PGIM India Mutual Fund

PGIM India Mutual Fund Retirement Readiness Survey 2023

Building financial wellness into our future.

Knowledge Partner: NielsenIQ

About Us

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[1]All information current as of June 30, 2023 per PGIM internal data. PGIM is the investment management business of Prudential Financial, Inc. (PFI). PFI is the 11th largest investment manager (out of 434 firms surveyed) in terms of worldwide institutional assets under management based on Pensions & Investments' Top Money Managers list published June 2023. This ranking represents institutional client assets under management by PFI as of December 31, 2022. Participation in the P&I ranking is voluntary and open to managers that have any kind of U.S. institutional tax-exempt AUM.

PGIM India Mutual Fund
PGIM India Mutual Fund is a wholly owned business of PGIM, the global investment management business of the US based Prudential Financial, Inc. (PFI). PGIM India Asset Management is the full-service investment manager of PGIM India Mutual Fund, offering a broad range of equity and fixed income solutions to retail and institutional investors throughout the country. We manage 20 open-ended funds operated by 16 investment professionals. In addition to managing our investors assets through domestic Mutual Funds, we also offer Portfolio Management Services, Alternatives, Offshore Funds and Advisory Services. The fund house leverages the strength and stability of PGIM's 145-year legacy to build on its decade long history in India.

Headquartered in Mumbai, PGIM India Mutual Fund has a presence in 27 cities across the country including branches in Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Pune. PGIM India Mutual Fund brings a rich blend of global resources, intellectual acumen and local investment expertise and is committed to designing superior and meaningful, wealth-building solutions for our investors. PGIM India provides unique training and educational programs for building exceptional capabilities and best business practices for its business associates. For more information, please visit pgimindiamf.com

Content

Methodology and Disclaimers

Important Disclosures: PGIM India Mutual Fund appointed NIQ for conducting a survey among 3009 Indian adults aged between 26-60 years (26-40: 19%, 41-50: 38%, 51-60: 43%) inclusive of both Men (80%) and Women (20%) belonging to *NCCS A/B (72%:28%) covering Salaried (54%), Businessman/ Self-employed professionals (46%). The survey was conducted in 15 cities (Metros: 60%, Tier 1: 40%) across India. Data was collected using Face to Face interviews. The survey was fielded between Sep 2022 – Dec 2022. The margin of error for this study is +/- 3%. The survey holds data from the earlier PGIM report conducted in 2020 as well.

 **NCCS refers to the New Consumer Classification System developed by the Market Research Society of India (MRSI) and Media Research Users Council (MRUC) to categorize households based on the level of education of the main wage earner and the number of consumer durables owned by the household.*

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

Foreword

Ajit Menon
CEO

Population ageing is poised to become one of the most significant social transformations of the twenty-first century, with implications for nearly all sectors of society, including labour and financial markets, the demand for goods and services, such as housing, transportation and social protection, as well as family structures and intergenerational ties. This is according to a United Nations report which also states that globally, the population aged 65 and over is growing faster than all other age groups.[1]. Living longer is an underappreciated risk into retirement and leaves everyone grappling to find solutions. Geo-political and climate risks add to economic risks increasing the possibility of accidents to everyone's financial journey.

Add to that the fact that we do not have a conventional and comprehensive social security plan in India. The challenge in front of every stakeholder is real. How do we make lives better and solve for the financial challenges faced by consumers in a changing world?

In the backdrop of a robust survey done in the year 2020, PGIM India Mutual Fund, a wholly owned business of PGIM, the global investment management business of Prudential Financial, Inc. U.S., recommissioned NIQ, the leaders in global measurement, to conduct another round of survey with 3009 Indian participants, residing across 9 metro and 6 non-metro cities, to gauge attitudes and behaviours towards their overall financial planning, especially planning for their retirement. This also aided the fact that the findings could be compared in the light of impact of the pandemic on one's behavioural, attitudinal and financial aspects of dealing with money.

The pandemic has prompted people to pay more attention to relationships, improving bonds with family and friends.

Let me take you through some of the key findings from the survey. We saw a visible attitudinal and a behavioural shift overall, where the pandemic seems to have impacted certain significant aspects. The emphasis on 'Self-Identity', 'Self-Care" & 'Self-Worth' have emerged as more important than ever alongside fulfilling roles and responsibilities towards ones family.

According to Reserve Bank of India (RBI) data, annual financial liabilities of households rose by 5.8% of GDP in FY23, compared with 3.8% in FY22. The central bank notes that the primary cause of decreased savings and increased borrowing is the combination of stagnant or declining household incomes in the face of rising inflation. In our recent survey, the allocation of income has not witnessed any meaningful change when it comes to consumer durable and personal loans as a current liability as compared to 2020.

Overall, the allocation of household income towards paying loans constituted 18% in 2023 as compared to 16% in 2020. Interestingly, within loans, there has been a conscious effort towards building human capital, where 5% of income is allocated towards skill development/education loans in the current survey.

While money management is associated with discipline, safety, competence, being respected and freedom, it is largely divided into 4 main pillars—savings, expenses, protection, and investment.

The impact of the pandemic is also seen in terms of planning for the future, especially for the long term. There is heightened awareness towards macro-economic factors like inflation (56%), cost of living and slowdown in economic

United Nations (World Population Ageing Report).

conditions. Further, 52% cite the health of family members as key cause of worry. Additionally, not having an alternate source of income is worrying 39% of Indians, compared to 8% in 2020 survey results.

Retirement is viewed as a gateway to pursue goals. The qualitative insights drawn from the survey, evidence that the participants post their retirement—wish to travel and see the world, spend time with their family, spend money on their family's lifestyle and future, and upgrade their own lifestyles to celebrate a life well lived. Encouragingly, a larger percentage of respondents (67%) say that they have planned for retirement as compared to 49% in the previous survey.

In addition to the above, pandemic has brought some key changes in peoples' perception, their behaviour and attitudes towards health, life and money management. For instance, in the 2023 survey, we found that participants residing in metros, with income below 50k and not having a second source of income have different financial and behavioural priorities as compared to Tier 1 cities - Behaviour (consumption of nutritious food, self-hygiene, learnt to cook, etc.) and Attitudinal priorities (reading literature/books, emphatic towards others, think more before spending a significant amount of money). These changes are nudging people to plan their finances more carefully by seeking professional advice.

Inflation is a key concern for Indians while planning for retirement.

The survey also presented some insights on whether respondents seek help from an advisor to chalk out a financial plan, the qualities they look for in an advisor and the people who influence them to approach an advisor. The survey finds, that less than 1/3rd of respondents have taken advice from a financial advisor, out of which 2/3rd take advice from insurance agents. Also, 3/4th of respondents get influenced by family/friends to approach an advisor.

Finally, to nudge people towards saving for this important goal, employers can also play a key role in building mass awareness and impact lives, by supporting their employees to plan for retirement. Even though the loyalty of over 55% individuals to their organizations has grown, a significant majority, about one third, experience financial anxiety. Out of which around 2/3rd believe it negatively impacts their productivity for at least half of the day.

What has changed incrementally from the last survey is the desire to express one's self-identity much more alongside family needs, worrying more about protection from inflation and economic downturns. We see differences in perception based more on income levels and whether one is living in a metro or a Tier 1 cities. As compared to the pre-pandemic levels, joint family does not seem to have the same kind of cushion effort, since more number of people living in a nuclear family setup seem to believe that they feel financially free and secure.

Given the dynamics of accessibility, most of those who do have a plan for retirement seems to equate it with insurance and seek advice from insurance agents and advisors rather than looking at it more comprehensively to include savings and investment aspects and approaching financial planning services or Mutual Fund Distributors and Registered Investment Advisors. There is much to do for all stakeholders to build on the new found awareness post the pandemic for long term planning, which takes a holistic view of finances comprising savings, insurance and investing.

KEY SURVEY FINDINGS

Retirement Planning Picks Pace in Metros

Today, Indians are focusing on their child's education and financial security of their spouse and children along with maintaining their standard of living. Additionally, retirement planning and planning for medical emergencies are also gaining importance within Metros. Macro-economic shifts and the impact of pandemic have guided Indians to plan and maintain their expenditure keeping them ready to deal with sudden future exigencies. This shows a recognizable shift from the last report findings, conducted in 2019, which showed reluctance to commit for long-term financial commitments to financial planning.

