

How to rebalance mutual funds, FDs & PF investments before retirement? Expert shares roadmap

By Surbhi Khanna, Published on : May 27, 2026



As retirement gets closer, people need to balance many financial needs together — keeping money safe for family goals, growing savings to beat inflation, earning regular income, and avoiding too many unnecessary investments. Investors with large amounts in FDs, PF, and multiple mutual funds should regularly review their portfolios to make sure their investments match their future goals and changing market conditions.

A 55-year-old individual investor reached out to ETMutualFunds and sought advice on restructuring a portfolio worth nearly Rs 2.75 crore spread across mutual funds, provident fund (PF), fixed deposits (FDs) and direct equities. The investor also highlighted near-term goals such as daughter's marriage within two years and son's marriage over the next eight years.

Out of this Rs 2.75 crore, nearly Rs 70 lakh is invested in mutual funds, Rs 1 crore each in provident fund and fixed deposits and Rs 5 lakh in direct equity. From Rs 70 lakh invested in mutual funds, the investor has nearly Rs 54.60 lakh in equity (78%), Rs 11.90 lakh in debt (17%), Rs 2.10 lakh in gold (3%) and Rs 70,000 in global equity (1%). He has Rs 50,000 monthly expenses and no major outstanding liabilities.

Market expert Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors analysed the portfolio and told ET Mutual Funds that the investor has a strong capital base of Rs 2.75 crore in liquid/investable assets and relatively low monthly overheads. However, the current mutual fund structure is fragmented across nine different categories, leading to style drift and overlapping holdings.

Dhawan said that while the mutual fund allocation appears equity-heavy, the overall portfolio is actually conservative because of the large allocation towards PF and fixed deposits. The expert estimated that total equity exposure currently stands at roughly 22% of the overall portfolio, while debt-related investments account for nearly 77%.

According to the expert, the investor may actually be under-invested in equities from a long-term inflation protection perspective despite having a diversified mutual fund basket. The debt heavy-position (PF/FD) provides a significant safety net, allowing you to optimize the mutual fund component for better returns.

Capital protection for daughter's marriage

Since the daughter's marriage is expected within two years, the expert advised against depending on equity-oriented mutual funds for this goal. "Equity markets are volatile over 24-month periods. You should not rely on your Rs 70 lakh mutual fund portfolio for this high-priority, near-term goal," the expert explained.

The expert recommended earmarking the required corpus for the wedding specifically from the fixed deposits and moving the projected wedding expense amount from long-term FDs into arbitrage funds (which is more tax efficient than pure debt funds or FDs).

Portfolio restructuring & rebalancing

The expert observed that the current mutual fund portfolio is spread across too many categories, creating overlap and over-diversification. "Your current mf allocation is over-diversified. holding hybrid, balanced

advantage funds, large cap, and flexi cap simultaneously creates significant overlap in large-cap stocks,” the expert said.

Exit or entry: Dhawan said to consolidate hybrid funds as around 26% is in hybrid and 9% in balanced advantage funds. These both schemes serve the same purpose so reduce the hybrid exposure to around 15% and stick to a single high-performing BAF for downside protection.

The other two recommendations were simplifying equity exposure and making changes in small cap exposure. Dhawan said to exit the 10% large cap and 10% contra funds and a single flexi cap fund covers both styles more efficiently with lower administrative overhead.

For small cap allocation, at 1% (Rs 70,000), this is not likely to create any impact in a Rs 2.75 crore portfolio. Either increase it to 5% to make a difference or exit it entirely. Since valuations are currently not supportive, exit is suggested keeping exit loads and taxes in mind.

Increase exposure: Dhawan said that for medium-term growth goals such as the son’s marriage over eight years, maintaining stronger exposure towards flexi-cap and index-oriented funds. And also increasing global equity allocation from 1% to around 5% to improve diversification and provide some hedge against rupee depreciation.

Tax-efficient withdrawal strategy

The expert highlighted that maintaining large allocations in fixed deposits could increase tax leakage because FD interest is taxed according to income tax slabs. Instead of relying on FD interest for monthly expenses of around Rs 50,000, the expert recommended using a Systematic Withdrawal Plan (SWP) from debt or arbitrage funds.

The expert also suggested Rs 1.25 lakh of equity capital gains every financial year to avail of the tax exemption. Regarding PF maturity, the expert said that since the investor is 55 years old, his PF is nearing maturity. Upon retirement/withdrawal, transition the tax-free proceeds into a mix of funds and Tax-Free Bonds to maintain a 6%–7% pa post-tax yield.

According to the expert, the investor’s biggest long-term risk is not capital loss but inflation reducing purchasing power over the next 20–25 years.

“By simplifying the portfolio into four or five focused investment buckets, investors can reduce overlap and improve long-term return potential while still maintaining sufficient diversification,” the expert said.

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