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FINANCIAL PLANNING – A GATEWAY FOR POST-RETIREMENT WELLBEING

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ABSTRACT: Most people think as long as they are saving, they need not worry about financial planning. It's true, savings are essential. Retirement occurs when the person permanently ends active employment. Retirement is a state of mind as well as a financial issue. Researchers consistently conclude that finances and health are the two most significant factors connected with retirement decision-making and a successful retirement experience. Retirement planning is one mechanism by which individuals prepare for the retirement changeover. Saving and Investing are the two powerful tools which will really put your money for you. Saving is what people usually do to meet short-term goals. A best financial planning ensures you have access to the right amount of money at the right time. Creating a financial plan helps you set long and short-term goals, a critical step in mapping out your financial future.
Key words: Retirement, financial planning, savings, goals, investment options

Introduction

The most expensive thing you'll buy in your life is not a new TV, car or home, when you put money into your retirement plan means the most expensive thing. Most people think as long as they are saving, they need not worry about financial planning. It's true, savings are essential, but that cannot alone help you reach all your financial goals. You need to ensure your savings continue throughout your life time. Planning is an integral part of financial success. It's still possible to enjoy the lifestyle you want in retirement but you will need to plan your finances carefully. Many people feel unhappy, health-wise and security-wise, after 60 years of age owing to the diminishing importance given to them and their opinion. A retirement plan is a savings and investment plan that provides income during retirement. It is often created by companies or the government for employees. (Jeffry R. Brown, 2007). You have successfully passed through the many phases of life, overcome many hurdles in your long career, and seen ups and downs and so on. Now it's the time to enter new phase – Retirement. It means retiring from work, not life. Retirement occurs when the person permanently ends active employment. Retirement is a state of mind as well as a financial issue. Each of the goals may require a specific type of investment. Further, it is important to time your investments in such a manner that they pay returns at a time when you need the money. For most people, the regular income comes in the form of a salary, which is paid monthly. Because of the regularity of income during our working life, we usually adapt our spending to fit in with our income patterns. By the time retirement comes around we usually have our income and spending patterns well practiced, although these may change a little in retirement.

Researchers consistently conclude that finances and health are the two most significant factors connected with retirement decision-making and a successful retirement experience. Retirement planning is one mechanism by which individuals prepare for the retirement changeover - retirement planning routinely emphasizes financial concerns, often to the exclusion of health or other significant aspects of retirement. However, preparing for a healthy retirement is equally important.

During retirement, or at some stage before, you also need to plan what you are going to do with your retirement savings. Usually this will involve looking at what to do with your superannuation money and any other savings that we may have accumulated along the way. In view of the above facts, it falls on the concerned person to do financial planning in a way he/she not only maintains the lifestyle but also has financial independence as well.

Financial Planning

An early start on financial planning guarantees a secure financial future. Financial planning is the process of developing a personal roadmap for financial well being. Broadly speaking, financial plans can reflection of as a journey from where you stand at present to your preferred goal. Financial planning is the process of meeting life goals through the proper management of finances. Financial planning helps to make advance provision for financial needs that will arise in the future. The objective of financial planning is to ensure that the right amount of money is available at the right point in time in the future to achieve an individual's life goals. Your annual income during retirement should be enough to meet your retirement expenses. Don't forget that the cost of living will go up over years. The common retirement expenses are – food, clothing, housing, utilities, transportation, health care, insurance, taxes, recreation and debts. To protect against these variables, build a comfortable cushion into your estimates. Ideally, your financial plan should begin with a thorough assessment of your current circumstances.

The inputs to the financial planning process are:

1. A person's finances, i.e., income, commitments, assets and liabilities.
2. A person's goals, i.e., current and future financial needs
3. Identifying financial issues like - 'where you are now financially' and 'where you want to be?'
4. Type of risk that a person is willing to take.
5. Implementing financial plan—review and revise your plan—to ensure it stays up-to-date

The output of the financial planning process is a personal financial plan that tells how to use the money to achieve the goals, keeping in mind inflation, real returns, and taxes. In short, financial planning is the process of systematically planning finances towards achieving short-term and long-term life goals. People today realize the importance of living life to the fullest. The average person can, today, expect to live a healthy life well into his/her seventies or eighties, which means that retirement life is almost as long as working life. It implies that savings should be enough, not just to maintain the same lifestyle for almost 25-30 years, with no new income, but also to take care of medical expenses, which are usually high the older a person gets. Planning for all this is very for important for anyone. That's why it's critical for everyone to plan their finances from an early age.

