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### *Challenges of Calculating Retirement Savings*

■ SALARY AND SUNDRY EARNINGS -- Can multipliers ever work when we estimate our post-retirement dynamics?

Is it not a humongous challenge, or even a terrible mistake, to actually estimate retirement savings using only regular earnings (say, salary) or expenses and simple multipliers?

It sometimes seems so utterly futile to even think of figuring out a number or two w.r.t. #retirement. Yet I do see plenty of attempts being made with metrics like “20 times annual income” or “25 times expenses.”

Life is without doubt far more complicated than just that. Why must we still rely on these rudimentary formulae? Why do we even bother when we know that #retirementplanning should be as much about direction as it is about precision.

We all know the challenges --

- Income is not static concept. As urban India knows only too well, many modern-day careers are not linear. Salaries rise, but they rise absolutely unevenly. We know our consultants must cope with variable cash flows, we see how people seek to find second careers or try entrepreneurship. A fixed multiple (of current salary) ignores future income volatility.
- Expenses keep changing over time. Our children become independent, we aim at repaying loans, medical costs escalate sharply after a certain age. Certain kinds of modern urban lifestyles can inflate our discretionary spending.
- A constant multiplier assumes that current expense patterns will continue unchanged. And that is rarely possible. Inflation risk is 100% real.

A point: India’s long-term retail inflation has hovered around low to mid-single digits. Not a small matter. Over a 25–30 year retirement, inflation can surely erode our purchasing power dramatically. Ergo, a static corpus estimate may understate future needs.

Also, everybody knows about higher longevity. That is uncertainty -- just called by another name. Rising life expectancy means our retirement could last 20-30 years. Or more. Outliving savings is a genuine risk, especially without pension.



So why do we make use of multipliers at all? Because we think they provide a starting framework. Multipliers force ordinary individuals to:

- Estimate annual expenses
- Visualise a target corpus
- Begin disciplined investing -- early, I do hope!
- They simplify a complex problem into an actionable number.

LET US THINK OF MULTIPLIERS AS GPS...

Once the direction is set, deeper planning (factoring inflation, asset allocation, taxation, healthcare costs and withdrawal strategies) can refine our path. Multipliers, we know, are imperfect; but without them, many of us would never begin retirement planning at all!

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