## Product Suite

A comprehensive products suite is offered across equity, debt, insurance, alternative investments and beyond



## Digital Convenience

A trusted one-stop solution for all your wealth management needs, easily accessible digitally



## Financial Benefits

Competitive financial benefits that will reduce your transaction costs



## Privileges

Financial and lifestyle privileges that go beyond banking

**JAI  
HIND**



## Importance of Health Insurance in Present Times: 5 Key Reasons

- To address rising medical costs
- To fight against increasing lifestyle diseases
- To gain financial security and protect your savings
- To benefit from holistic and comprehensive cover
- To get tax benefits and make an investment in your health

# Thank you