Saving for unexpected events is gaining importance post Covid

The Financial Priorities of Indians

CHILD'S NEEDS: Providing for child's future
Majorly driven by consumers in Metros, and cities having lower monthly income (up to 50k)

CHILD'S SECURITY: Financial security for my children
Driven by consumers in Metros

SECURITY OF SPOUSE Financial security for my spouse
Driven by Metros and Lower New Consumer Classification System (NCCS)

MEDICAL EMERGENCIES: Financial security for medical emergencies/expenses
Driven by consumers in Metros with lower monthly income (up to 50k)

IMPROVING LIFESTYLE: Improving my standard of living/lifestyle
Driven by consumers in Metros having lower monthly income (up to 50k)

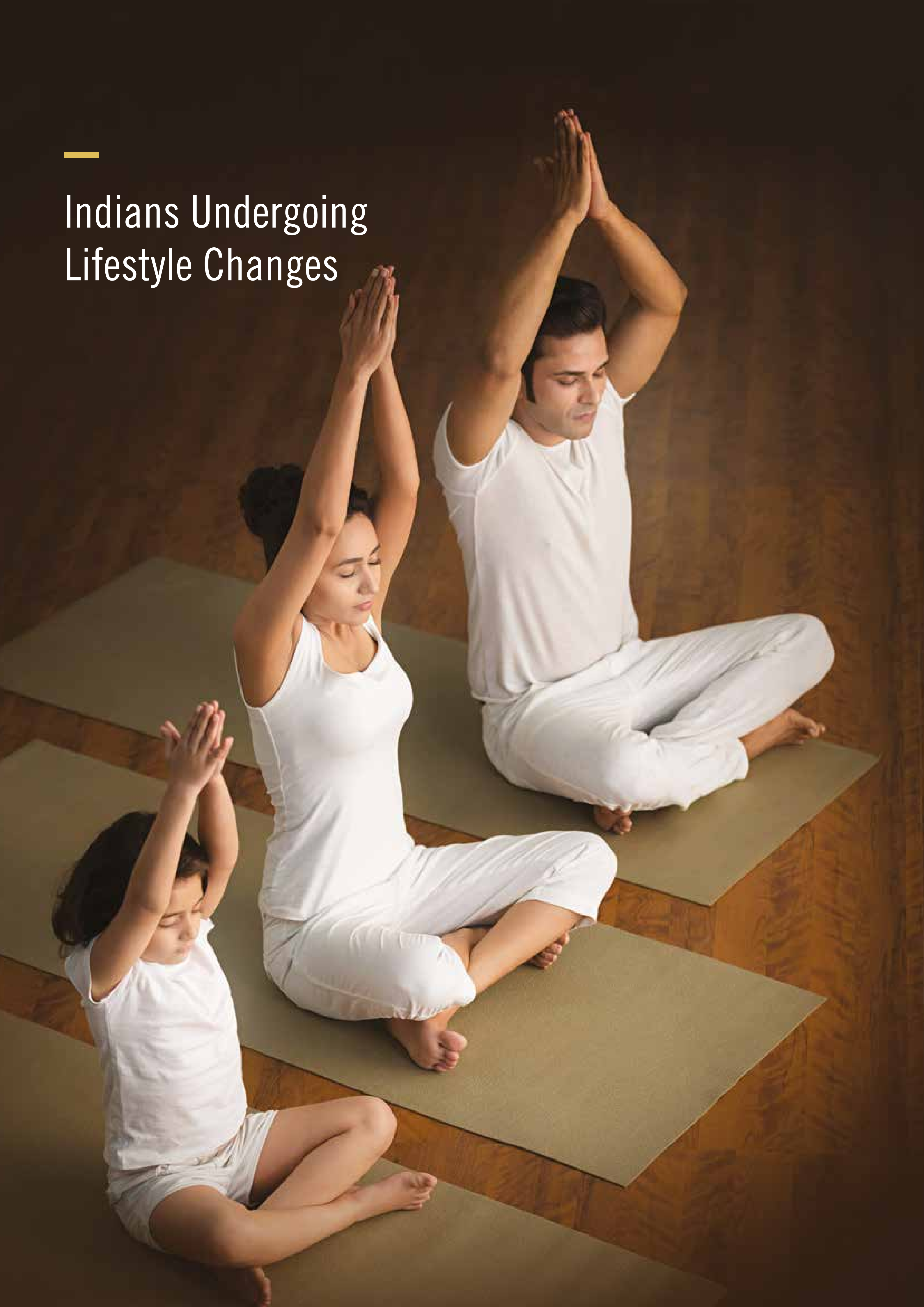
RETIREMENT: Planning for my life after retirement
Driven by consumers in Metros and women and those having a personal income of up to 50K.

BEING FIT: Being Physically and mentally fit
Driven by consumers in Metros

STARTING/ GROWING THEIR OWN VENTURE: The startup revolution in India catching up.
Driven by Metros

Retirement moved to 6th position in the list of financial priorities from 8th in 2020 survey.

Indians Undergoing Lifestyle Changes



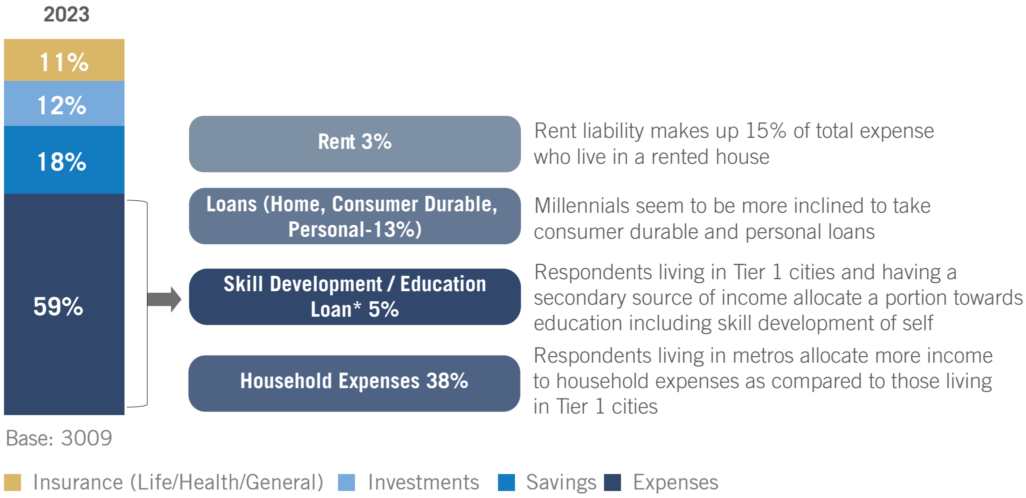
What money means to Indians?

Traditionally, money served as a safety net, enabler and a medium to gain self-respect. However, with the evolution in lifestyle, newer codes have evolved. Money is also associated with a sense of freedom and gratification[1].

The negative facet to money is largely associated with the mismanagement of it, which results in social embarrassment or a sense of lack of control. This could lead to building up of debt and liabilities.

Thus, money management has become a very important aspect for Indians, and more so post the pandemic. This is largely divided into 4 main pillars—savings, expenses, protection, and investment. However, the connotation of these pillars has also evolved post the pandemic.

Current Income Allocation of Indians



*Skill development/education loan is added in the 2023 study

Income allocation to loans and liabilities increases with increase in personal income.

Similar to what we saw in 2020 survey, urban Indians today are saving and investing less, while allocating nearly 59% of income to current expenses. Overall, the household investments, savings and expenses remain consistent over 2020 to 2023, with a marginal decrease in allocation to insurance from 13% to 11% in 2023. Out of the 59% of household income allocated towards expenses, a good 38% is further been allocated towards just household expenses, which is consistent with the last survey. However, the overall allocation of income towards paying of loans have increased marginally from 16% to 18% (home, education, personal and consumer durable) in 2023 survey results.

[1]Insights drawn from qualitative research done by NielsenIQ, in 2022 across 15 cities during Sep – Dec 2022

We see that the allocation to components of household expenses have been varying, maybe due to the impact of pandemic, where we see a sharp decrease in the allocation of household income towards rent from 7% in 2020 to 3% in 2023. Also, it reduced from 7% to 4% for home loans in 2023. The allocation towards paying of consumer durable and personal loans remain same (9%). Additionally, we saw a good traction towards skills development and taking education loans, where people are spending 5% of their household income towards it.

The amount one is capable of allocating to different ends is also related to how one can generate it. Let's see what are the top ways through which Indians can generate wealth.

How Indians think they can generate wealth to fulfill their financial goals?

Maximizing returns on investments (50%)' and 'being financially secure (46%)' are two key goals when it comes to increasing wealth, followed by starting a new venture (37%) and reaching top positions in current jobs (36%). **Though, only 1/4th i.e. 24 % respondents reported that they consider having a financial plan to accommodate their financial goals** as a way to to generate wealth.

With lower income, there's a higher focus on generating more returns & being financially secure. As the income increases, reaching higher position in one's current workplace and developing a passive income source takes precedence.

