

Can You Retire Early?

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Executive Summary - We work towards having a secure retired life but often think of the possibility of retiring early and living a comfortable life without any money problems. Retiring early is possible provided we have enough savings, adequate health cover, zero debts and we know to live on a budget.

Don't we all dream of retiring early with enough money to follow our passions. We also believe that this would never happen and would work till the age of 55-60 and dread that our health will take a toll by then to really pursue what we want to do post retirement. If you have a retirement plan in place and execute it well, you will be able to retire young. Here is a checklist to help you decide if you can hang up your boots before the conventional retirement age.

- 1. Your savings are enough** - You have various goals in your financial plan for which you need to save. If you have already reached them or you think you will reach them before time, you can consider retiring earlier. If you have made enough or more money to fulfil your financial goals and live your retired life comfortably, you can decide to stop working earlier than planned.
- 2. Loans are paid off or will be paid off much before planned** - It is important to be debt free when you are retired as you will not have your regular source of income. You should not have any large payments to be made post-retirement so that you can enjoy your savings and retirement income if any. Have you paid all your loans or do you think you can pay them off before time? If yes, then you can think of retiring earlier.
- 3. Experiment living on a budget** - You dine in fancy restaurants over the weekend and splurge on the latest clothes and gadgets. You can afford it when you have a steady source of income that grows over time but it is not a good idea to continue this lifestyle post retirement. Your savings will disappear soon. Your financial plan will help you find out your monthly budget post retirement. Try living on this budget for 2-3 months and you can make out how easy or difficult it is for you to manage on a fixed income. Experts say that an annual retirement budget is roughly 4% of the total savings. You should try to live some months within this budget. You should factor in inflation and higher medical expenses in this experiment.
- 4. Adequate Health Insurance** - You should have a health cover that will protect you and your

family from medical emergencies. Having other insurance policies like a term policy, disability cover are factors to decide whether you can retire early. Check if you can afford medical expenses like doctor visits, medicines, medical tests etc. These expenses if not covered by insurance can make a big dent in your savings easily.

5. Are you ready to quit your job from a non-monetary perspective? - Have you planned on what you will do post retirement to keep you mentally, physically and spiritually happy? Retirement is a long vacation and you might get bored quickly and regret your retirement if you have not decided what to do. Make a plan of what you want to do post retirement. It could be anything that makes you happy like pursuing a hobby, travelling, taking up a part time job or devoting time to social causes.

Many times we associate retirement with an age like 55 years or 60 years. If we are ready to retire from all aspects - monetary, physical and emotional, we can retire before we reach the stipulated age.