

# Systematic Withdrawal Plan (SWP) as a Tool for Retirement Planning and Financial Independence: A Step Towards Viksit Bharat

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**Abstract:** India's economic path towards the "Viksit Bharat 2047" vision requires a shift from conventional saving practices to advanced, market oriented investment approaches to achieve widespread financial independence. This study assesses the effectiveness of the Systematic Withdrawal Plan (SWP) as a key tool for generating retirement income in today's Indian financial environment. The study examines the SWP as a robust and adaptable method for generating income after retirement, comparing its performance with traditional options like annuities and fixed deposits. By utilizing secondary data from the Reserve Bank of India, the Association of Mutual Funds in India, and NITI Aayog, the research identifies a gradual transition in household savings from physical assets to financial instruments, indicating a growing interest in mutual fund investments. The findings indicate that SWP offers better tax efficiency than conventional fixed income options and can serve as a potential safeguard against India's high medical inflation rate of approximately 14%, thus ensuring long-term financial stability during retirement. The results suggest that a Safe Withdrawal Rate (SWR) of 3.0% to 3.5% is ideal to maintain portfolio sustainability over a 30 year period. The research indicates that the broad implementation of SWPs not only ensures individual financial security but also aids in the accumulation of long-term domestic capital, thereby reducing the fiscal load on the government and enhancing the country's economic stability

**Keywords:** Systematic Withdrawal Plan, Retirement Planning, Post-Retirement Income, Financial Independence, Mutual Funds.

## I. INTRODUCTION

The vision of Viksit Bharat 2047 aims to transform India into a developed nation by the time it celebrates 100 years of independence. This goal requires collective efforts from both the government and society to achieve sustainable economic and social progress. The vision is guided by four important pillars: the youth (Yuva), the underprivileged (Garib), women (Mahilayen), and farmers (Annadata), who are considered the key drivers of India's inclusive growth and development. However, achieving this goal is closely tied to the financial empowerment and resilience of the entire population, including the rapidly aging demographic. India is entering a transformative phase, aiming to grow its economy from a GDP of \$3.4 trillion to \$30 trillion over the next twenty years. This ambitious target requires not only macroeconomic growth but also a significant change in the microeconomic behaviour of Indian households—specifically, transitioning from passive saving in low yield instruments to active, disciplined, and future oriented investing in productive assets.

As India undergoes this transition, ensuring financial independence in retirement has become essential. Historically, joint family systems played a key role in caring for the elderly. However, a major socioeconomic transformation is occurring; the movement of younger generations to urban areas and the diminishing of intergenerational bonds have



made it imperative for individuals to plan their own retirements. Additionally, although India maintains a high savings rate, a large portion of these funds is tied up in real estate, gold, and low yield bank deposits, which often do not grow enough to keep up with inflation after taxes.

The Systematic Withdrawal Plan (SWP) in mutual funds has become an advanced method for transitioning from wealth accumulation to generating a steady income. Unlike a Systematic Investment Plan (SIP), which promotes regular contributions to build a fund, an SWP enables investors to withdraw a set amount at specified intervals, ensuring a consistent cash flow while the remaining investment continues to grow. This report analyzes the SWP's potential to drive financial independence, considering its mechanics, tax efficiency, and risks in a rapidly developing India.

Parameter	Current Status	Vision 2047 Target
GDP	INR 279 Lakh Crore	INR 2,492 Lakh Crore
Mutual Fund Penetration (AUM to GDP)	3.6%	15%
Elderly Population (Aged 60+)	158 Million	300 Million

## II. REVIEW OF LITERATURE

In recent times, discussions among academics and professionals regarding retirement planning in India have shifted from concentrating on wealth accumulation to emphasizing the distribution phase and the sustainability of investment portfolios. A key element in this conversation is the Safe Withdrawal Rate (SWR). Traditionally, the “4% Rule”, developed by William Bengen in 1994 based on data from the US market, proposed that retirees could withdraw 4% of their initial investment in the first year and then adjust future withdrawals for inflation, ensuring the portfolio lasts for 30 years without being exhausted.