Goals related to generating wealth for Indians

Base: 3009

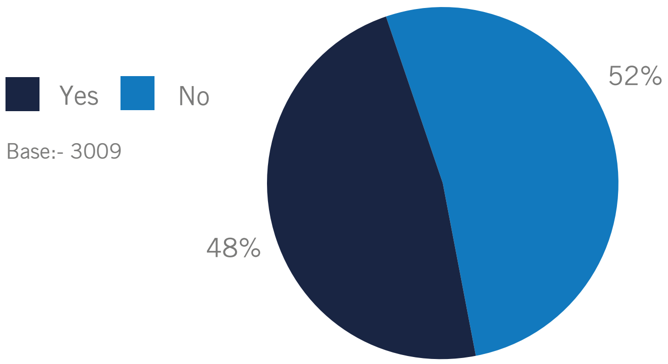
The research evidenced that individuals having less than 75k monthly income focus mainly on generating more returns and being financially secure. However, the focus moves to other nuanced goals like reaching top positions in current jobs and generating passive income when the income levels increases (reported by individuals having income above 75k monthly).

We also found that 'generating high/maximum returns' as a goal to generate more wealth is considered primarily by those who are worried about being not prepared for retirement and by young age self-employed individuals. Whereas, goals like 'starting a new business/venture' is mostly reported by young (26-40 yrs) & older businessmen, and older self-employed consumers.

Indians underwent changes after pandemic

Pandemic has been a key driver for many in several ways. In the survey, we found that 48% of Indians underwent changes with respect to their attitude, behavior, and finances/financial planning. This is majorly driven by respondents from Tier 1 cities, salaried class and NCCS* A segment. **Amongst the 48% of respondents, who underwent changes after pandemic, 100% of them reported experiencing financial changes, 88% reported they experienced behavioral changes and 78% reported they experienced attitudinal changes.**

Changes Indians Underwent After Pandemic



Base:- 1433

1 Financial changes	2 Behavioral changes	3 Attitudinal changes
100%	88%	78%

(Top 4 Changes)

Financial changes	Behavioral changes	Attitudinal changes
"Expenses towards **groceries/daily essentials increased**"	"Consumption of **nutritious foods increased**"	"Realized the **importance of financial stability**"
"Savings/allocation towards **medical expenses** increased"	"Inculcated the **practice of self-hygiene**"	**"Tend to think more before spending** a significant amount of money"
"Health policy/mediclaim premium increased"	"Increased attention towards **safeguarding physical & mental health**"	**"More cognizant of my savings** and financial back up"
"Due to reduced social interaction **expenses on food/online shopping increased**"	**"Spend more time with the family** when free"	"More **empathetic** towards others"

48% respondents reported that pandemic has led to changes in attitude, behavior, and planning finances.

While stating top changes undergone in attitudinal, behavioral and financial aspects, respondents from metros and Tier 1 cities are found to be consistent in their responses relative to the overall dataset for all three types of changes reported.

However, respondents from metros have had a significant impact of the pandemic leading to changes in their financial and behavioural priorities as compared to Tier 1 cities; behaviour & attitudinal priorities changed majorly for respondents who do not have a second source of income and have a personal income of below 50K.

Post Pandemic: Indians have started putting more emphasis on long-term commitments like medical emergencies and retirement planning, in addition to family security.

*Please refer to the methodology on page 3 for the definition of NCCS.

Indians become more financially conscious, planned and disciplined

Post the pandemic, while Indians continue to remain aspirational, there has been a renewed focus on health and fitness. The rise in importance of retirement planning and planning for contingencies is a testimony to the same. Let's take look at how financial practices of Indians have evolved post pandemic[2].

Health, fitness & saving for emergency is gaining prominence.

	Traditional Practices	Evolved Practices
Savings	Surplus cash for emergencies	Saving to incur short term expenses
Expenses	Loosely tracked expenses, save whatever is left	Disciplined payments, seek a balance between fixed expenses and discretionary lifestyle expenses
Protection	Building a corpus to secure future	More aware about unprecedented expenses, seek comprehensive protection for health, life, vehicle & business
Investment	Preventing the erosion of core funds/savings	Maximization of wealth, curious consumers search for newer avenues for investments

[2] Insights drawn from qualitative research done by NielsenIQ, in 2022 across 15 cities during Sep – Dec 2022

Indians define their 'Identity' with equal weights to self-care & fulfilling roles & responsibilities towards others

Traditionally, being able to fulfill commitments & responsibilities towards work, family and future are seen as an important marker of one's success or failure as an individual. However, the qualitative research findings highlight **that 'Identity' & 'Self Worth' are no longer just limited to fulfilment of roles & responsibilities, but is also about taking care of & knowing oneself.** Broadly they focus on—their respective work, family, future and self [3].

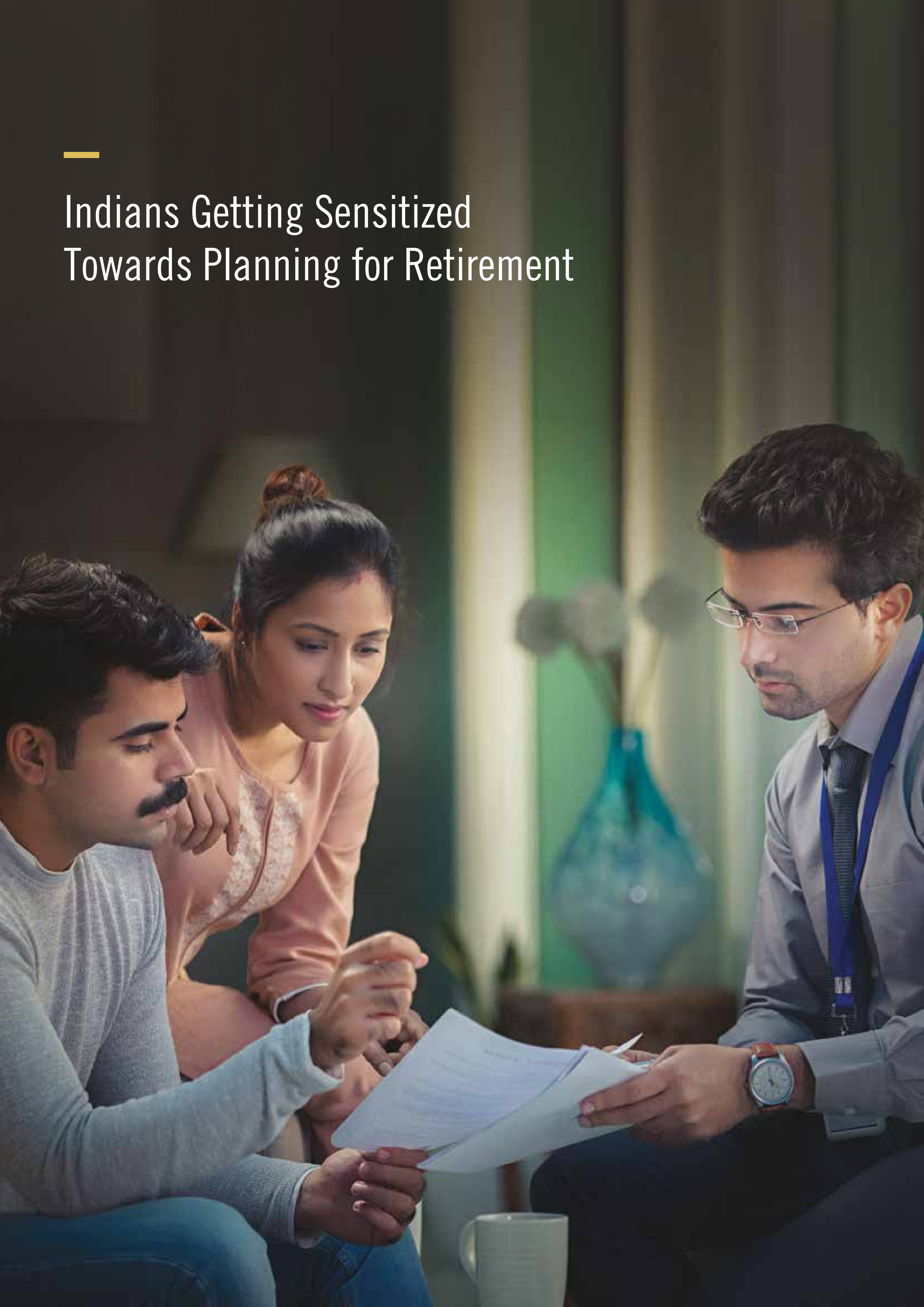
Their Work:	Their Family:	Their Future:	Their Self:
A critical identity hook – gives "meaning' to their life. Commitment to their work adds a layer of belonging to their life. It is the first conscious step of creating an identity.	A reason for existence – gives "purpose" to their life. The lifestyle choices, goals and aspirations are centered around their familial goals.	Their very own creation - gives a sense of "direction" to their life. Goal oriented - makes them feel like they are slowly and arduously working towards a certain milestone. Desire to create a life and an identity – one that can be their very own legacy.	An orientation that gives an awareness about "who they are & what they want". Taking care of themselves— i.e. focus on their overall wellness, home maintenance & décor, nurturing relationships and financial management and exploring interests like newer cuisines, art & entertainment, sports and outings etc., were highlighted.