Some basic post-retirement needs that you may have to ensure for are as follows:

- Expenses for living
- Healthcare expenses
- Unexpected contingencies or emergency
- Necessary travelling cost to visit your children, other relatives
- Amusement

Tips to achieve the best results from your financial planning are as follows:

1. Set measurable financial goals
2. Understand the effect of each financial decision
3. Re-evaluate financial condition occasionally
4. Get help from a financial expert
5. Start planning as soon as you can
6. Be realistic in your expectations

Investment Options

Saving and Investing are the two powerful tools which will really put your money for you. Saving is what people usually do to meet short-term goals. Your money is very safe in a savings account, and it is usually earning a small amount of interest. It's also easy for you to get to your money when you need it. Investing means you are setting your money aside for longer-term goals. There's no guarantee that the money you invest will grow. In fact, it's normal for investments to rise and fall in value over time. But in the long-run, investments can earn a lot more than you can usually make in a savings account.

Here are some savings and investment options for securing your retirement life:

1) National Saving Certificate (NSC) – available for a period of 5 years and 10 years investment offering. Minimum investment amount is Rs. 100 with no maximum investment limit.
2) Post Office Time Deposits (TD) – available for periods of 1year, 2 years, 3 years and 5 years. Minimum investment amount is Rs. 200 with no maximum investment limit.

3) Senior Citizen Saving Scheme (SCSS) – 5 years investment offering 9.20% interest, can extend for a further period of 3 years. In other words, the maximum tenure can be 8 years. Maximum investment is Rs. 15 lakh.
4) New Pension Scheme (NPS) – Any individual between 18 55 years of age can opt for NPS. Your money will be invested in equity, government securities and debt. Minimum investment amount is Rs. 6000 per year or Rs. 500 per month with no maximum investment limit.
5) Equity Investing – It is very profitable at an acceptable level of risk over the long term (10 years and above). Regularly investing in equity helps you construct serious wealth.
6) Bank Deposits – Safety comes at price. Opt for a 5 year tax saving bank deposit in order to get tax deduction under section 80C to the extent of Rs. 1 lakh.
7) Mutual Funds – Mutual Funds are the preferred investment route for retail investors due to the compelling benefits they offer. Presently there are broadly 3 types of mutual funds –equity funds, debt funds and gold funds. Dividends earned from mutual funds are tax-free in your hands. Profits earned on mutual funds held for a year and above, are taxed at a lower rate.
8) Unit Linked Insurance Plans (ULIPS) – ULIPs work like mutual funds with an additional feature of life cover. These are available at a minimum term of 5 years. Return on ULIPs vary depending on the type of ULIP plan and the investment tenure.

Benefits of Financial Planning

A best financial planning ensures you have access to the right amount of money at the right time. Creating a financial plan helps you set long and short-term goals, a critical step in mapping out your financial future. When you have a financial plan, it's easier to make financial decisions and stay on track to meet your goals.

Here's a list of the benefits of a well framed financial plan:
* Helps examine cash flows and reduce unnecessary expenditure.
* Enables maintenance of an optimum balance between income and expenses.
* Maximizes returns from investments.
*Helps boost savings and create wealth.
* Secures retirement life financially.
* Creates wealth and ensures better wealth management to achieve life goals.
* Reviews insurance needs and therefore also ensures that dependents are secured financially in the unfortunate event of death or disability.

Conclusion

Planning for retirement is never easy. So, the golden rules for wealthy and peaceful retirement life are - start investing early in life, have diversification, invest regularly, have enough liquidity, have enough risk cover, take professional help for analyzing, periodic review and regular interaction with the financial advisor.

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