Retirement planning through dynamic withdrawal strategies

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K Naresh Kumar

Retirement has always been a thorny issue, particularly during the distribution phase i.e., the pension or annuity to be consumed from the corpus. The '4 per cent rule' remained for decades as a thumb rule, relied mostly in the US, suggesting that 4 per cent of the initial retirement portfolio value (adjusted for inflation) could sustain for a 30-year retirement. But, with increased volatility in both market rates and inflationary trends, that traditional athematic is being questioned.

A recent work, Retirement - dynamic withdrawal strategies by Ravi Saraogi, CFA, brings this global body of work into the Indian context. Using data from Indian equity, debt, and inflation since 2000, the study runs 10,000 Monte Carlo simulations to compare more than ten withdrawal approaches—ranging from traditional static rules to modern adaptive strategies. The results are both insightful and practical for anyone looking to secure income during retirement.

The work mainly concentrates on the distinction and the results between static and dynamic strategies. In a static strategy like the inflation-adjusted 3.2 per cent baseline examined in the report, the retiree withdraws a fixed amount each year, rising with inflation regardless of portfolio performance. While this guarantees predictable income, it exposes retirees to the risk of depleting their corpus if markets underperform. It can also lead to unintended "under-consumption," where retirees leave behind substantial wealth simply because their withdrawals never adapt to favorable markets.

Dynamic withdrawal strategies aim to solve these problems. Instead of following a rigid formula, withdrawals rise or fall depending on how the portfolio performs. For instance, the "fixed percentage" method withdraws a constant fraction of the current balance, ensuring the portfolio never runs out—though income can swing dramatically. Others, like the "endowment rule," smooth income by averaging portfolio values over several years. The "guardrails" approach, popularised by Guyton and Klinger, sets thresholds for income adjustments, cutting back when portfolios shrink too much but granting raises after strong gains.

The key findings from the Indian study highlights several important findings for retirees.

Sustainability: Most adaptive approaches preserved portfolios better in bad markets compared to the static baseline, showing an improvement through dynamic strategies. For example, the fixed-percentage and guardrails methods maintained much higher minimum corpus levels, reducing the chance of outright failure.

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Trade-offs: The biggest benefit of dynamic rules is portfolio longevity, but the trade-off cost of income volatility. Retirees adopting these methods must be prepared for years when their monthly cash flow is noticeably lower.

Irrelevance of 4 per cent rule: Earlier studies by Saraogi (2022) and Raju & Saraogi (2024) already suggested that India's safe withdrawal rate lies closer to 3–3.5 per cent, reflecting higher inflation and more volatile returns. The new report reinforces that retirees should not rely on the U.S. benchmark.

Bespoke strategies: Different strategies suit different retiree profiles. Every strategy involves compromises depending upon personal risk tolerance and lifestyle needs. The study categorised retirees as:

Optimistic - those who prioritise higher spendingmay find guardrails, ratchetingor endowment-based rules more appealing.

Neutral - those seeking balance between income and safetyfare well under the Kitces ratchet or the baseline rule.

Defensive - those focused on stability and avoiding cutsare best served by the baseline or Kitces approaches, even if these leave money on the table.

Arguably, the report's most valuable contribution is the depiction of RetireAbility Index, which combines over twenty evaluation metrics into a single score. The traditional measure of whether a portfolio runs out i.e., failure rates, it looks at four dimensions: spending (how much income the retiree can draw), stability (volatility of annual income), savings (how much wealth remains at the end) and sustainability (whether the corpus lasts without severe cuts). This holistic approach allows retirees and advisors to match strategies with real-world preferences. Some may want smoother income, others may aim to maximise lifetime spending, while still others may care most about leaving a legacy. Inflation tends to run higher, fixed-income instruments behave differently, and taxation rules complicate portfolio planning.The study underscores that Indian retirees face a very different landscape from their Western counterparts. Instead, retirees should consider strategies that are flexible and localised. For instance, the endowment hybrid, blending steady inflation adjustments with percentage-based withdrawals, emerged as a strong compromise in the Indian simulations.

Meanwhile, guardrails offered upside potential but carried the emotional challenge of frequent spending cuts. And while the bucket approach is popular with advisors for its psychological appeal, the study found it did little to protect wealth in worst-case scenarios.

While the study is one of the first comprehensive efforts to evaluate adaptive income strategies using Indian data, dynamic withdrawals can meaningfully improve retirement outcomes but only if the retirees accept income variability and choose a strategy aligned with their comfort level.