In contrast to the standard 4% rule derived from US market experience, recent research specifically tailored to the Indian context by Raju and Saraogi (2024, 2025) highlights the need for greater caution. Using market data from 1992 to 2024, they estimate a sustainable withdrawal range of 3.0% to 3.5%, citing higher inflation and increased market volatility as key constraints. They also found that while investing more in stocks can allow for higher withdrawals, it also raises the chance of running out of the money, especially if withdrawal rates go over 3.75%.

Research also highlights the “Sequence of Returns Risk” (SoRR), which is frequently regarded as the most significant threat to retirees. During the accumulation phase, the sequence of returns doesn't matter as long as the average return is high. However, in the withdrawal phase, the timing of market declines becomes crucial. Early negative returns in retirement compel retirees to sell more units to satisfy their fixed income requirements, a situation known as the “quicksand effect”. This accelerates the depletion of capital and reduces the assets available to take advantage of future market recoveries.

In addition, the impact of taxation on retirement planning has been thoroughly examined in light of the 2024 and 2025 Union Budgets. Studies reveal that taxes are the most significant factor affecting the SWR for retirees in India. The 2025 Budget's proposal to increase the tax free income limit to RS 12 lakh is seen as a major boost for SWRs among those in lower tax brackets, potentially enabling withdrawal rates ranging from 3.5% to 4.2%. On the other hand, individuals in the 30% tax bracket are advised to adopt a more cautious SWR of 2.7% to 3.2% to maintain sustainability.

### Objective of the Study

The main objectives of the study are as follows:

- To analyze the growth of the mutual fund industry and the shifting patterns of household financial savings in India from 2014 to 2025.



- To compare the tax efficiency and cash flow potential of SWPs against traditional retirement products like annuities and bank deposits in the wake of 2024-25 Union Budget.
- To examine the impact of medical and lifestyle inflation on retirement corpus longevity and the necessity of market-linked returns.
- To establish the link between individual financial independence and the reduction of the state's fiscal burden in a burgeoning “Silver Economy.”

### III. RESEARCH METHODOLOGY

This study adopts an analytical and descriptive research design based on secondary data. The data has been collated from various authoritative sources, including the Association of Mutual Funds in India (AMFI), the National Stock Exchange (NSE), the Clearing Corporation of India Limited (CCIL), and various financial research repositories.

### IV. DATA ANALYSIS AND INTERPRETATION

The analysis of the Indian financial sector indicates a fundamental change that favors market-linked retirement options, such as the SWP, over traditional savings.

#### The Financialization of Household Savings

A review of RBI data from 2014 to 2025 reveals a significant transformation in the way Indian households handle their finances. Although net financial savings as a percentage of GDP dropped to an unprecedented low of 5.0% in 2022-23, driven by post-pandemic “revenge consumption” and increasing debt, there has been a subsequent rebound and notable qualitative change in asset distribution.

**Table 1: Details of Household Net Financial Savings and Financial Liabilities**

Fiscal Year	Net Financial Savings (Rs. lakh crore)	Net Financial Savings (% of GDP)	Household Liabilities (% of GDP)
2014-15	8.8	7.1	3.0
2015-16	11.1	8.1	2.8
2016-17	11.5	7.4	3.0
2017-18	13.1	7.6	4.4
2018-19	14.9	7.9	4.1
2019-20	15.5	7.7	3.9
2020-21	23.3	11.7	3.7
2021-22	17.1	7.3	3.8
2022-23	13.3	5.0	5.9
2023-24	15.5	5.2	6.2
2024-25	19.9	6.0	4.7



