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Retirement planning part of childcare

RUSHABH GANDHI

A child's relationship with his or her parents is perhaps one of the most unique relationships that ever existed or will ever exist. Children look up to their parents for most answers in life. And for all doting parents, nothing is more fulfilling than seeing their children grow up to realise their dreams. Yet, due to traditional and cultural considerations in India, parents often tend to overlook some critical personal aspects as the child remains the core of their existence.

In the much-touted rat race of wanting to provide the best to the child, parents often compromise on their own retirement planning and consequently on the possibility of a comfortable post-retirement life. Therefore, it comes as no surprise that more often than not, Indian parents end up becoming dependent on their children after retirement. The cynics among us would probably say "so what". However, the fact of the matter is that even for the child, being the primary caregiver is a gigantic role reversal — a role reversal that's not easy given the spiraling expenses on almost all fronts as also the uncertainty in the overall financial environment. Inflation beating income is rare, making rising living costs a nightmare. Fending for oneself and saving for various educational and lifestyle needs is a challenge in itself. And to add to the challenge, one has to ensure that his/her parents are financially comfortable — as seeing your parents' quality of life deteriorating in front of your eyes is devastating to say the least. Would any father want their child to go through these torturing contradictions?

To avoid these contradictions, there is no magic wand. The only solution that exists is challenging and requires discipline. Start planning for your retirement well in advance. Clearly, one should start to invest in the right retirement plan at an early age. The cost of postponement is crippling. A retirement plan offers this unique feature of an investment period and a vesting period.

To illustrate this further, assume you start investing at the age of 30 and select a plan that will vest at 60 years of age. At 60, you can only withdraw some part of the total corpus created; for the rest, you must purchase an "annuity plan". Such plans enable you to convert your maturity proceeds into fixed regular payouts to take care of your regular day-to-day expenses. In other words, a retirement plan guards against the temptation of utilising the entire investment corpus for any need other than providing for your retirement.

Start early

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- One should start to invest in the right retirement plan at an early age. The cost of postponement is crippling

The author is Director — Sales & Marketing, IndiaFirst Life Insurance. The views expressed in this article are his own