(The author is a partner with "Wealocity Analytics", a SEBI registered Research Analyst firm and could be reached at info@wealocityanalytics.com)

MARKET OUTLOOK

Fed rate decision, trade talks, FII flows likely to drive Sensex, Nifty

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New Delhi

Updates on India's trade negotiations will also be closely tracked. Last week, Commerce and Industry Minister Piyush Goyal said that discussions on an India-US trade deal are ongoing and that the first phase could be finalised by November

THE coming week is expected to be crucial for Indian stock markets as investors look ahead to key global and domestic developments.

The US Federal Reserve's policy meeting, progress on India's trade deals with the US and the EU, and the trend of foreign institutional investors (FIIs) will likely set the tone for market movements.

Market experts believe that the US Fed may cut interest rates by 25 basis points in its upcoming meeting.

A deeper cut of 50 basis points, however, would be a surprise and could boost sentiment in global markets, including India.

Updates on India's trade negotiations will also be closely tracked. Last week, Commerce and Industry Minister Piyush Goyal said that discussions on an India-US trade deal are ongoing and that the first phase could be finalised by November.

He also noted that talks on the India-EU trade deal are at an advanced stage. FII activity will be another key driver for the markets.

Out of the last five trading sessions, FIIs were net buyers in two, with inflows worth Rs 129.58 crore on Friday alone. This indicates that the FII trend is slowly turning positive.

The previous week was strong for Indian equities.

The Nifty gained 373 points, or 1.51 per cent, to close at 25,114, while the Sensex climbed 1,193.94 points, or 1.48 per cent, to end at 81,904.70.

Looking ahead, experts maintain a positive stance on equities. They suggest focusing on domestic cyclicals such as autos, metals, and consumer discretionary, while keeping a balance with defensives like select FMCG and pharma stocks.

On the technical front, analysts at Religare Broking said the Nifty has tested its previous swing high near 25,150.

"While some consolidation cannot be ruled out, the outlook remains positive with the next upside target seen in the 25,250–25,500 range," Ajit Mishra said.

"On the downside, immediate support lies at 24,800, with the 100-DEMA around 24,650 acting as a stronger cushion," Mishra added.

For Bank Nifty, the index is hovering near resistance at 55,000, where the 100-DEMA aligns with price hurdles.

"A breakout above this level could trigger short covering and open the way for 56,200, while support exists in the 54,000–54,400 zone and major support at the 200-DEMA near 53,600," Mishra mentioned.

Driven properties expands into India with Hyderabad as its first base

Driven Properties has grown into a large real estate brokerages in the Middle East, with over 1,000 employees and 13–14 sister companies

G Hemanth Kumar Reddy
Hyderabad

DRIVEN Properties, one of Dubai's leading real estate brokerages and the exclusive UAE partner of Forbes Global Properties, has officially launched its operations in India with the opening of its first office in Hyderabad. The company, known for its strong presence in Dubai's luxury real estate segment, plans to make the city its Indian headquarters.

In an exclusive chat with Bizz Buzz, Sheikh Suleiman, Managing Director of Driven Properties India, said the company sees enormous potential in Hyderabad compared to other metro cities.

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Founded in 2012 in Dubai by Saudi entrepreneur Abdullah Al-Ajaji, Driven Properties has grown into one of the largest real estate brokerages in the Middle East, with over 1,000 employees and 13–14 sister companies offering end-to-end property solutions. The firm, which began with just four employees, now operates across multiple international markets including Spain, Egypt, Japan, China, and now India, with further expansion into Saudi Arabia in the pipeline.

Highlighting market trends, Suleiman said the global real estate sector, particularly Dubai, has seen a surge in demand for luxury and branded residences over the last five years, fueled by high-net-worth individuals seeking premium amenities. Property prices in Dubai range from Rs1.5 crore to as high as Rs500 crore, depending on location and type of development.

In Hyderabad, the company is initially focusing on key growth corridors such as Kokapet, Tellapur, and the Financial District, while also planning to enter other parts of the city with both residential and commercial projects. "From buying and selling to furnishing, leasing, and resale, we want to create a complete ecosystem for property investors and end-users in India," Suleiman added.

Driven Properties began with an initial investment of one million dirhams in Dubai and has since grown into a billion-dirham enterprise. With its Indian foray, the company is now targeting major metropolitan markets including Bengaluru, Delhi, and Mumbai after consolidating its presence in Hyderabad.

"The vision is to replicate our Dubai success story in India by offering world-class real estate services backed by global expertise," Suleiman said.

Credai for land reforms, ease of doing business, skilling to transform realty

Bizz Buzz Bureau
Hyderabad

The report is both a vision document and a call to action, inviting all stakeholders to come together

LAND reforms, ease of doing business, faster building plan approvals with lower charges, skilling, and creation of new cities are required to transform the Indian real estate sector, according to Credai.

