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## Retirement wisdom from the young

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Dear Investors and Partners,

Diversification and asset allocation are the fundamental principles of personal finance, that Indian investors and advisors are well aware of. However, let me talk about another very important aspect of planning your financial life, taking a cue from the oft-criticized young, in this month's letter.

Most of us put our personal hobbies and passion on hold during our working years to prioritize our daily jobs, because that's what pays the bills. However, being in the mutual fund industry, we have learnt that diversification and asset allocation may help in giving a smoother ride in terms of performance in any portfolio. Let us consider an example: when equities are going through a down phase, allocation to gold in the portfolio may help as it provides stability during volatile times. However, for most part of the investing journey, gold as an investment may not deliver and seems to be a sub-optimal investment.

To my mind, our daily jobs are like the equity part of the portfolio and our personal hobbies and passions are the gold allocation. It is not until we retire, that we feel the need to focus on hobbies and cultivate them to fill the void during our golden years of retirement.

As one reaches retirement age, one's kids grow up, professional career is coming to an end and one has more time at hand, leaving an individual with an almost new identity. It's almost like the person in retirement is a stranger to himself. The solution to this I think is not to reinvent oneself in retirement, but to reinvent oneself right now, during the working years.

I am not suggesting that individuals devote time to longer working hours for reasons of ambition alone, there is also the need to feed the family and shoulder responsibilities. Life deals some terrible cards to some people and we all have to play with the cards we are dealt. However, I think, the working middle class in India tends to assume that the rich are happy while the poor stay unhappy. But "rich and unhappy" and "poor and happy" are also true statements, aren't they? When I look at the younger generation nowadays, there is a realignment. Young adults are more focused on things like gigs, hustles etc. A hustle job is a colloquial term that means work performed to supplement the income from one's primary job. What's important to note is that the side hustle is often based on one's skill or hobby. For e.g. if I write a book on any topic and get it published, it's a side hustle for me, apart from my regular job as CEO of an AMC. If my book gets good reviews boosting my confidence in my writing abilities, I can become a full-time author in my retirement.

Young adults take this idea of side hustle very seriously and look to align their passions with their day jobs. They may want to be full-time authors by quitting their regular jobs (before retirement, so to speak), whereas we "uncles/aunties" may not be that daring. In other words, don't over-concentrate your portfolios and life, and to de-risk as far as possible. Another difference emerging in this younger generation is about this concept of retirement age itself, which is an industrial era concept. People want to retire in the traditional sense much earlier nowadays than age 58-60, and on the other hand, never retire at all from the side hustle sense. I read somewhere that the younger generation may earn lesser than their parents, but they are likely to be happier than their parents. Working and earning as long as what they are doing is their passion and makes them happy.

The important point is that hobbies can take many forms, whether it's an activity that one enjoyed during the youth, or a skill one would like to hone, or it may be something entirely new. However, that diversification effort has to start right away.


We are witnessing an ongoing debate in India on Moonlighting these days. While its legality can be questioned, the idea of working multiple jobs doesn't fit in the point I am making above, as the employee is using the same skillset to work multiple jobs. If an IT professional is moonlighting, he is using his coding skills elsewhere apart from the primary job. I would rather advocate companies to encourage employees to take up activities, causes, hobbies outside their professional skillsets and support them in some manner. This will go a long way in building mental health as well and prepare them for their retirement years.

Ultimately, for an older generation, the concentration risk of doing a single job for 30 - 35 years is an important risk to consider which may have a bigger impact on your retirement years, and your mental health, than whatever "retirement corpus" you may be anxiously aiming for.

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