Indians want to be in control of their finances without compromising their aspirations.

In a nutshell, Indians reported 'being financially' secure is a priority and an essential driver to fulfil their personal aspirations and responsibilities towards family, work, future and self, but do people plan for it? And if they do then how and why?

[3]Insights drawn from qualitative research done by NielsenIQ, in 2022 across 15 cities during Sep – Dec 2022

Indians Getting Sensitized Towards Planning for Retirement



Indians believe they are ready for retirement

The awareness around saving for a long term goal like retirement seems to be on the rise. This section throws light on the attitude of respondents who have a retirement plan, whether they stick to their plan, comprehensiveness of the plan, which instruments they invest in, what motivates them to save for retirement and more.

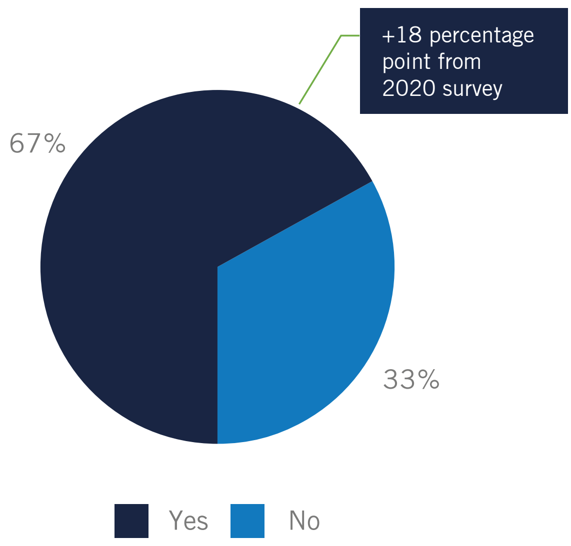
The pandemic was probably the factor making people realize the importance of saving/investing leading to increase in people planning for it. Managing health related expenses, systematic investment, and leading a luxurious life are triggers for active planning.

Encouragingly, **almost 67% of respondents reported that they have a retirement strategy in place**. Post pandemic, a significant jump is witnessed in the percentage of Indians reporting to have a retirement plan— from 49% in 2020 survey results to 67% in the current run.

The results are found to be consistent relative to the overall percentages for all income groups and gender groups, even for metros. A bit higher percentage of respondents –residents from NCCS* A (70%), Tier 1 cities (73%) and people in government jobs (74%) reported they have a retirement plan in place as compared to the overall percentage of 67%.

Those who planned for their retirement generally started it around 33 years of age & those who haven't intend to start in their 50s.

Indians Having A Retirement Plan In Place



Base:- 3009

Close to half of those who do not have retirement plan in place mentioned that they do not need a financial plan to achieve their goals in life.

After the pandemic, the percentage of respondents who do not have a retirement plan dropped from 51% reported in 2020 survey to 33% in 2023 survey.

*Please refer to the methodology on page 3 for the definition of NCCS.

Among these 33% respondents who have not made any retirement plan yet, a good majority (40%) mentioned that they do not need a financial plan to achieve their goals in life. The remaining mentioned that they will start planning for retirement from the age of 50 years. This age group is largely the same over the last 2020 survey as well.

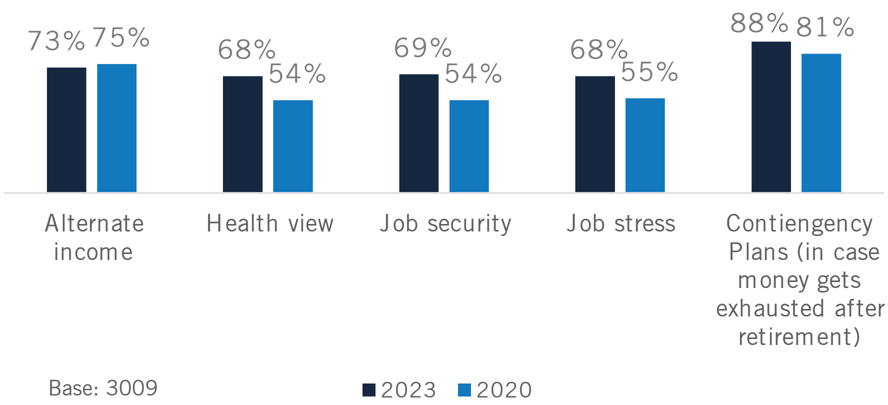
Additionally, respondents who mentioned they do not need a financial plan (40%) are majorly residing in 'Tier 1 cities'; having '50K-75K personal income'; mostly 'self-employed'; between '51-60 yrs.', and 'don't have an alternate source of income' and never given a thought to it. However, this percentage also dropped to 40% in 2023, from 55% (out of 51% of Indians with no retirement plan), driven majorly by consistent demographic features.

Planning for retirement brings positivity in life

Those who planned for retirement (67%), overall have a positive outlook about work and life. Those who feel prepared for retirement (67%), have a sense of good health (68%), acknowledge that they have a secure job (69%) and less job related stress (68%) and are prepared with a contingency plan (in case money gets exhausted after retirement, 88%). We see a significant increase in percentages for all these aspects in 2023 from 2020. A majority of them have also stated that they have an alternate source of income (73%), which marginally reduced from the 2020 survey results i.e. 75% of respondents reporting it.

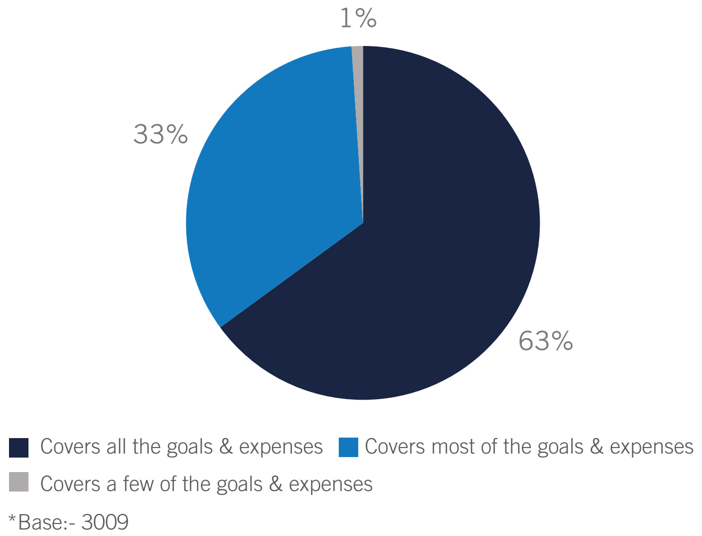
Planning for retirement is found to be associated with positive attitude towards work and life.

Aspects Associated With Retirement Readiness



Indians believe they adhere to a comprehensive retirement plan

Comprehensiveness of Retirement Plan



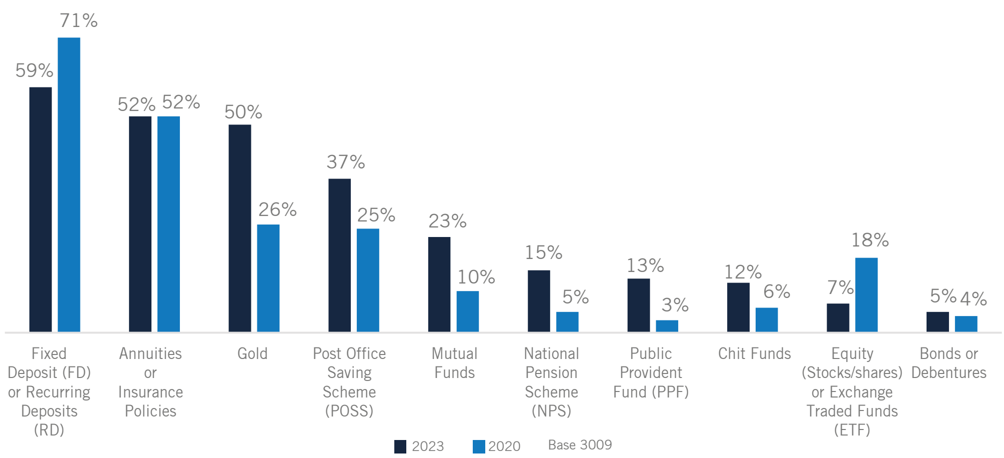
From 95% of those who have a retirement plan adhere to it - 54% say they follow it diligently and 41% say they miss out only on a few aspects.

Amongst the 67% of respondents who reported having a retirement plan, **63% of the respondents feel that their retirement plan is comprehensive i.e. it covers all the goals and expenses.** This is largely reported by Tier 1 cities and New Consumer Classification System (NCCS*) A respondents; the respondents from 41-50 years age range and the ones who reported to have a secondary source of income.

