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Personalise your Retirement Plans

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By: Ismitz Matthew De Alwis

Imagine… The magic date has come. It is now time to retire and enjoy your 'Golden Years'. As you retire from active work life with time on your hands, the idiom definitely conjures up images of great escapades to different corners of the world, fun in the sun, spending quality time with loved ones, enjoying hobbies and doing all things that you never got to do when you were tied down to your constantly demanding nine-to-five job. You have toiled hard to get here so you definitely want to make the best of it.

While we would like our 'Golden Years' to shine, it is important to note that retirement can take up a good 30 to 35 years of our lives as Malaysians live longer. As such, planning for your retirement and being able to anticipate different retirement events and financial needs will enable you to face retirement more boldly and enjoy the journey. As they say, "retirement is a journey, not a destination."

Retirement is not a stagnant phase. In fact, retirement in your 50s and 60s is likely to be different than your life in 70s and 80s and it is logical to assume the costs of retirement will vary among phases as well. Generally, an average retiree can expect three phases of retirement: the Go-Go phase, Slow-Go phase and No-Go phase.

Let's dig a little deeper into the three phases of retirement and look at how costs can fluctuate.

The Go-Go Phase (50s to 60s)

The Go-Go phase is also known as the early retirement phase. This is an active retirement phase when we are physically and mentally capable of living a fairly active lifestyle. In fact for some, the Go-Go phase will still include work on top of doing things like travel, hobbies and active socializing. Work may be on a part-time or consulting basis. In a lot of cases, the Go-Go phase is really living the stereotypical retirement dream and many retirees find themselves busier than they were prior to retirement.

As a result, you may find this to be the most expensive phase of retirement. It is imperative to balance the increase costs to ensure you don't blow your retirement savings in the first 10 years. Careful advance planning means you're more likely to enjoy everything you want in your early retirement years while safeguarding your future retirement income. While, work-related expenses will be reduced, income from part-time or consulting work can be used to partially offset expenses incurred on travel and hobbies.

In this phase, be sure to adjust your budget for increased spending in:

- Travel
- Hobbies (fees for classes, membership fees, buying equipment etc.)
- Assisting adult children in need
- Yearly medical check-up

These higher expenses can be balanced with potentially lower costs in:

- Reduced transportation cost (petrol, toll, parking, maintenance or transit expenses)
- Less need for professional wardrobe
- No need for mandatory or voluntary contribution to retirement accounts
- Less income tax due to lesser-paying job

The Slow-Go Phase (70s)

The Slow-Go phase is also referred to as the middle retirement stage. At this phase, your body is telling you to slow down a little. You're spending lots of time with family and friends now, but you're also devoting more time to some other people: doctors. Aging is unavoidable, and for many it goes hand-in-hand with declining health. You may still travel and engage in hobbies occasionally, but life starts to fall into patterns with medical appointments becoming part of your life and physical limitations may start cutting into your activities. The older you get, the more important it is to find routines and patterns that give you comfort and security.

At this stage, you will experience some upticks in health care spending. It is possible that this will be the least expensive phase of retirement as you settle into life of leisure.
In this phase, be sure to adjust your budget for increased spending in:

- Medical expenses (doctor visits, prescription drugs, supplements)

Likely reduced spending in:

- Less travel and hobbies
- Downsizing home for a more maintainable space
- No longer financially supporting and assisting family
- No need for income tax (stop working completely)

The No-Go Phase (80s to 90s)

The final phase of retirement is the No-Go phase and also the final phase of life. In a way, this phase is predictable – less energy, less physical ability, more doctor visits and even more rest. But it can be difficult to foresee what your level of mobility, motivation and health will be in your later retirement years.

One thing is for sure is that as you age and health deteriorates, you tend to spend less on discretionary lifestyle spending as you will travel less, drive less, and even eat less. It is also safe to assume that you may not play as much golf and socialising expenses tends to drop as well.

As spending on discretionary lifestyle decreases, spending on healthcare tends to increase over time. There is no question that healthcare expenses are the biggest concern for retirees. Medical inflation in Malaysia averages about 10% each year. It is indeed the biggest drivers of inflation in retirement. With the rising cost of healthcare, it pays to plan your retirement wisely and make it as detailed and realistic as possible.

