HDFC Retirement Savings Fund

(An open-ended notified tax savings cum pension scheme with no assured returns) A fund with a 5 year lock-in

1. What is the need for retirement planning?

The need for retirement planning is detailed below:

- Longer life-spans mean longer retirement
- Joint families giving way to nuclear families
- Lack of social security benefits in India
- To maintain the standard of living post retirement with a plan to tackle the unforeseen expenses
- Income streams may dry up
- Safeguard against inflation

Life starts after 60!…are you prepared?

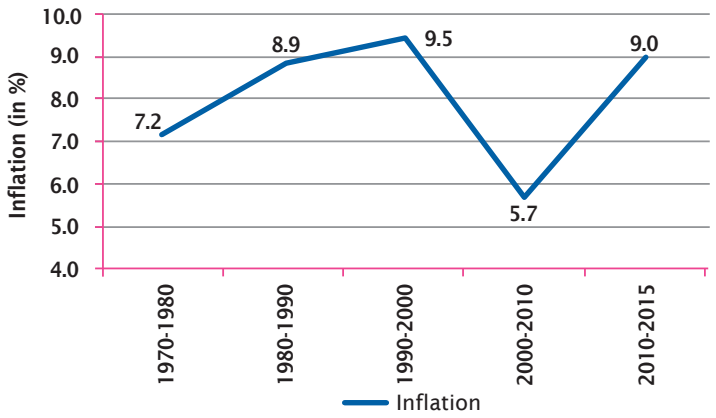
"It's not your fault if you were born poor. It's definitely your fault if you die poor." - Bill Gates

2. Inflation – Hidden enemy of your wealth!

Inflation sinks your purchasing power as today's money will not buy you the same things tomorrow. Over the last 5 decades, CPI inflation in India has averaged at 7.8% per year*. In order to protect against inflation, retirement planning should be done keeping the 'Real Rate of Return' in mind, which is the actual return from investment minus inflation rate.

- So plan your retirement with investments that can potentially earn a positive real rate of return meaning improved standard of living
- Create a portfolio of assets that offers potentially higher real returns as compared to a single asset class
- Asset allocation is key to financial success

Average CPI inflation over the decades



***Source: RBI**

"Inflation is taxation without legislation." - Milton Friedman

3. How does Power of Compounding affect investments in the long term?

The longer the investment horizon, greater the compounding. Hence, you have time working to your advantage. Also, higher the rate of returns, the more you accumulate. The illustration highlights this "Power of Compounding". The table shows how a Rs. 1 lakh investment grows at a compound rate V/s simple rate of return over a 30 year period.

Rate of Return	8%	10%	12%	15%
Lump sum amount invested	**1,00,000**	**1,00,000**	**1,00,000**	**1,00,000**
Initial amount + Simple interest	3,40,000	4,00,000	4,60,000	5,50,000
Initial amount + Compound interest	10,10,000	17,40,000	30,00,000	66,20,000
Difference in wealth	**7,30,000**	**13,40,000**	**25,40,000**	**60,70,000**
Number of times Rs.1 lakh has grown in 30 years by compounding	10.1	17.4	30.0	66.2

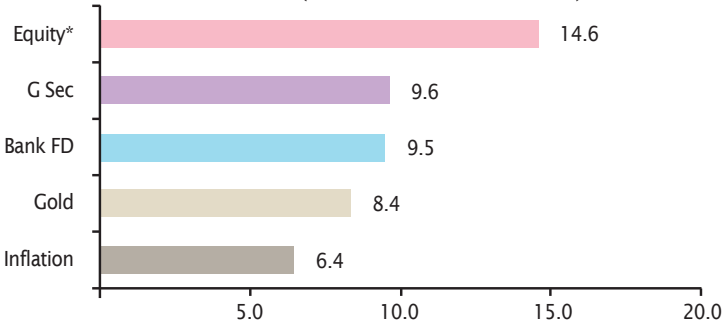
Source: HDFC AMC Research. Calculations are based on assumed rates of return, and actual returns on your investment may be more or less. This illustration is not intended to be indicative of the performance of any specific investment and does not represent a guarantee of returns in this Scheme.

"Compound interest is the eighth wonder of the world. He who understands it, earns it...he who doesn't... pays it." - Albert Einstein

4. Equities help create wealth over long term

As the chart below shows, equities have compounded faster than other major asset classes over the last 25 years, making a compelling case for them being an essential part of one's portfolio.

CAGR Return (FY 1990 to 9M FY 2016)



Source: CLSA

Data is of CAGR returns of various asset classes for the period April 1990 till December 2015. *Equity data is that of S&P BSE Sensex. Equities are a volatile asset class. However, volatility in returns reduces as holding period increases. Past performance may or may not be sustained in future.