Those who reported having a retirement plan (67%), **a significant percentage of respondents reported that they adhere to it diligently (54%) and other 41% stated that they adhere but miss out only on a few aspects.**

Indian investors prefer investing in Mutual Funds over direct Equity/Shares and Exchange Traded Funds (ETFs)

Kinds of Investments Indians Prefer Investing Post Retirement



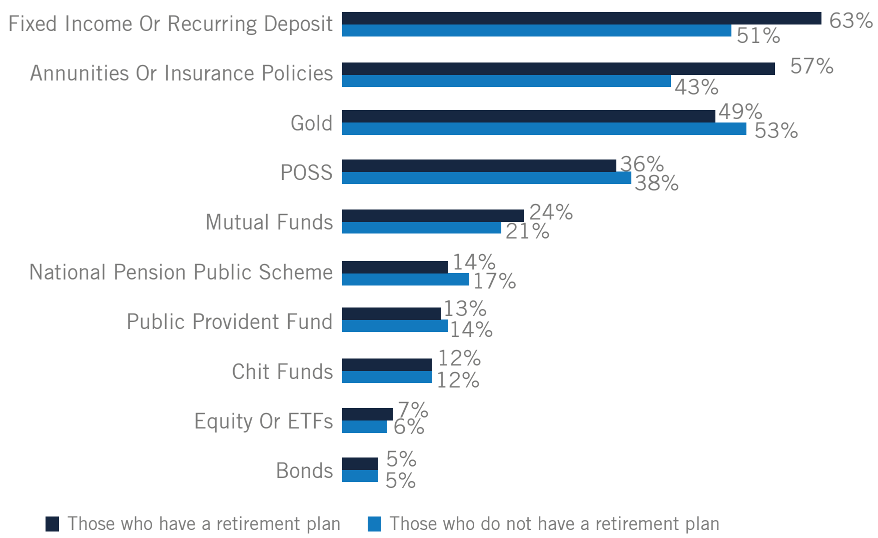
Additionally, Retirement funds are gaining traction from Indian investors.

*Please refer to the methodology on page 3 for the definition of NCCS.

Indian investors seem to prefer investing in fixed/recurring deposits and annuities/insurance, followed by gold and Post Office Savings Scheme (POSS). However, investments in mutual funds is also gaining traction (increased to 23% in 2023, from 10% in 2020 survey), over equity stocks/ shares investments and Exchange Traded Funds (reduced to 7% in 2023 from 18% in 2020 survey).

In addition to this, a very significant aspect to highlight is – Indians are getting sensitized about saving into retirement schemes like National Pension Scheme (NPS), which constituted 15% of the overall share in comparison to only 5% in 2020 survey and Public Provident Fund (PPF) is preferred by 13% of respondents in comparison to that of only 3% in 2020 survey.

Investments Indians Make With & Without Retirement Plan



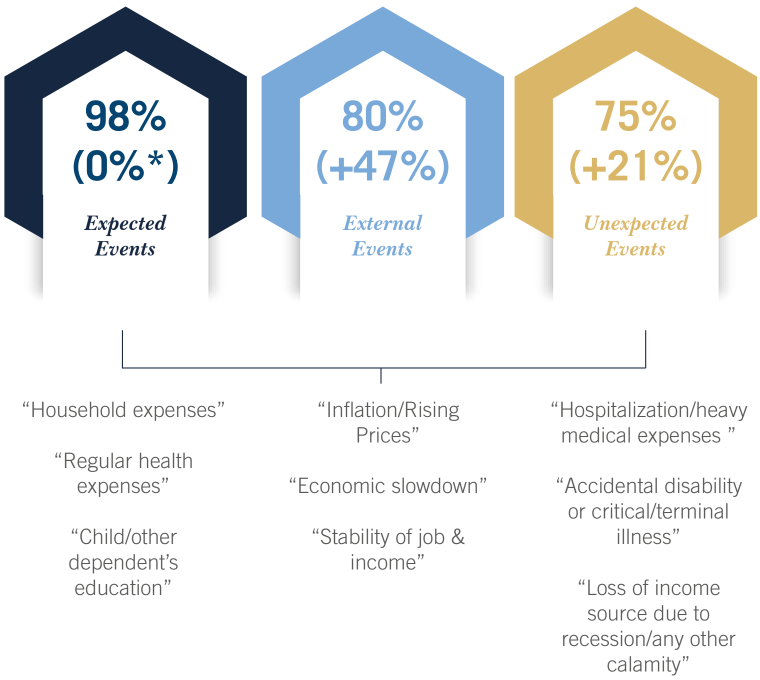
Mutual Funds show more traction over direct Equity/Shares and Exchange Traded Funds (ETFs).

Indians with a retirement plan in place are bit more open to mutual funds as compared those who don't have one: In the 2023 survey results, we found that the respondents who either have a financial plan in place or do not have one, both majorly invest in fixed income and annuities, but the ones who have a plan in place also prefer mutual funds a bit more (24%) than those who do not have a retirement plan (21%). On the other hand, those who do not have a retirement plan in place prefer investing in gold (53%) and Post office Saving Schemes (POSS); 38% a bit more than those who have a plan in place (49% in Gold and 36% in POSS).

Anxiety about unexpected events nudge Indians to save for retirement

Every action is driven by some motivation, and thus planning for retirement too is nudged by various motivators. Compared to 2020 survey results, Indians have started worrying more about external events (+47% from 2020 survey) like inflation, economic slowdown and stability of job & income and the unexpected events (+21% from 2020 survey) like hospitalization/ incurring medical expenses, critical or terminal illness and loss of income due to recession or natural calamity, which seem to motivate them to plan for retirement. The percentages remain consistent with 2020 survey results for the 'expected' events category.

The results point to the recent macro-economic changes making people worry about loss of job or income due to recently seen recession; on the other hand how pandemic has impacted peoples' thought processes, financial preferences and decision-making. This led them to worry about sudden, unexpected heavy hospitalization or loss of earning member of the family. Future surveys will tell if this trend holds or is a temporary one.



*[Scores in () indicate % increase from 2020], Top 3 Worries

Inflation, economic slowdown & instability of job or income and unexpected health expenses are major worries nudging for retirement.

Respondents from metro (77%), self-employed professionals (83%) & those with a monthly income up to 50k (78%) are significantly worried about the unexpected aspects while planning for retirement.

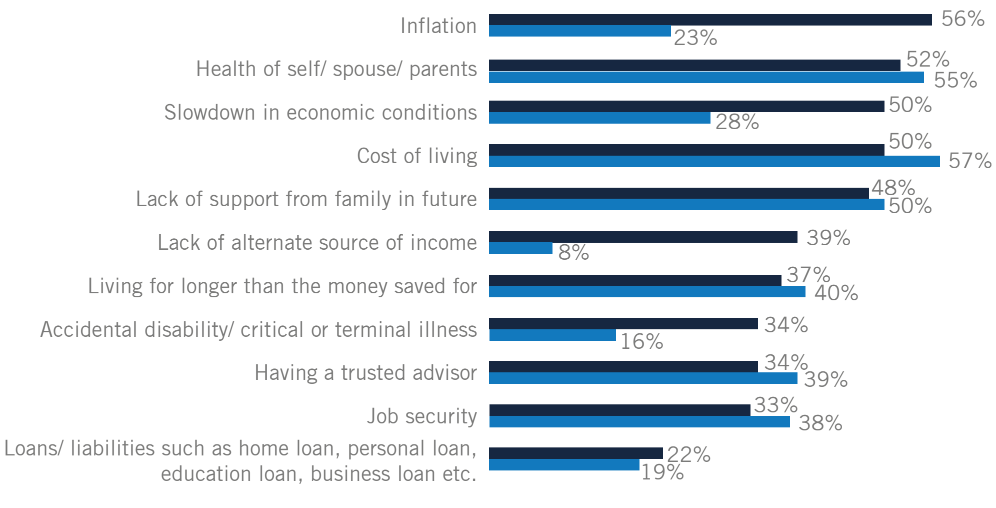
Macro-economic and cultural shifts are redefining the codes for retirement planning

The attention towards inflation doubled and issues like economic slowdown and lack of alternate sources of income are the worries related to managing finances post retirement: Very different from what we saw in 2020, in 2023 survey results -Inflation (56%) stood on the top, followed by health of self and near and dear ones (52%); slowdown in economic condition (50%), and cost of living (50%) as major worries post retirement. Interestingly, the lack of support from family in future (50%), grabs a significant 5th position in the list of worries, motivating Indians for retirement planning.

The percentages for inflation, economic slowdown and critical/terminal illness have doubled, indicating recent macro-economic challenges. However, similar to 2020 survey results, while thinking about retirement the lack of organizational support, need to continue supporting children and paying of loans take a bit of a backseat. **Worry about 'Lack of an alternate source of income' showed a significant jump from 8% in 2020 to 38% in 2023.**

Lack of family support in managing finances is one of the top 5 worries, given that —24% of Indians reported to be dependent on family members post-retirement, especially on their spouse.