Realtors' apex body Credai, which represents more than 13,000 developers as members, has come out with a report, 'The National Real Estate Development Framework 'Vision 2047' at its annual conference here. "The future of Indian real estate is not just about creating buildings, but about building communities, livelihoods, and aspirations," Credai National President Shekhar Patel said.

The report is both a vision document and a call to action, inviting all stakeholders to come together to transform India's real estate sector and make it globally competitive, he added. Patel said the real estate sector would play an important role in making India a developed nation by 2047. To transform this sector, Credai has suggested a framework comprising nine pillars. Seeking land reforms, the body said there is a need to ensure conclusive land titling through the Land Titling Act.

It also stressed the need to create a unified national digital land register to enhance transparency and accessibility. To promote affordable housing, Credai said there is a need to create land banks. The association also emphasised the development of 100 'cities of tomorrow'.

"Ease of doing construction constitutes the third pillar, seeking to transform building plan approvals via digitisation, transparency, and time-bound processing," Credai said. The realtors' body also suggested that the Centre and states should rationalise development and approval charges. It should set up dedicated funds for infrastructure financing, including government-backed infrastructure and housing bonds.

The Credai report also mentioned that there should be a focus on slum redevelopment and promotion of the construction of green buildings.

India Inc to drive office demand as firms eye expansion

NEW DELHI: Eighty-five per cent of domestic firms are looking to expand their office portfolio over the next two years -- from 73 per cent in 2024, according to a report.

Over the next two years, the demand for workspaces is also expected to be supported by an office-first policy and tighter hybrid arrangements, according to the report by CBRE South Asia Pvt Ltd.

The intent is underpinned by strong growth witnessed among key sectors, and the accelerated pace of digitalisation across industries. As compared to the pre-Covid-19 period of 2018-19, domestic firms recorded a remarkable resurgence in office leasing during 2023–2024, registering an increase of 86 per cent.

The report revealed that around 94 per cent of the companies prefer their employees working from office at least three days a week. Furthermore, about 52 per cent of the surveyed firms have a policy of working fully from the office, compared to 36 per cent in 2024. Apart from flexible spaces, global capability centres (GCCs) continue to drive strong office space demand in India, accounting for a 35-40 per cent share in total annual absorption in recent years.

Mumbai witnesses record home sales in festive season

FESTIVE BOOST
- Sudden rise in site visits
- New payment plans, discounts
- Lifestyle-focused projects

This trend is driven by a combination of factors - higher disposable incomes, stable economic growth and significant infrastructure upgrades across Mumbai

Kumud Das
Mumbai

THE 2025 festive season could not have come at a better time as the housing market in the city has already set records and laid the foundation of a strong end to the year. More than 99,000 homes were registered in Mumbai alone between January and August, the fastest ever run-up to the 1 lakh annual mark, even surpassing the pace of last year alone and reflecting an unprecedented level of buyer confidence. This trend is driven by a combination of factors - higher disposable incomes, stable economic growth and significant infrastructure upgrades across Mumbai, including the Mumbai Coastal Road and Metro expansions, which are improving connectivity and demand in both the premium and luxury corridors.

Festivals, known to be a propitious time to make a property purchase, are traditionally associated with a sudden increase in the number of visits to the site, requests, and deals, and, as developers introduce new payment plans, tax incentives, and lifestyle-focused propositions, the trend is

likely to gain even more traction in the months to come.

Talking to Bizz Buzz, Rohan Khatau, Director of CCI Projects says, "As an end-user, this festive season offers a good opportunity to purchase homes in one of the most aspirational markets in the country, and as an investor, the steady demand patterns and rising prices in some select micro-markets, such as Borivali, gives an attractive value in the long-term."

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The fact that the city is on track to surpass its all-time high annual registration number highlights how strong and opportunity-infilled Mumbai real estate is. All these conditions make the festive season of 2025 a golden window of opportunity for property buyers and investors in Mumbai.

The festive season in India is much more than a celebration – it is a time when aspirations take shape and dreams find direction. Traditionally regarded as the most auspicious period for homeownership, it brings together cultural sentiment, financial advantages and exciting new opportunities.

Arpit Jain, Director, Arkade Developers says, "At Arkade Developers, we believe in enabling this journey with Your Home, Your Payment Plan, an initiative that gives families the freedom to choose how they invest in their dream home."

The encouraging response has been a strong validation of our philosophy: when we empower people with choice and flexibility, we don't just sell homes, we create lasting relationships built on trust and emotion.