5. How does starting early make an impact?

The illustration below is to showcase how you need to invest larger sums as you delay your retirement savings and how much it costs you in the long run. The % change is reflected over the previous start age. The calculations are done assuming a rate of return of 12% p.a.

	Start @ 25 Yrs	Start @ 35 Yrs	Start @ 45 Yrs
Investment amount per month	5,000	7,000	11,667
Amount invested	21,00,000	21,00,000	21,00,000
Value of Retirement Corpus @ 60 Years of age	3,21,54,797	1,31,51,926	58,24,436
Delay by 10 years would reduce your corpus by		59.10%	55.68%

A delay in 10 years cuts your retirement corpus by more than 50% at every step even though you may invest the same amount over time.

Source: Internal Calculation; Calculations are based on assumed rates of return and actual returns on your investment may be more or less. This illustration is not intended to be indicative of the performance of any specific investment and does not represent a guarantee of returns in this Scheme. The above is only a tool that may help you to know the benefit of an early investment to reach your goal of retirement saving but it should not be construed as providing any kind of investment advice or as a substitute for any kind of financial planning.

6. Inculcate the saving habit as early as possible.

As compared to a generation ago, the average working years have reduced with the emphasis on higher education in specialized fields. While the average retirement years have increased due to the increased average life expectancy. One needs to plan for at least 30 years of a comfortable retired life and needs to start retirement planning as early as possible. Presented below is a general thumb rule^ for saving :

- In your 20s – Save at least 20% of your income
- In your 30s – Save at least 30% of your income
- In your 40s – Save at least 40% of your income
- In your 50s – Save at least 50% of your income

"Do not save what is left after spending, but spend what is left after saving." - Warren Buffet

7. Risk Profiling and Asset Allocation

Each individual is different and so is the person's risk appetite. Your risk appetite is primarily a function of various factors as presented below:

Factor	Risk Appetite
Age	The younger you are, higher is your risk-taking capability
Income stream	A regular and predictable income means a higher risk appetite
Capital Base	Higher the capital base, higher will be risk-taking capability
Personality/ Investor Risk Appetite	Each individual is different and so is the acceptability of risk

The Equity – Debt split broadly depends on these factors and the suggested allocation^ between the asset classes can be as below:

Age	Income Stream	Capital Base	Personality/ Investor Risk Appetite	Suggested Equity (%)	Suggested Debt (%)
25	Regular	Inadequate for retirement	Moderate to High Risk Taker	80%	20%
40	Regular	Inadequate for retirement	Moderate to High Risk Taker	50%	50%
50	Regular	Inadequate for retirement	Moderate to High Risk Taker	25%	75%
50	Regular	Healthy corpus for retirement	Moderate to High Risk Taker	50%	50%
25	Unpredictable	Inadequate for retirement	Moderate to High Risk Taker	25%	75%
40	Regular	Inadequate for retirement	Low to Moderate Risk Taker	25%	75%

Source: Internal.

^Views expressed above are indicative and should not be construed as investment advice or as a substitute for financial planning. Due to the personal nature of investments, investors are advised to consult their financial advisers before investing in the Scheme.

PRESENTING HDFC RETIREMENT SAVINGS FUND

8. What is the investment objective of the Scheme?

The investment objective of the Investment Plans offered under the Scheme is to generate a corpus to provide for pension to an investor in the form of income to the extent of the redemption value of their holding after the age of 60 years by investing in a mix of securities comprising of equity, equity-related instruments and/or Debt/Money Market Instruments.

9. What are the different plans in the Scheme?

The Scheme offers investors three Investment Plans:

(i) Equity Plan

(ii) Hybrid-Equity Plan

(iii) Hybrid-Debt Plan

Each of the investment plan(s) will be managed as separate portfolios.

10. What is the asset allocation of the scheme?

Under normal circumstances, the asset allocation of the respective Investment plans offered under the Scheme will be as follows:

Equity Plan

Type of Instruments#	Minimum Allocation (% of net Assets)	Maximum Allocation (% of net Assets)	Risk Profile
Equity & equity-related instruments	80	100	Medium to High
Debt and Money Market Instruments	0	20	Low to High

Hybrid-Equity Plan

Type of Instruments#	Minimum Allocation (% of net Assets)	Maximum Allocation (% of net Assets)	Risk Profile
Equity & equity-related instruments	60	80	Medium to High
Debt and Money Market Instruments	20	40	Low to High

Hybrid-Debt Plan

Type of Instruments#	Minimum Allocation (% of net Assets)	Maximum Allocation (% of net Assets)	Risk Profile
Debt and Money Market Instruments	70	95	Low to High
Equity & equity-related instruments	5	30	Medium to High

Plans intend to seek investment opportunity in ADRs/GDRs/Foreign Securities at a maximum of 35% of its net assets. The maximum derivative position will be restricted to 20% of the net assets (i.e. Net Assets including cash) of the respective investment plan(s).