Worries Related To Managing Finances Post Retirement



Base: 3009

Indians craving for independence despite worrying about lack of support from family in managing finances: Around 48% Indians reported that they worry about the 'lack of family support in managing finances', nudging them to plan for retirement. Ironically, 43% of those who have a financial plan in place mention that one of the crucial trigger for them to have a plan in place is 'to live independently without being dependent on the children/any other family members'. This increased by 17 percentage point from 26% in 2020 survey results.

Now, this could mean that with growing economic challenges and declining employment opportunities, Indian parents worry that their children/other family members may face challenges of their own self-sufficiency and their ability to provide financial assistance to them might diminish. Thus, they acknowledge the need to manage their own finances during retirement, and even of their child's, if need be.

This is supported by the survey results, highlighting that out of 67% respondents who have a financial plan in place, 63% of them reported the reason to have a financial plan is to **manage expenses related to family and children. Significantly higher proportion of metro residents cited managing health related expenses, systematic investment, and leading a luxurious/better life as triggers for active planning.**

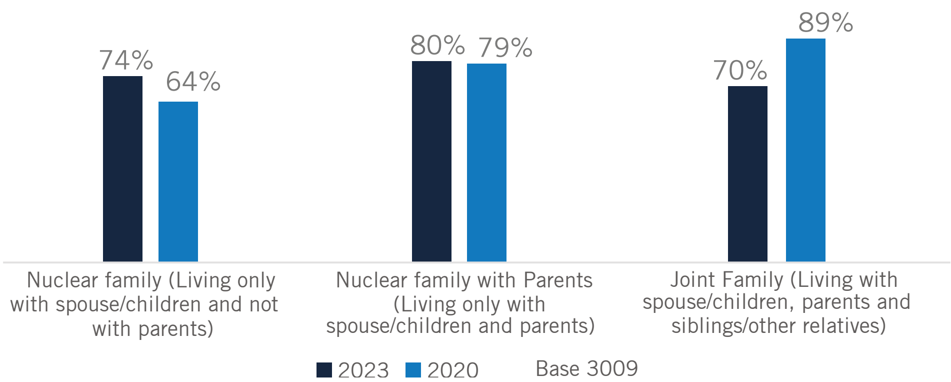
Reasons For Actively Planning Finances

Leading a better life, pursuing hobbies and living independently are also significant reasons for actively planning for retirement.

Financial security is no longer associated with being close to family

The pandemic has had a significant impact on family dynamics. Nuclear family set ups are regarded as more financially free and secure as compared to joint families. Significantly, different from what we saw in 2020, after pandemic, Indians have started feeling more financially secure when they live in nuclear family structure (with or without parents).

Sense of Financial Security Across Family Structure



A significant decrease in percent respondents feeling financially secure, if they stay in joint families.

Joint family units no longer foster a greater sense of financial security – only 70% respondents reported feel financially secure staying in joint families compared to 89% of respondents in 2020 retirement survey. On the other hand, the percentage of respondents reporting they feel financially secure staying in nuclear families did rise from 64% in 2020 retirement survey to 74% now in 2023. Both of these measures did not change much by age or income. Economic slowdown, fear of not being able to manage ones own finances due to job/income loss and a good focus on self and fulfuliling responsibilities for the immediate family, only including children and parents" might have driven these results after pandemic. However, we need to see if the trend remains same or change again over time.

Having a secondary income source makes Indians feel less anxious

In order to fuel their aspirations post-retirement - and/or cover their expenses - respondents are seeking various ways to add to their income.

36%
Yes, I already have a second source of income

39%
No, currently I don't have second source of income, but I am planning to start in near future

25%
No, I don't have an alternate source of income and I have never given a thought to it

Base:3009

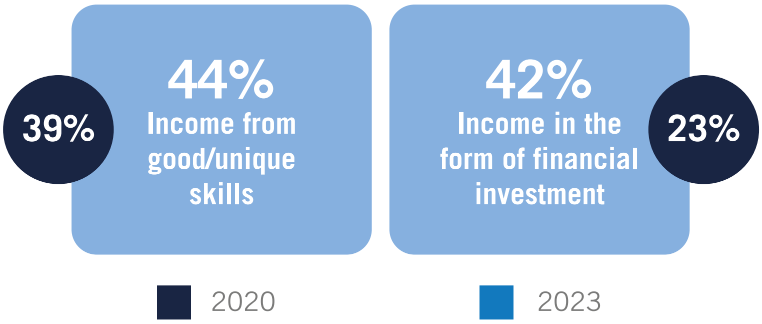
Having an alternate source of income, significantly increases the sense of preparedness for retirement.

25% respondents don't have a second source of income and have neither thought about it. 36% of respondents reported to have an alternate source of income, where 39% of Indians reported that they are planning to start it in near future, highlighting the fact that Indians acknowledge this as to be an important aspect of planning for now as well as future.

Out of 36% of respondents, who reported to have secondary source of income, a significant percentage of respondents (on an average around 70%), also reported that they are prepared towards retirement, enjoy their profession/work, feel financially free and secure and have a secured job.

Indians have been found generating secondary income from their unique skills (44%). This number has improved since the last survey (39%) in 2020. In addition to this, the second top most source cited by respondents is **<u>income from their financial investments</u> (42%), which significantly increased from being 23% in 2020 survey, indicating that more respondents are now aware that one can fetch good returns** on their investments and thus this can be turned into a secondary source to manage ones goals & priorities.

More respondents are now aware about financial investment providing returns on their money, which can in turn be a secondary source of income to manage their goals & priorities.



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Are Indians a bit confused about how to efficiently plan for retirement?

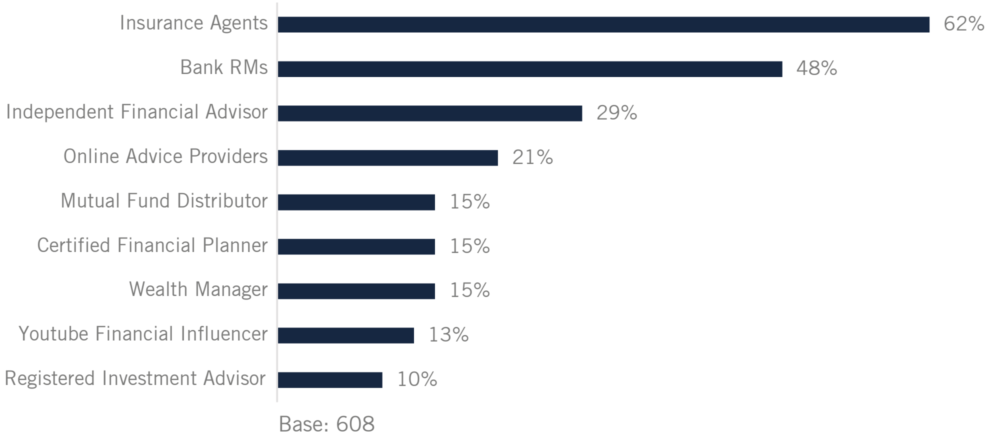
Majority of Indians have not vetted their retirement plan with a qualified financial advisor: Amongst the 67% respondents reporting having a retirement plan, more than 50% of them said that they have written down their financial plan for retirement. However, out of that only 16% of them said that a qualified financial advisor made this plan for them; suggesting that most respondents, who claim to have a retirement or financial plan haven't vetted their plan with a qualified advisor and hence it is possible that they haven't considered all factors necessary for making a concrete retirement plan.

Very few reported to have a written plan generated by an advisor.

Majority of Indians seek financial advice from their insurance agents: We found that a majority of Indians who have a retirement plan in place have been investing in FDs (63%) and insurance policies/annuities (57%) more than other kinds of investments. The percentages are significantly higher than from the ones who state that they do not have a plan in place. It could mean that Indians might have been considering investing in insurance to being financially secure and being prepared for retirement. Additionally, a majority of those, who reported to have a retirement plan, have taken financial advice from insurance advisors, and a lesser percentage quotes taking advice from a registered financial advisor (10%). The preference for seeking advice from insurance agents is majorly driven by 41-50 yrs., NCCS* A and Females.

*Please refer to the methodology on page 3 for the definition of NCCS.

