

# Importance of Financial Planning During Retirement

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## **Abstract**

*This paper was motivated by growing concerns that many people lack the financial literacy to properly structure a retirement savings plan, some not even thinking about retirement, while others do so when they are just about to retire from active working life. Meanwhile, changing economic conditions and cultural values are forcing workers and retirees to increasingly take on an unprecedented level of responsibility for their retirement, particularly due to rising costs and the fact that government pension systems are facing insolvency in various countries due to governance issues. It is increasingly important for households to acquire and manage.*

## **Keywords:**

*Financial planning, Retirement, Importance*

## **Objective:**

- *To study the importance of financial planning after retirement*
  - *To study how financial planning helpsto your financial needs and wants after retirement*
  - *To study why everyone needs retirement planning*
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## **I. Introduction**

Planning for retirement is an essential part of financial planning. As life expectancy increases, the need for retirement benefits increases. Retirement benefits not only secure additional income, but also help you cope with medical emergencies, meet your life aspirations, and become financially independent. Retirement is a period of life that continues to lengthen in the developed world, and the number of retirees is increasing accordingly, challenging the strength of social security systems and social safety nets in general. Financial Retirement Planning consists of a series of activities involved in accumulating wealth to meet post-retirement needs. The negative short-term, medium-term and long-term consequences of insufficient financial planning for retirement affect not only individuals, but also their extended families and homes, which ultimately has an adverse impact on society as a whole.

### **What is retirement planning?**

Retirement planning means preparing for a steady flow of money after retirement. It means setting aside funds and investing specifically with that goal in mind. Your retirement strategy will depend on your ultimate goal, income and your age.

### **Need of retirement planning?**

Growing old can be expensive. Medical bills are likely to rise. Add to that the burden of inflation and not having enough money to sustain future expenses can cause stress and worry. The purpose of a retirement investment plan is to ensure financial stability in later years without depending on others.

### **Importance if financial planning**

Planning for retirement does not mean that one should only focus on one's finances. Planning for retirement requires a combination of financial and personal planning. Personal planning determines a person's satisfaction in retirement.

On the other hand, financial planning helps in budgeting income and expenses based on a personal plan. First and foremost, personal planning revolves around the question, "How do you want to spend your retirement? For example, some might want to travel the world during retirement, while others would like to learn a course or two or volunteer with an NGO. There are a lot of retirement options.

Retirement is one of the important stages of human life when one finally calls it a day after decades of dedicated service. This is the time professionals have been waiting for, after years of hard work and responsibility, when they can finally enjoy family time to the fullest. However, retirement also brings its share of financial difficulties and unpredictable arrangements. The absence of a regular monthly income means a strain on existing savings and investment returns. The scope of the pension does not exclude the self-employed and, like their salaried counterparts, they also feel the burden of retired life if they do not plan their finances well in advance. Investments made earlier in life, if chosen well, can go a long way toward securing financial freedom after retirement. Retirement planning is something that every individual will experience once in a lifetime, getting the required income for basic expenses after an individual leaves the workforce is the main retirement planning goal that every individual should have. Many individuals start working on their retirement plan at an early age when they start earning, while others still do not realize the importance of having a plan for retirement or having a source of income after retirement. The need for emergency funds. However, having an idea of how one would like to spend one's retirement is the first step in retirement planning. Lifestyle needs and preferences will help estimate finances. Therefore, financial planning will help in building a retirement fund.

### **Start planning early (Ages 21–35)**

People who have entered adulthood may not have a lot of money to invest, but they do have time to mature their investments. This is an important and valuable part of your retirement plan. This is due to the law of compound interest.

Compound interest allows interest to earn interest, and the more time you have, the more interest you earn. Even if she can only save 5,000rs a month, compound interest makes it worth three times more to him by age 25 than it is to wait until age 45 to invest. We may be able to invest more money in the future, but we cannot make up for lost time.

### **Lack of Social Pension Benefits**

India has yet to introduce a robust social security system with pension benefits for the elderly. Pension funds and employee-provided funds exist, but may not be sufficient to cover all costs. That's why it's important to create a diversified retirement fund that includes investments in bonds and mutual funds.

#### **Financial Independence**

Older Indians have relied on their children to support their old age for generations. More and more young people are living independently these days. Often they are unable to support their parents financially. Even if I could, by taking responsibility for myself, I can live my life the way I want because I am not responsible for anyone else.

### **Rising Costs**

As an investor, you should expect rising costs. While planning your retirement plan Inflation should always be considered. If you cannot keep up with rising costs, you may have to sacrifice your standard of living.

### **Emergency Medical Care**

Medical costs are important in understanding the importance of planning for retirement. Healthcare inflation is rising at an alarming rate as retail spending continues to rise steadily. Other economic goals are negotiable, but health must not be compromised.

### **Returns that beat Inflation**

Retirement investments can help generate returns that beat inflation. Putting money in a bank savings account doesn't give you high returns. In other words, the interest you earn is not enough to guide you to a no-compromise retirement. It is also important to start investing early. This helps average out the losses from volatile market.