In this phase, be sure to adjust your budget for increased spending in:

- Medical expenses (doctor visits, prescription drugs, hospitalisation, medical procedures)
- Long-term care cost (long-term care facility or home health aide or hospice care)
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You might have lower expenses as a result of:

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Personalise your retirement plans

Retirement planning to many, means saving and investing for retirement. However, even if you have done your homework and calculated your retirement savings goal and you have an investing plan to get you there, your plan needs to also cover what you will actually encounter in retirement itself. There are a lot of formulas for figuring retirement needs, but most don't consider the drastic differences between phases of retirement nor do they take into account individual plans and goals for each phase.

When planning for your retirement:

- Account for the dream vacation you've always wanted as well as everyday living expenses.
- Aim for a larger sum for your nest egg rather than underestimate what you'll require.
- Consider creating three different budgets for each phase for retirement to account for the variations in spending.
- For healthcare expenses, use your own health and family history as a guide.
- Keep an emergency fund in retirement in case of unpredictable health problems arise.

Rather than using a one-size-fits-all formula to find your retirement savings number, the best plan is actually a personal one that accounts for your individual goals, needs and circumstances.

Having a plan is a great start. But having one that fits you, your specific goals and dreams, will bring you closer to attaining your “golden” retirement years.

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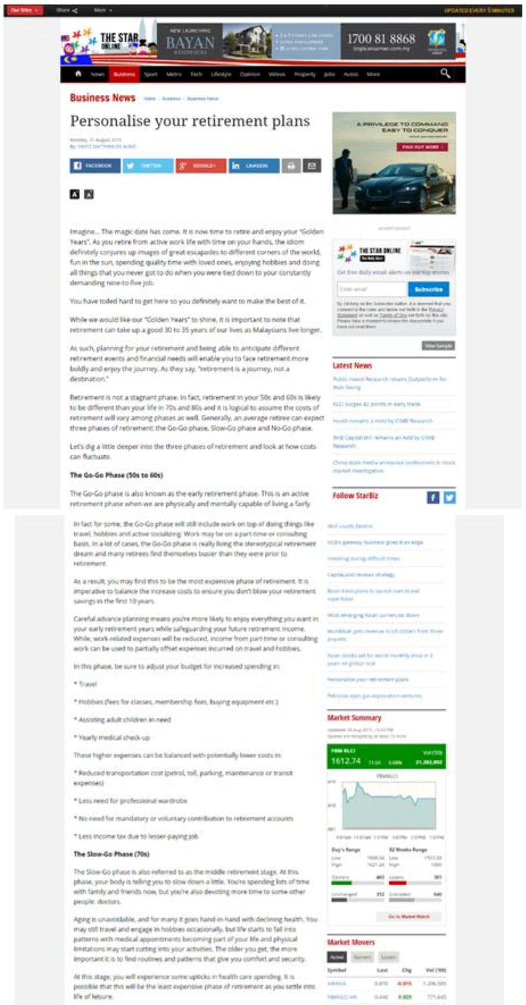