**Source: 1. Digital Sansad- Government Of India, Ministry of Finance, Department of Economic Affairs 2. RBI Bulletin**

Table 1 shows the trend of household net financial savings and liabilities in India from 2014-15 to 2024-25. The data indicates that households' financial savings have generally increased over the years, rising from Rs. 8.8 lakh crore in 2014-15 to Rs. 19.9 lakh crore in 2024-25, although savings as a percentage of GDP fluctuated. At the same time, household liabilities have also increased, reflecting higher borrowing for consumption, housing, and other needs. These trends highlight the importance of efficient financial planning for the future. In this context, investing in financial instruments like mutual funds and using a Systematic Withdrawal Plan (SWP) during retirement can help individuals generate regular income and maintain financial independence.

**Table 2: Growth of Mutual Fund Industry and Investor Participation in India**

Indicator	FY 2012	FY 2025
Equity/ MF Share in Savings	2%	15.2%
Average Monthly SIP Flow	< Rs. 4,000 Cr (FY 17)	Rs. 28,000 Cr (FY 26)
MF AUM as % of GDP	10% (Approx)	23% (Approx)

**Source: Economic Survey 2025-26**

Table 2 highlights the growing importance of mutual funds in India's savings pattern. The share of equity and mutual funds in household savings increased significantly from 2% in FY 2012 to 15.2% in FY 2025. Additionally, average monthly SIP investments increased from less than Rs. 4,000 crore to about Rs. 28,000 crore, and mutual funds assets under management increased from around 10% to 23% of GDP. This growing participation in mutual funds helps individuals build a retirement corpus through SIP during their working years, which can later be converted into a steady income stream through SWP. Thus, mutual funds and SWP contribute to financial independence and support the broader vision of Viksit Bharat through self funded retirement and financial inclusion.

**SWP as a Progressive Alternative to Conventional Retirement Income**

**Table 3 : Comparative Performance: SWP vs Traditional Income Streams**

Feature	Bank Fixed Deposit	Annuity (Insurance)	Systematic Withdrawal Plan (SWP)
Nature of Income	Interest (Fixed)	Pension	Variable (Market-linked)
Tax Treatment	Slab Rate (up to 30%)	Slab Rate (up to 30%)	Capital Gains (12.5% LTCG)
Tax Amount	Full Interest	Full Payout	Only the gain portion
Principal Access	Fully Liquid	Locked-in	Fully Liquid
Inflation Hedge	Poor	Poor	Strong (Equity Component)

In a Systematic Withdrawal Plan (SWP), taxation applies solely to the "capital gain" portion of the withdrawal, and only if it surpasses the annual exemption threshold of Rs. 1.25 lakh, as outlined in the 2024-25 Budget. For a retiree withdrawing Rs. 1 lakh each month, the "cost of acquisition" constitutes a significant portion of that withdrawal, resulting in a much lower taxable income compared to the cash received. Conversely, interest earned from a Fixed Deposit (FD) or a pension from an annuity is entirely taxable at the individual's marginal tax rate, which considerably diminishes the income after taxes.



**Growth and Stability of Mutual Fund Returns**

Over the past ten years, the performance of various mutual fund categories has demonstrated the effectiveness of SWPs as a tool to combat inflation. By early 2026, numerous categories have achieved double-digit Compound Annual Growth Rates (CAGRs), significantly surpassing the general inflation rate of 6-7% and, in some instances, even exceeding the 14% inflation rate in the medical sector.

**Table 4 : Performance of Various Mutual Fund Categories**

Mutual Fund Category	1 Year Return (%)	5 Year CAGR (%)	10 Year CAGR (%)
Large Cap Equity	13.78	12.88	14.35
Large % Midcap	13.36	15.76	16.22
Aggressive Hybrid	14.67	13.61	14.42
Corporate Bond	7.21	6.03	7.10
Liquid Funds	5.99	5.72	5.99

According to the data, a “Hybrid” strategy, especially the Aggressive Hybrid category that allocates 65-80% to equities, yields a 10 year return of 14.42%, which is exactly what is required to counteract medical inflation.