### **You cannot work forever.**

You cannot work forever. Many people wants to work even their after retirement. But is a meager income sustainable? Therefore, it is essential to prepare for old age in order to become financially independent after quitting your job.

**Medical Emergencies/Medical Expenses**

In this day and age, any medical emergency can knock on your door and take a toll on your savings. The cost of medical assistance is also constantly increasing. Therefore, it is necessary to consider the burden of medical expenses in an emergency. With a solid plan, you can approach retirement with peace of mind.

**Financial Freedom**

It's natural to expect your children to look after you, but it's not fair to rely entirely on them. Instead of waiting for them to take care of your financial needs, you can create a safe and take care of yourself. Not only will this make you carefree, but it will also help you achieve financial freedom.

**Living stress-free life**

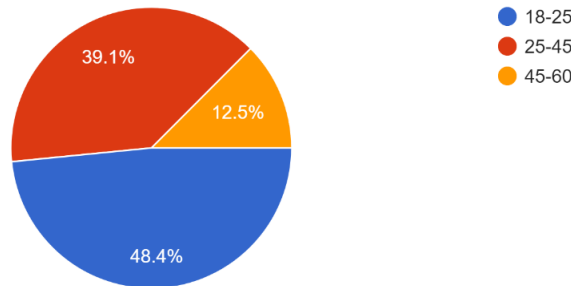
This is the most significant result of retirement planning. Planning for retirement can help you live a calm and stress-free life. An investment that provides a stable income even after retirement, leading to a secure life. Retirement is the age when you need to relax and reap the rewards of all your hard work.

**Money works for you**

When you're young, anyone chases a 9:05 job. Everyone works to earn money and live a good life. However, the retirement date is the day when you cannot work. Therefore, it's time for the money earned to do all the work. To achieve this, you need to start investing for retirement at a very young age. Starting small can also help you generate big returns down the road. As such, a retirement fund should be a well-diversified portfolio capable of generating returns in retirement. After retirement, you can wake up at any time, so everyone who works needs to be prepared. Retirement planning involves identifying various sources of information, estimating costs, investing in the plan, managing risks, and more.

**Analysis:**

Age group  
64 responses



**64 responses  
(Self – Research)**

**Interpretation:**

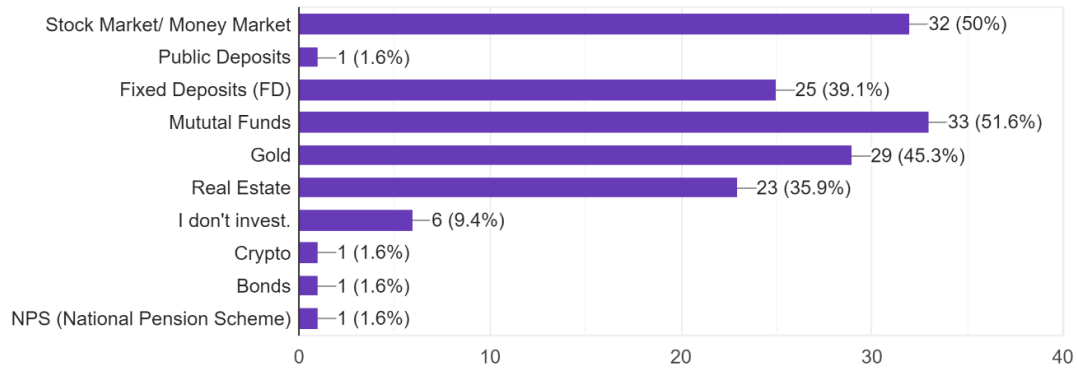
48.4% responds are from age group between 18-25 years, which is the ideal targeted area of our research.

39.1% responds are from age group between 25-45 years

12.5% responds are from age group between 45-60 years

Where do you invest keeping in mind your retirement plans?

64 responses



64 respondents  
(Self – Research)

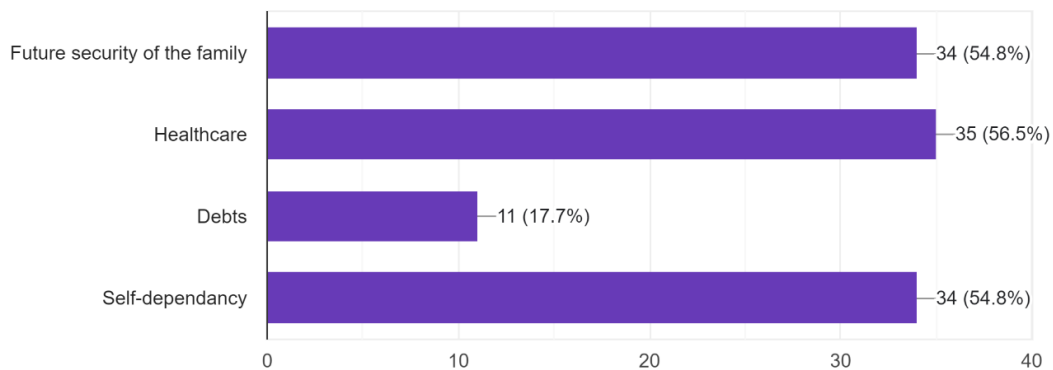
**Interpretation:**

Out of 64 responses there is a more inclination for stock and money market, mutual funds, gold, fixed deposit and real estate sector as well. 9.4% of the respondents haven't started investing yet.

