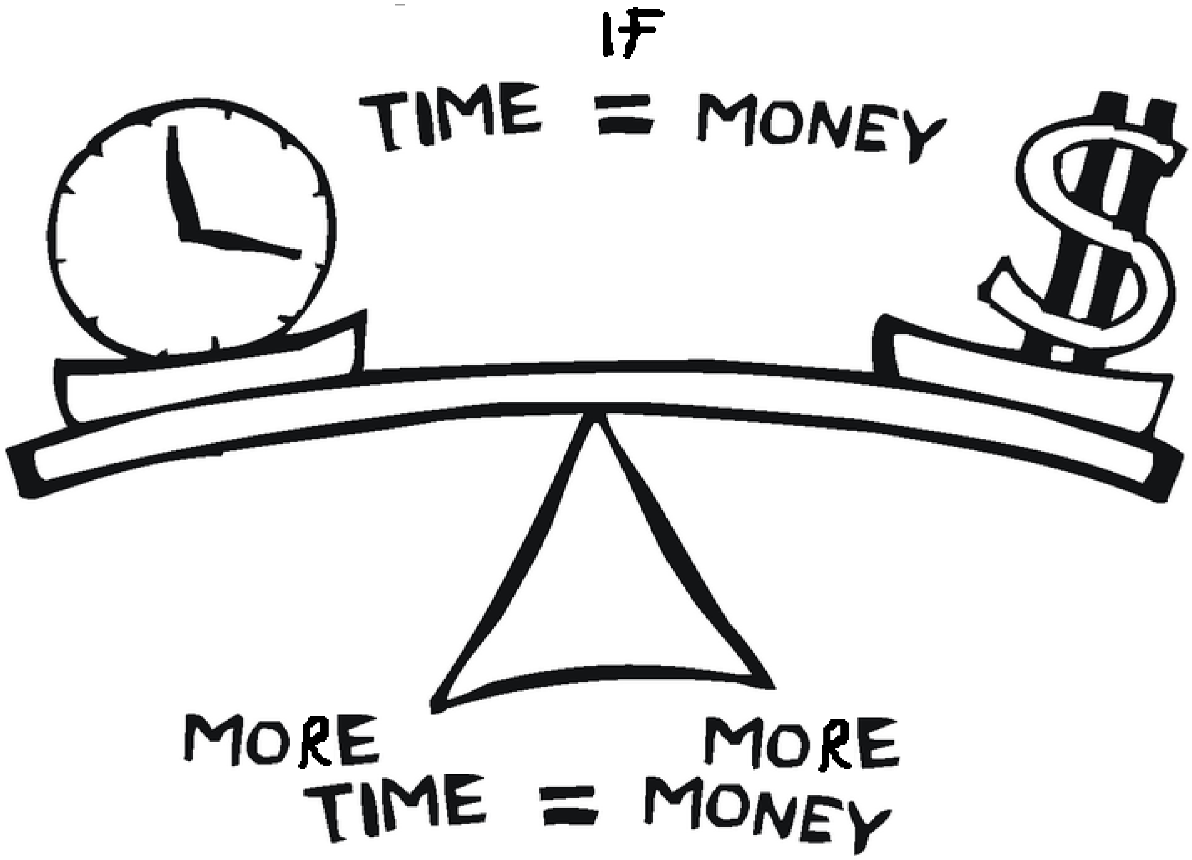
Understanding the cost of delay in retirement planning