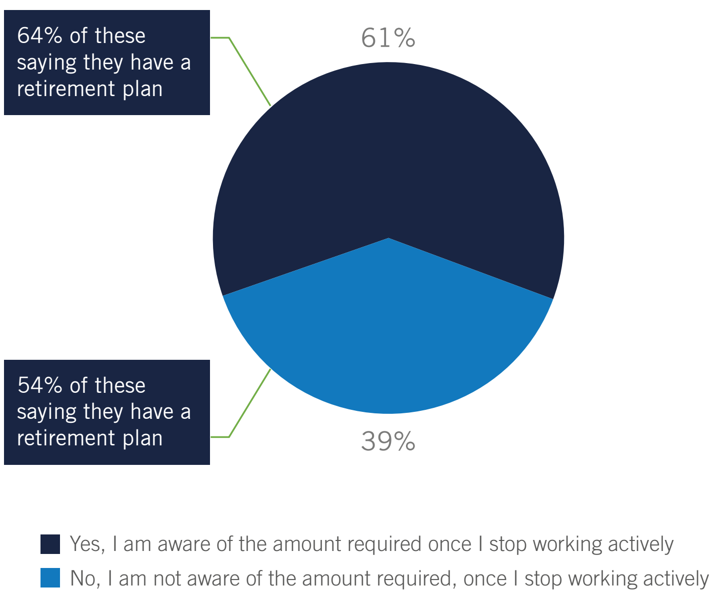
Type of Advisors Indians Seek Advice From



Around 2/3rd of respondents who reported to have taken financial advice, take advice from insurance agents and only 10% seek advice from a registered financial advisor.

Many respondents who have an investment plan are still not aware of the retirement corpus they require once they stop working: 61% of respondents reported that they are aware of the retirement corpus they need once they stop working. However, 39% said they are not aware of it. To note, with the increase in number of Indians planning for retirement, the corpus amount that they believe is required when they retire has also increased from 8-9 times of their annual income in 2020 to 10-12 times their income in 2023. **However, out of 39% who reported that they are not aware of their retirement corpus, 54% of those respondents stated they have a retirement plan in place, which seems strange—as if there is a plan in place, one should know about the corpus required. This insight needs to be explored further in the coming studies.**

Awareness About Required Retirement Corpus



Respondents feel that they need 10-12 times of their income as corpus at the time of retirement.

While Indians are acknowledging the importance of retirement and overall financial planning, they seem to be quite scattered in their approach and need proper planning. A qualified financial advisor can play a key role in providing that guidance and support to understand ones finances fully and help manage them efficiently. Additionally, employers can drive financial awareness, motivate and further care for their employees to plan for their finances well, especially retirement.

Advisors & Employers As Key Drivers of Financial Success

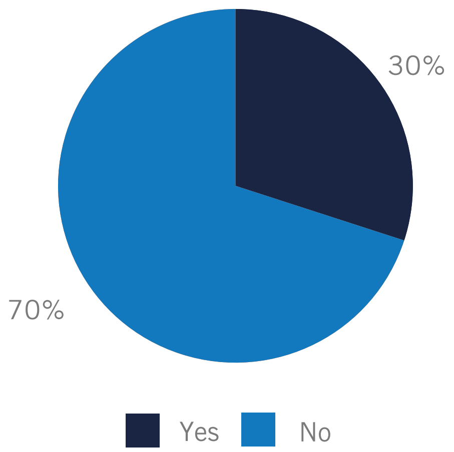
Friends & family influence the choice of a financial advisor

When it comes to selecting a financial advisor, the influence of friends and family cannot be understated. Recommendations and personal experiences of dealing with advisors often play a crucial role in the decision-making process of shortlisting an advisor. In the current survey, 3/4th of respondents get influenced by family/friends to approach an advisor. In addition, this survey tried to find out where Indian investors take financial guidance from and who influences the choice of selection, the qualities they look for in an advisor, their expectations from advisor and more.

Of those surveyed, only 30% of respondents stated that they have taken advice on financial planning. However, out of which around 62% respondents have reported taking advice from insurance agents. In addition to this, another significant finding is that percentage of respondents taking financial advice has dropped to 30% from 56% in 2020 survey. This data is majorly been driven by Tier 1 cities, NCCS* A males seeking financial advice.

Around 3/4th of respondents get influenced by family and friends to approach a financial advisor.

Have A Financial Advisor?



Base:2011

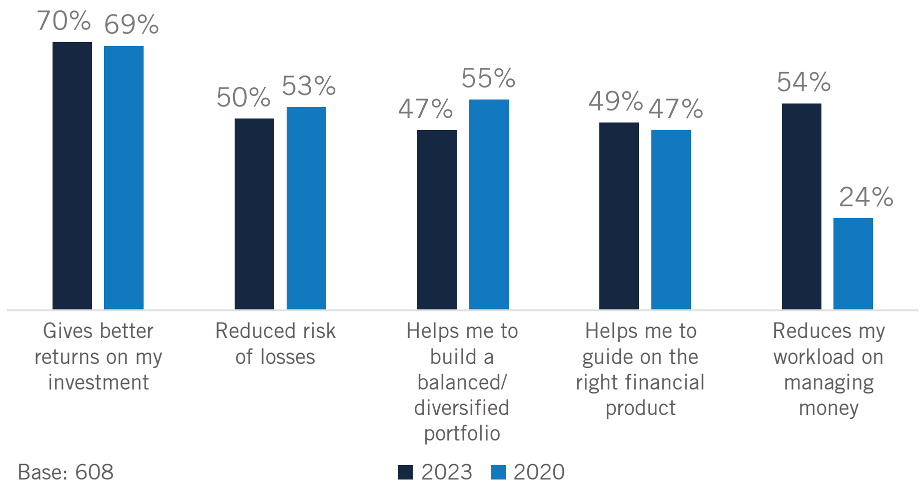
The choice of financial advisor is significantly influenced by family and friends (76%), followed by peers at workplace (47%), TV adds/articles (35%) and through social media (30%). When seeking advice, significant percentage of respondents take financial advice from Insurance agents (62%), followed by Bank Relationship Manager (48%), and Independent Financial Advisors (29%), online advice providers (21%) and Mutual Fund Distributors (15%). Further, only 10% mentioned they take financial advice from Mutual Fund Distributors.

*Please refer to the methodology on page 3 for the definition of NCCS.

Indians want advisors to share their workload on managing money

We found that getting better returns is the most important aspect that investors value if they take advisory services, followed by reducing workload of managing money. The percentage of respondents who want others to manage their money to reduce their workload on managing money has almost doubled to 54% in 2023 from 24% in 2020.

Aspects Valued In A Financial Advisor



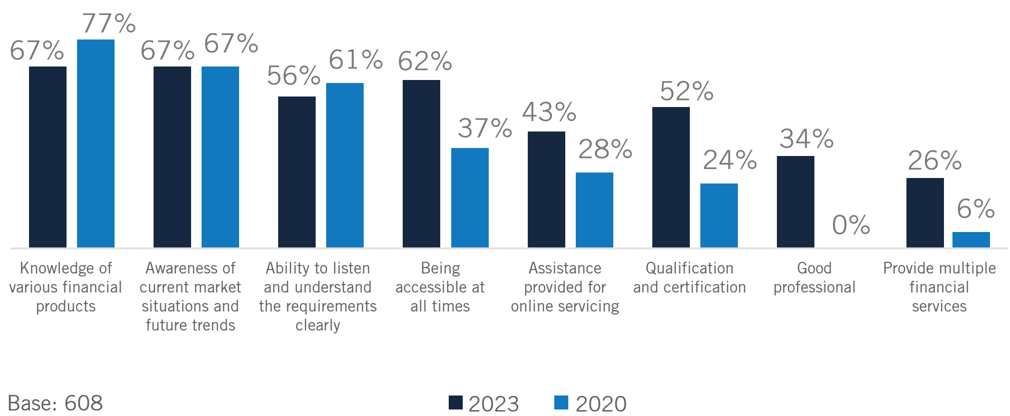
Percentage of respondents valuing advisors to reduce their workload on managing money has doubled.

What Indians seek in an advisor

In the era of information overload, investors are looking for a skilled advisor who can sift information from noise and provide them bespoke solutions all under one roof. This is evident in the survey, where 3 in 4 respondents mentioned awareness of current market & knowledge of various financial products are to be the top qualities they look for in a financial advisor followed by being always accessible. Further, Indians are looking for advisors who offer multiple products/services under one roof.

Better accessibility, good qualification, ability to service online and provide multiple financial services reflect expectation changes after pandemic.

Qualities Investors Look For In An Advisor

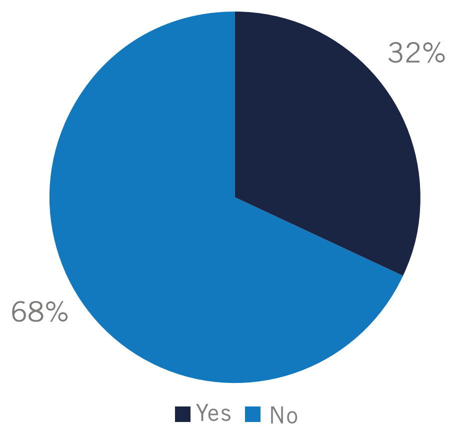


*Complete statements are "Good Professional (in terms of timeliness, grooming, knowledge and servicing)" and "Provide Multiple financial services (provided for services such as mutual funds, shares/ stocks, tax filing, loans, health & life insurance etc.)"