For further details, refer SID/KIM.

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11. Why should I invest in HDFC Retirement Savings Fund?

HDFC Retirement Savings Fund addresses the need of retirement planning. The benefits of investing in the fund are detailed below:

- Long-term investment vehicle targeting retirement corpus for YOU!
- Asset allocation is important as each asset class has a different return-risk-liquidity profile. HDFC Retirement Savings Fund offers three different plans to suit investors of different age groups and risk profiles.
- Investments in the Scheme qualify for tax benefits U/s 80C of the Income-tax, 1961.
- Expertise of HDFC AMC with over 15 years of fund management experience.

12. Fund Facts:

Fund Manager $ Chirag Setalvad (Equities) and Shobhit Mehrotra (Debt)

Investment Plans Equity Plan, Hybrid-Equity Plan, Hybrid-Debt Plan. Each investment plan offers regular & direct plan. Each of the investment plans will be managed as separate portfolios

Investment Option Under each plan: Growth option only

Minimum Application Amount. (Under each plan/option)

During the NFO period
Purchase: Rs. 5,000 and any amount thereafter
On an on-going basis
Purchase: Rs. 5,000 and any amount thereafter
Additional Purchase: Rs. 1,000 and any amount thereafter

Load Structure

Entry Load:

- Not Applicable. Upfront commission shall be paid directly by the investor to the ARN Holder (AMFI registered Distributor) based on the investors' assessment of various factors including the service rendered by the ARN Holder.

Exit Load (Upon completion of lock-in period of 5 years):

- In respect of each purchase / switch-in of units, an exit load of 1.00% is payable if units are redeemed / switched-out before completion of 60 years of age.
- No exit load is payable if units are redeemed / switched-out after completion of 60 years of age.
- Exit load will not be applicable for switches between investment plans and plans/option within the scheme post lock-in period.

Benchmark The benchmark for investment plan(s) offered under the Scheme is as follows:

- **Equity Plan** - Nifty 500 Index
- **Hybrid-Equity Plan** - CRISIL Balanced Fund Index
- **Hybrid-Debt Plan** - CRISIL MIP Blended Index

Lock-in period Units purchased cannot be assigned/transferred/ pledged/redeemed/ switched out until completion of 5 years from the date of allotment of units under the Scheme. Upon completion of lock-in period, subsequent switches of units within the Scheme shall not be subject to a further lock-in period. The Trustee/AMC reserves the right to change, the lock-in period at a later date on a prospective basis. The same may affect the interest of unit holders and will tantamount to a change in the fundamental attributes of the Scheme.

Tax Benefits The Central Government has specified HDFC Retirement Savings Fund as a Notified Pension Fund. The Scheme is approved by Central Board of Direct Taxes, Ministry of Finance under Section 80C(2)(xiv) of the Income-tax Act, 1961 vide Notification No. 91/2015/F. No. 178/21/2014-ITA-I dated December 8th, 2015. The investments made in the Scheme will be eligible for tax benefit under Section 80C of the Income-tax Act, 1961 for the assessment year 2016-17 and subsequent assessment years.

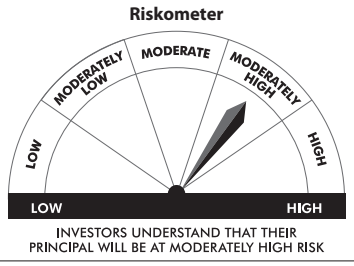
Eligibility of the investor under the Scheme 1) Adult resident Indians, either single or jointly (not exceeding three). 2) Non-resident Indians (NRIs) and persons of Indian origin (PIO)/ Overseas Citizen of India (OCI) on repatriation basis or on non-repatriation basis. The investor having completed 18 years of age is eligible to invest in the Scheme. Age shall be computed with reference to years completed on the date of allotment. The Trustee reserves the right to alter the age for investment under the Scheme.

$ Dedicated Fund Manager for Overseas Investments: Mr. Rakesh Vyas.

For further information of the Scheme, please refer the Scheme Information Document / Key Information Memorandum of the Scheme.

Product Labelling

Name of Scheme/ Investment Plan	HDFC Retirement Savings Fund – Equity Plan	HDFC Retirement Savings Fund – Hybrid-Equity Plan	HDFC Retirement Savings Fund – Hybrid-Debt Plan
This product is suitable for investors who are seeking*:	A corpus to provide for pension in the form of income to the extent of the redemption value of their holding after the age of 60 years		
	Investment predominantly in equity and equity-related instruments	Investment predominantly in equity and equity-related instruments with balance in debt and money market instruments	Investment predominantly in debt and money market instruments with balance in equity and equity-related instruments



*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Retirement Planning is a necessity as:

• Your parents are not your Emergency Fund • Your children are not your Retirement Fund

So build your own wealth and retire in style.