**The “Silent Killer”: Medical Inflation**

One of the most significant findings in the data analysis is the effect of medical inflation. While India's general inflation is kept within a 4-6% range, healthcare expenses are soaring at an alarming rate of 14% per year. This surge is fueled by technological progress, increased demand for high-quality care, and the growing incidence of chronic diseases. For retirees, whose primary expense in later life is healthcare, an SWP portfolio must be sufficiently strong to accommodate these rising costs.

In India, where 62% of medical costs are paid directly by individuals, neglecting a 14% inflation rate can result in the “forced liquidation” of retirement savings during a health emergency. This highlights the importance of keeping a portion of retirement funds invested in equities to achieve the “real” growth necessary to meet these expenses.

**V. RESULTS**

The findings of the study that the Systematic Withdrawal Plan is not just a financial convenience but an essential necessity for a “Viksit Bharat”.

**Superior Post Tax Cash Flow**

The 2024-25 Union Budget’s revision of the Long Term Capital Gain (LTCG) tax to 12.5% and the rise in the exemption limit to Rs. 1.25 lakh have increased the disparity between Systematic Withdrawal Plan (SWP) and traditional pension schemes. For a middle class retiree, an SWP can offer 20-30% more monthly income after taxes compared to a Fixed Deposit (FD) with an equivalent amount, mainly because withdrawals are not classified as “income” until the profit is actually realized.

**Mobilisation of Long Term Capital**

The mutual fund industry is experiencing rapid expansion, with assets under management (AUM) expected to double every few years, reaching Rs. 81 trillion by 2026. This growth aligns with the “Viksit Bharat” goal of establishing a strong financial ecosystem. Systematic products such as SIPs and SWPs encourage “disciplined participation” in the capital markets, which helps decrease reliance on unpredictable foreign capital and ensures stable funding for India’s Rs. 30 trillion economic aspirations.



### Resilience Against the Aging Crisis

The study emphasizes that maintaining a “Safe Withdrawal Rate” of 3.0% to 3.5% is the most effective strategy for achieving personal financial independence in India. By following this guideline, retirees can ensure their savings last for 30 years, even when considering the significant rise in medical costs. This financial self-reliance is a “democratic imperative” that shields the government from the heavy fiscal responsibility of offering universal social security to 347 million elderly individuals by 2050.

### Behavioral Shift Toward Financialization

There is a clear trend of Indian households gradually shifting their savings from physical assets such as gold and real estate to financial instruments. Mutual fund investments have witnessed substantial growth in recent years, reflecting increasing financial awareness and participation among retail investors. This transition plays a crucial role during India’s “Amrit Kaal,” as it channels household savings into productive financial assets that support industrial expansion, capital market development, employment generation and the growth of the emerging “Silver Economy.”

## VI. CONCLUSION

For India to evolve into a developed nation (Viksit Bharat) by 2047, establishing a strong foundation for personal financial independence is essential. This research has shown that the Systematic Withdrawal Plan (SWP) serves as an exceptionally effective strategy for retirement planning within the Indian setting. It provides a distinctive blend of market-driven growth, disciplined financial behavior, and tax advantages that traditional options like Fixed Deposits or Annuities fail to offer.

The study reveals that the “4% Rule” does not universally apply to India; instead, a more cautious Safe Withdrawal Rate of 3.0% to 3.5% is required to address the challenges of high medical inflation and market fluctuations. Additionally, the research emphasizes that the Sequence of Returns Risk poses the greatest danger to a retiree’s savings, highlighting the need for a balanced asset allocation and a tax-efficient withdrawal plan.

Ultimately, the democratization of financial wellbeing through tools like the SWP is essential for achieving universal financial inclusion and empowering the next generation of Indian citizens to take control of their destiny. By bridging the gap between individual wealth and national development, the SWP serves as a practical step towards the prosperous and self-reliant India envisioned for 2047.

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