Employers can be key drivers of financial success among masses

Financial stress and anxiety can impact employee productivity: The findings of the current survey show that 32% respondents are anxious about their finances, however majority said no. Amongst these 32% who feel anxious, 75% feel that their anxiety has a direct impact on their productivity.

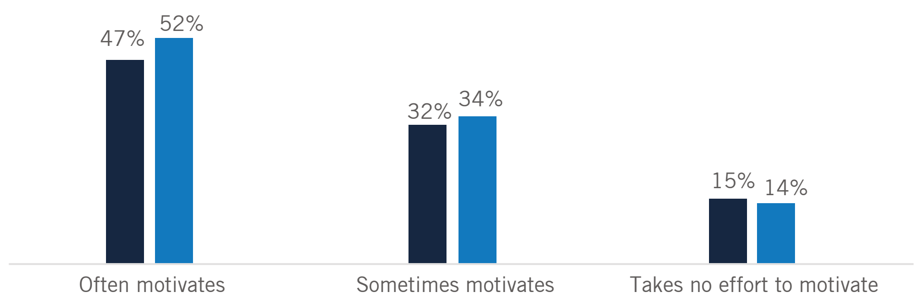
Financial Anxiety Among Employees



2/3rd of respondents reporting financial anxiety, feel it affects their productivity for at least half of the day.

Employers' motivation towards financial planning increases employee loyalty: More than just facilitating health benefits to employees, employers have become more active in driving financial wellness among their employees, which is reasonably valued among employees. Nearly 47% of respondents mentioned their employer motivates them to plan for their finances or retirement. However, these percentages significantly dropped to almost half for public sector employees from 83% (in 2020 survey) to 48% (in 2023 survey). Even at the overall level, it reduced from 52% to 47% percent in 2023 survey.

Motivation/Support From Employer



Guidance from employers can have a significant impact on employees' retirement planning. As much as 88% of Indians said they would be motivated (highly and somewhat) to plan for retirement if they get help and guidance in retirement planning from their employers, with 44% saying it would strongly motivate them. The figures here reduced from 56% in 2020 survey, indicating some interventions are required here.

1 in 2 respondents also felt that their loyalty towards their employer would increase "if their employer facilitated their retirement/ financial planning.

The research evidences that even those who claimed to enjoy their job and feel secure in their current job said that their loyalty towards the employer will increase. This indicates that employers can have an impact on employees' decision making with regards to retirement/financial planning. Thus, organisations can be a great medium and game changers driving financial awareness, inclusion and wellness among masses; reaping the benefits of increased productivity, loyalty and reduced anxiety among their employees in general, leading to business growth. Thus, this would be a win-win and financially fulfilling for all - employees, employers and financial industry as a whole.

CONCLUSION

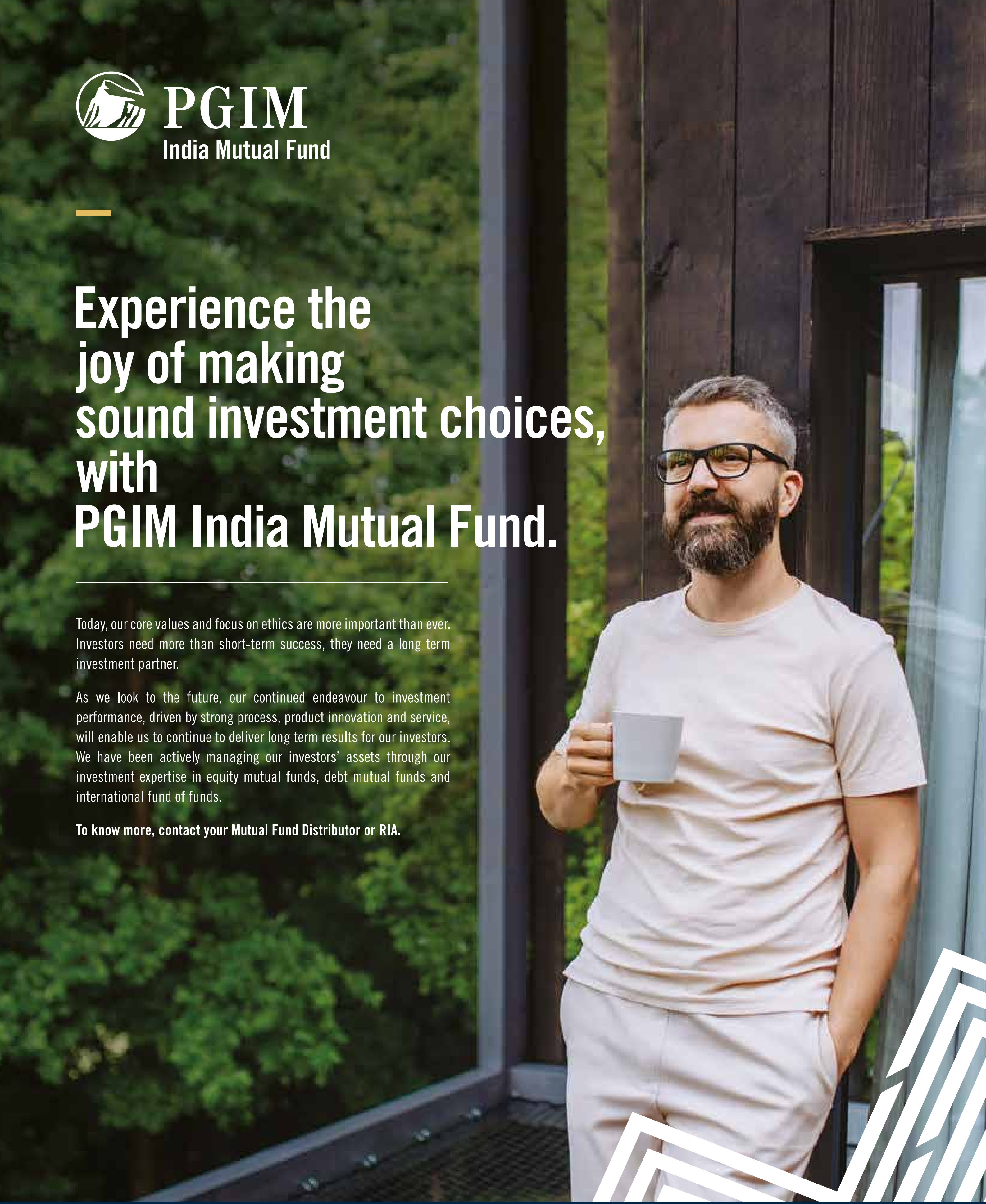
Retirement is the only financial goal for which one cannot get a conventional loan. One can always fill the gap through a loan if they fall short for any of their financial goals like education, home, car or business. Thus, planning for it from the day we start earning is way more essential than achieving any other financial goal in our lives. We are glad to see that more and more Indians are getting sensitized to plan for their retirement, however they need some more handholding to be efficient in this process. We see that the awareness to save for retirement is growing. Encouragingly, the latest survey shows that 67% of respondents claim they have a retirement strategy in place as compared to 49% in 2020 survey results.

The survey finds that more than 50% respondents have written down their financial plan. However, out of that only 16% of them said that a qualified financial advisor made this plan for them; suggesting that most respondents who claim to have a retirement or financial plan have not vetted their plan with a qualified advisor or believe that a combination of fixed deposits and traditional insurance products is enough.

This clearly points to the need for more awareness around the approach to protection, saving and investment and the role a qualified advisor could play to facilitate an efficient financial plan incorporating both. What would help further is to think of retirement more in terms of financial freedom from ones primary source of income and continue working with what one enjoys doing. This could provide a continuing source of income for as long as one wishes and not only help in reducing anxiety related to building a corpus to draw down from for expenses but also help build continued savings.

Next Steps

- The pandemic showed us the harsh reality of how savings/investments could be depleted in absence of insurance (health and life) and an emergency fund. The need to adequately cover your loved ones is the cornerstone of building a sound financial plan, and the first step towards this goal is to build an emergency fund which covers at least six months of your expenses.
- Unlike gold or real estate, equity is the only investment type that captures human progress in all fields and the potential to share the profits that come from innovation all around. To save a nest egg for retirement, one can start early in life—investing in equity mutual funds can help investors build this corpus, in line with one's risk appetite.
- Chasing higher returns or flavour of the season in the hope of getting somewhere faster is a risky approach since higher returns come with higher risks and is akin to betting. Increasing your savings rate while working with relatively lower but consistent returns required for a specific timeframe can get you to your goals with a much higher probability.
- Investing in your skills/passions can help you supplement your current income as well as create a consistent stream of cash flows into your later years.
- One can also choose to take a loan against mutual funds, without redeeming ones' investments and at the same time help the corpus compound over time.
- Organisations can play an active role in helping employees plan for their retirement by sensitising them on the ways and perks of building a stress-free and fulfilling retired life.
- The role of a trusted financial advisor is paramount in helping investors achieve their life goals by helping them in a disciplined manner through budgeting, protection, savings and investment requirements.



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