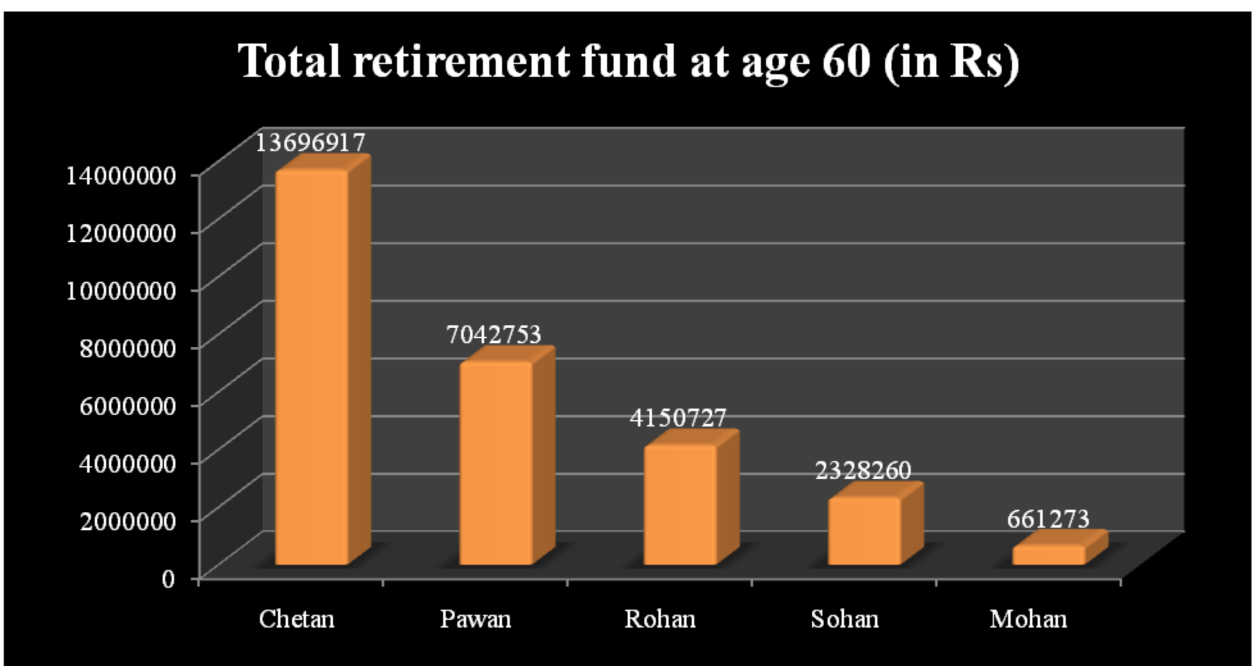
By Magicgyan Team,

Mohan is a 52 year old executive, happily married with a two grown up children. He works for a private firm where the retirement age is fixed at 60. Because of his financial commitments, he never bothered to save for retirement until now.

One day after reading an article on retirement planning, he suddenly realized the need to save for retirement. Although planning for retirement at the age 52 is too late, better late than never. When it comes to delay in retirement planning, Mohan is not the only one. There are lakhs of people who fail to realize the importance and benefits of early retirement planning.

Let us understand the cost of delay in planning for retirement with an example

	Chetan	Pawan	Rohan	Sohan	Mohan
Current age	22	30	36	42	52
Desired age of retirement	60	60	60	60	60
Years in hand for saving	38	30	24	18	8
Investment per month	5000	5000	5000	5000	5000
Approximate Returns	8%	8%	8%	8%	8%
Total retirement fund at age 60	13696917	7042753	4150727	2328260	661273



As you can see from the above table, Chetan will have a huge retirement corpus at age 60, which will be sufficient to fulfill most of his needs after retirement, whereas Mohan will have a very small retirement corpus.

Another advantage that Chetan can avail of in future is that if he wants to stop saving for retirement, he can still do so because his money will work for him.

Let us understand this with an example

	Chetan
Current age	22
Desired age of retirement	60
Investment per month	5000
Approximate Returns	8%

In case Chetan wants to stop saving for retirement at the age of 35, due to other financial commitments he can still do so because he has the advantage of starting early. By the age of 35, his retirement corpus would amount to Rs 1336350/-

After age 35 he will not be making any fresh yearly contributions, but he still has another 25 years for retirement till age of 60. The above investment of Rs 1336350/- would become Rs 9151960/- (Assuming 8% compound interest) at the end of 25 years.

Proper planning is a key step to success in any task. Planning for retirement is no exception. Always remember, if you plan to start on a later date, the date may never arrive, as the reasons for putting off saving for retirement may increase in future with increasing liabilities after marriage such as increase in family members, housing loans and household expenses.