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FUTURE | PLAN ■ **Individuals prefer equity products over fixed-income options**

Retirement planning? Think equity

AGE CORRESPONDENT
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Equity as an asset class is slowly emerging as the most preferred instrument for individuals to save for their retirement.

The prospects of long term economic growth and upbeat sentiments towards the equity markets, according to experts is slowly driving individuals towards equity products from fixed income options.

"We are seeing a steady acceleration towards investment in equity-based retirement funds. Reliance Retirement Fund has raised over ₹200 crore from over 40,000 investors in a span of just three months. Over 85 per cent of the investors have opted for the systematic investment option and chosen the equity route to plan for their retirement," said Himanshu Vyapak, deputy CEO, Reliance Capital Asset Management.

India today has approximately ₹15 lakh crore of retirement assets including EPFO, exempted provident funds, superannuation and gratuity funds, national pension scheme (NPS), Public Provident Fund (PPF) and insurance of which over 90 per cent are currently invested in fixed income options.

"The government has been sensitive about the need to expand this portfolio and allow these retirement funds to invest in equities in a calibrated manner. We see this as a strong move that will enable superior returns in the long term for investors," added Mr Vyapak.

According to Reliance MF, if an individual invests ₹5,000 per month in an instrument fetching 7 per cent annual return for next 30 years, his or her retirement assets will grow to ₹61 lakh at the end of 30th year.

However, if the same amount is invested in an asset that is likely to fetch an annual return of 15 per cent, the retirement assets will grow to ₹3.46 crore.

A survey done by Reliance AMC in collaboration with IMRB International pointed out that India's per capita retirement and pension assets as a per cent of GDP are amongst the lowest in the world.

India has 15.1 per cent of retirement assets as a percentage of GDP as compared to 21 per cent in Germany, 41 per cent in Brazil, 78.9 per cent in USA and 146 per cent in Australia.