The least chosen fields were crypto bonds NPS and public deposits.

What factors affect your financial planning for retirement?

62 responses



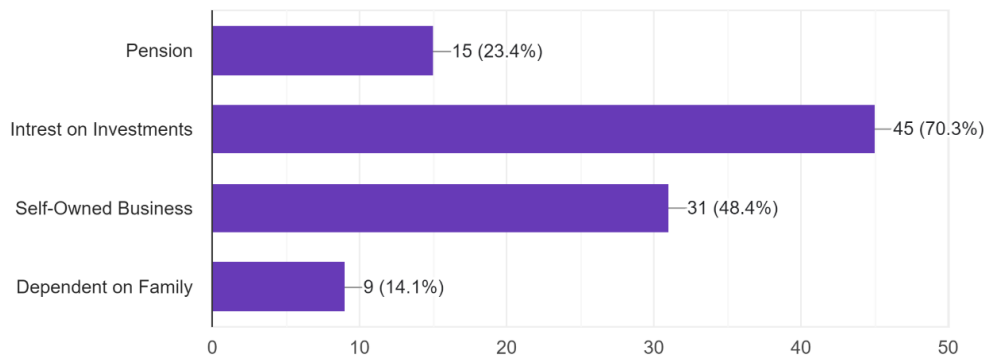
62 respondents  
(Self – Research)

**Interpretation:**

Out of 62 responses, Health care, self-dependancy, future securities of the family affects the most

What is your main source of income during your retirement?

64 responses



64 respondents  
(Self – Research)

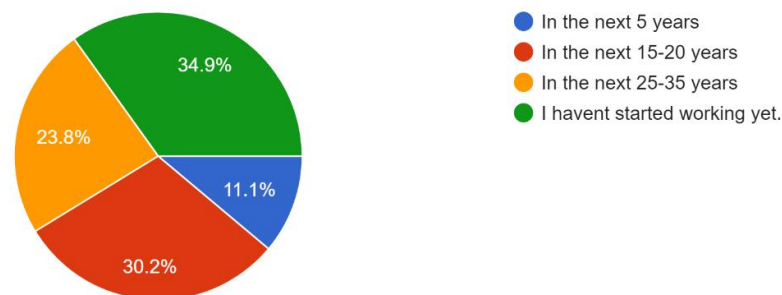
**Interpretation:**

Out of all the responses Interest on Investment and Self-owned Business are more preferred by people as the main source of income after retirement.

23.4% of responses are relying on pension and 14.1% are dependent on family

When do you plan to retire?

63 responses



63 respondents  
(Self – Research)

**Interpretation:**

It is observed that 11.1% are planning their retirement in next 5 years .

30.2% planning their retirement in next 15-20 years , followed by 23.8% of responses are planning their retirement in next 15-25 years .

34.9% haven't planned their retirement yet.

**II. Conclusion**

The journey to retirement includes setting goals, setting a time frame, leveraging retirement options, understanding taxation and tax incentives, planning with a partner, and when you actually get there, includes figuring things out. You should monitor progress at each step and adjust as needed. Follow your six steps above and you'll be well prepared and funded for the next phase of your life. The earlier you begin, the more likely you're to achieve your goals. However, if you start too late, you may have to cut or adjust your pre-retirement and post-retirement lifestyles. Additionally, the amount you save and how much you need to add each period depends on when you start saving. Starting retirement planning in your twenties may seem too early for retirement. But starting early makes it easier to reach your goals. Also, starting early helps you develop good habits of retirement and planning, giving you more time to correct mistakes and identify shortcomings in achieving your goals. Your retirement plans should be planned and executed as soon as you start working. If you don't know enough to make the right

decisions on your own, it's a good idea to seek help from an experienced retirement planning professional. These financial planners consider a variety of factors such as income, expenses, age, and desired retirement lifestyle when assessing retirement benefits. So you can use the sweat of your Golden Age to cover your old age and leave the world feeling satisfied and complete.

### **III. Findings**

- It is never too early or too late to start retirement planning.
- Retirement planning refers to financial strategies of saving, investments, and ultimately distributing money meant to sustain oneself during retirement.
- Retirement planning takes into account not only assets and income but also future expenses, liabilities, and life expectancy.
- It has been seen that people rely for financial advice more on themselves and their family than new research or financial advisor
- It has been found that 14.3% of people are planning to be dependent on family after retirement
- IT has been seen that 23.8% have their pension as their main source of income after retirement
- 69.8% are dependent on interest on investment as main source of income after retirement
- 53.4% invest in mutual funds keeping retirement plan in mind.

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