Money Matter$ - 30 June 2022

By Standard Chartered Bank

Title: Will You Outlive Your Money?

Starting your retirement as a life of "withouts" is scary, isn't it? Of course, at the other end of the spectrum is to retire and live like a king or queen, which you can achieve with thorough retirement planning.

Running dry on savings is one of the greatest fears of retirees. That's one of the consequences of common retirement planning mistakes that include:

- Started saving too late
- Saving too little
- Relying on family support
- No contingencies to cope with medical problems at old age
- Relying on Skim Persaraan Kebangsaan (SPK) savings to see you through retirement

The consequence of common retirement planning mistakes is outliving your assets, where you have little choice but to continue working after retirement and compromising your lifestyle expectations and goals.

Procrastinating Does Not Pay

To secure your desired retirement lifestyle, it's advisable to understand that it requires more than investing in SPK. It also requires proper planning to determine how much you'll require in your retirement days to cover your daily expenses, medical bills, little luxuries and how much to save on a monthly basis. Projections also need to be made on what age you intend to retire, how long you expect to enjoy retirement and the rate of returns from existing savings and inflation that will affect the value of your savings.

Use time to your advantage, and the time is NOW. Start to save early to benefit from the power of compounding. But for the younger people, as a start, save at least 20 per cent of your monthly income and invest some money to grow wealth.

In addition, remember to make provisions to protect your health and assets. Don't leave your assets unprotected and don't delay planning for a lifestyle that you can maintain after retirement.

Why it is important to protect wealth? Insurance protection is important, particularly life insurance for financial protection of spouse and children, and medical insurance for critical illness. While being employed, many of us enjoy medical plans as part of the employment benefit. But when we most need it in our twilight years, this is no longer available. As a result, medical costs will eat into our savings. So, it's not only advisable to buy medical insurance but also buy at an early age to avoid high premium cost.

Planning Beyond Your Generation

Estate planning is the final jigsaw puzzle that will complete your financial plan. Proper financial planning guarantees distribution to the people you intend to benefit after your death.

Estate wills and planning is not only for the rich. The questions to ask here are:
- Do you want to save your family from the headache of high estate duties?
- Are you sure your estate will be distributed to the ones you love?

If a person dies intestate (i.e. without a will), the consequences are:
- Everything that belongs to you will be frozen
- Beneficiaries to appoint administrator and that may involve time and cost
- Letter of Administration may take a while to be issued
- Estate will be distributed according to law and custom. If Muslim – in accordance to Shariah law
- Complication in distribution will arise if relatives don't get along

So coming back to that question "Will I be ready to retire at 55?" Here's a simple checklist before you start feeling good about yourself:
- Have you saved enough money for your kid's education?
- Do you have any medical insurance cover?
- Will the house be fully paid up by the time you retire?
- Do you have an adequate passive income to maintain your current lifestyle after retirement?

Securing your nest egg

You'd have peace of mind if you plan for your retirement as early as possible to reduce the strain of a larger financial commitment at a later stage. With an early start, you've the flexibility of a lower start-up amount or target a larger sum to guarantee you of a more comfortable golden retirement.