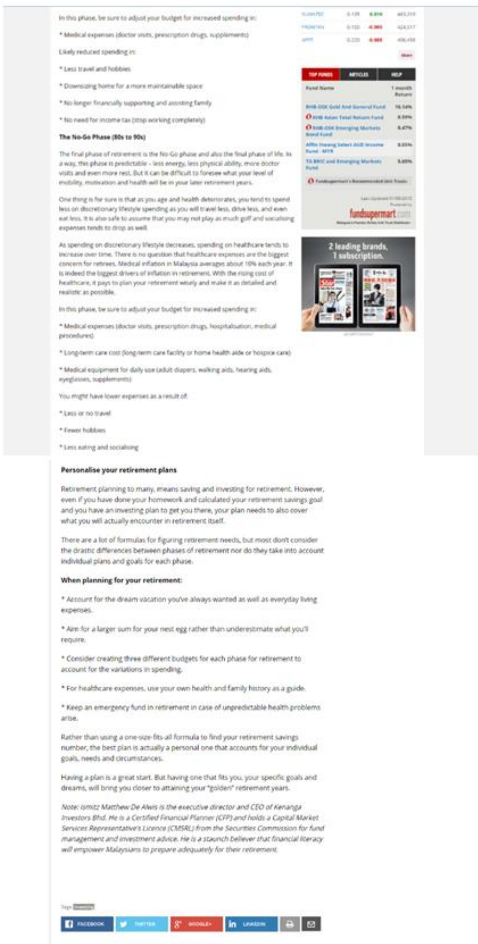

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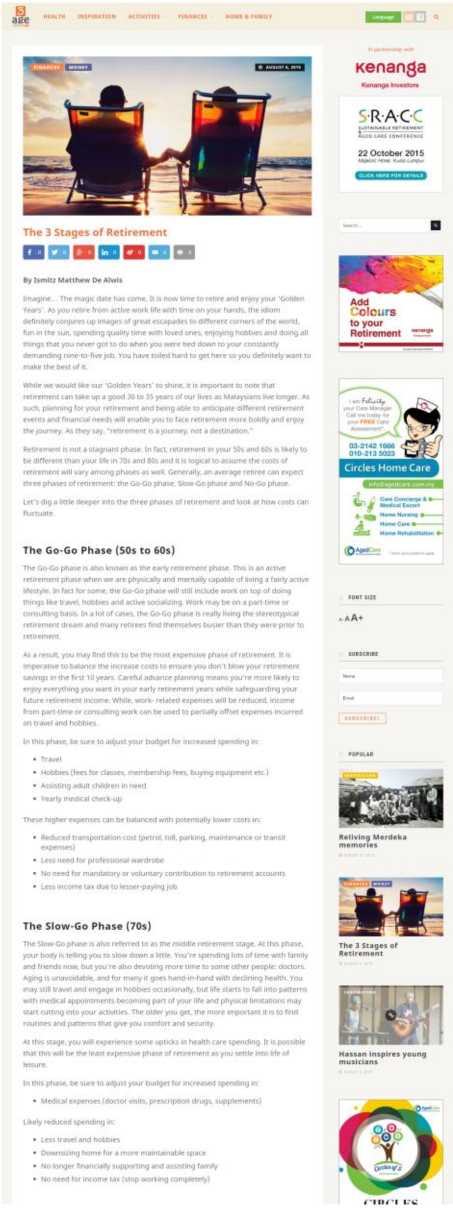

The 3 Stages of Retirement

By Ismitz Matthew De Alwis

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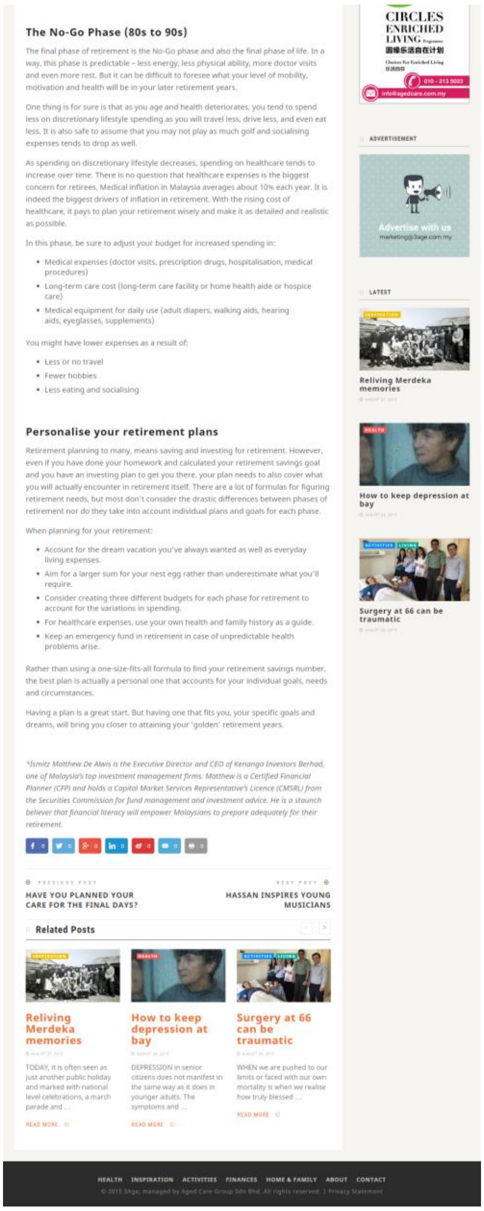

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