



## Retirement Corpus - Definition & How to Build it with Mutual Funds & SIP

Retirement represents a period of life where you get to reap the rewards of your hard work. However, you need sufficient funds to ensure your well-being, health, comfort, and peace of mind during this post-employment phase. Having an adequate retirement corpus allows you to maintain your desired lifestyle and navigate unforeseen challenges without compromising your financial security. Systematic Investment Plans (SIPs) in mutual funds can be useful tools to build your retirement fund. Let's find out how.

### What is a retirement corpus?

Your retirement corpus refers to the savings earmarked for your post-employment years. These savings help you maintain a comfortable lifestyle after retirement. Your retirement fund includes goal-based savings tailored to meet specific needs such as healthcare, food, travel, and other essentials. Additionally, it also includes a contingency fund to address unforeseen emergencies.

Having an adequate retirement corpus ensures a challenge-free retirement with financial security and peace of mind. Let's find out how you can calculate it.

### How do you calculate the required retirement corpus?

Retirement planning can seem overwhelming in the absence of a fixed target. However, it is essential to understand that there is no fixed target for retirement. Everyone's financial needs differ, so you should consider multiple factors when calculating your retirement corpus.

Several variables can determine your retirement needs, as explained below:

- **Personal situation:** Considering your marital status and family structure is important. You could be married, unmarried, or with children. Your individual situation impacts your financial responsibilities during retirement. You must plan accordingly to provide for yourself and your dependents.
- **Lifestyle:** You must evaluate your current lifestyle and determine the level of comfort and activities you want to maintain during retirement. Your retirement fund should align with these aspirations to ensure you can enjoy the desired quality of life without financial strain.
- **Standard of living:** Your retirement corpus calculation must take into account the standard of living in your city or region. Costs can vary depending on where you stay, and understanding the economic conditions of your location can help you set a realistic retirement goal.
- **Inflation:** Inflation impacts your purchasing power over time. It erodes the value of your savings, which is why it is essential to

account for rising costs in your retirement planning. You must build a financial cushion in your retirement corpus to counteract the effects of inflation.

### **How do you invest to make the required retirement corpus?**

Mutual funds can be a suitable avenue for building your retirement corpus. They offer flexibility and convenience. You can consider initiating an SIP to save regularly. SIPs allow you to invest in mutual fund schemes at your preferred frequency. They also allow you to select a suitable investment value that can be as low as Rs 500. You can start an SIP and increase contributions as your income and career progress. This ensures your savings stay in tune with your changing financial needs.

Another great advantage of investing in mutual funds is that you get to harness the benefits of compounding and rupee cost averaging through systematic investments. Compounding allows your money to grow faster over time, while rupee cost averaging minimises the impact of market volatility and price fluctuations by spreading your investments across market highs and lows.

Let's take the example of the popular 15-15-15 rule. As per this rule, if you maintain a monthly SIP of Rs 15,000 for 15 years, with an assumed annualised return of 15%, your investment can culminate in a substantial corpus of Rs 1 crore.

Mutual funds also offer additional tools like Systematic Transfer Plans (STP) for convenient fund management. This option allows you to switch from one mutual fund scheme to another based on your evolving financial goals and risk appetite. Finally, when you retire, you can use Systematic Withdrawal Plans (SWP) to create a regular income stream for yourself.

### **To sum it up**

Retirement planning can seem like an uphill task. However, disciplined and sustained investments in mutual funds can help you pave the way for a financially secure post-work life. Remember to start saving for your golden years as soon as you can. Additionally, understand that different mutual fund schemes cater to distinct goals and risk appetites. A little research can help you select suitable options for your needs!

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