HDFC MF

Weekend Bytes

A weekly series from HDFC Mutual Fund

Living Longer. Planning Smarter.

hdfcfund.com

A significant achievement of modern science, and of humanity as a whole, is the sustained improvement in life expectancy worldwide.

Advances in medical science, better nutrition, preventive healthcare and improved living standards have steadily increased life expectancy across the world. The next wave of innovation, powered by Artificial Intelligence, is helping accelerate medical research, drug discovery and personalised healthcare. While no one can predict exactly how long we will live, the direction is unmistakable - we are likely to enjoy longer and healthier lives.

That is something to celebrate.

A longer life means more time with family, more opportunities to travel, pursue new interests, mentor others, or even begin a second career. Retirement is no longer simply about slowing down - it is increasingly about living differently.

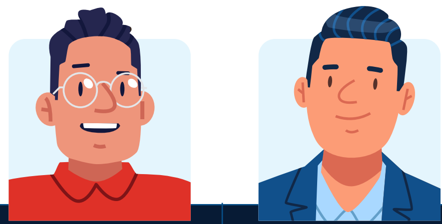
But this welcome change also brings a new financial reality.

A longer and healthier retirement requires more than just a larger retirement corpus. It requires a higher savings rate during our working years. The illustration below shows why.

Duration of Income Generation May Depend on Contribution (Illustrative)

SIP Start: **July 1991** Retirement and SWP Start: **August 2011**

Two investors started monthly SIP in July 1991, accumulated wealth for 20 years, transitioned to a hybrid allocation at retirement in July 2011, and then began withdrawing ₹50,000 starting next month. —an amount that rises with inflation each year after.



	Investor A	Investor B
Monthly SIP (1991–2011)	₹4,161	₹5,390
Corpus at Retirement (2011)	₹49.3 lakh	₹63.8 lakh
Monthly SWP Amount for Income Generation post accumulation	₹50,000	₹50,000
Number of years corpus supported SWP	10 years	15 years

Key Takeaway: A small increase to monthly SIP amount can result in sustaining your SWP for 5 more years.

Disclaimer: **Past performance may or may not be sustained in the future and is not a guarantee of any future returns**. The illustration assumes a SIP investment made on the 1st day of every month in the Nifty 50 TRI. Nifty 50 TRI data is available from July 1999 onwards; for periods prior to July 1999, TRI values have been derived based on the performance of the Nifty 50 Price Index. • SIP period: 1 July 1991 – 30 June 2011, required for building the corpus. SWP was started after switching the corpus to the Nifty 50 Hybrid Composite Debt 65:35 Index. on 1-July-2011. SWP from 1-Aug-2011 till 1-July-2021 for Investor A (10 years) and for Investor B, SWP starting 1-Aug-2011 till 1-July-2026 (15 years). March ending inflation taken from RBI as represntative for respective FY and applicable inflation taken for Invesor A 5.95% and for Investor B 5.58%. Data as on 30th July 2026.

The numbers may differ for every investor depending on inflation, returns and individual circumstances. But the message is clear: funding a longer retirement may require meaningfully higher savings—not only longer investment duration. In real life, retirement may last much longer than 15 years, and lifestyle-related expenses could push the required corpus meaningfully higher.

Levers of Compounding. Four Decisions You May Control

Each of the four principles below works through the formula behind compounding:

$$FV = PV \times (1 + r)^N$$

FV – the future value you're aiming for

PV – what you contribute

r – your rate of return

N – the number of years invested

Start early.
Speaks to N. Starting early simply gives you a higher N—every year of head start is another year compounding works in your favour.

Contribute more.
Speaks to PV. As life expectancy increases, periodically increasing your SIP or savings rate can make a meaningful difference to the retirement corpus you eventually build.

Stay invested in growth assets.
Speaks to r. Long-term goals need long-term growth—equity and equity oriented mutual funds have historically helped investors outpace inflation over extended periods, despite short-term market fluctuations.

Stay disciplined.
Speaks to N as well—any interruption in compounding can be detrimental. Wealth is often created through consistency, not prediction; the illustration above spans multiple market cycles, a reminder that staying invested can matter more than trying to time markets.

Happy Investing!