Money Matter$ - 20 June 2024
By Standard Chartered Bank

Title: The Perfect Retirement

In Brunei, the government made it mandatory for all individuals in the working community make additional contribution towards the supplemental pension or retirement scheme to ensure their welfare upon retirement. While there may be enough funds from the retirement scheme to sustain necessities such as basic household necessities, it may, however, not be sufficient to support the lifestyle that some individuals may expect to lead during retirement. Inflation should also be taken into account as retirement may be many more years away for some. As such, it is highly recommended that people should supplement the retirement scheme with their own retirement financial plans as well for their perfect retirement.

Everyone thinks of the perfect retirement but many fail to achieve this. Why is that? Is it because one does not earn enough income or is one not saving enough? There may be no right answer. Through a comprehensive financial plan, one will be able to achieve his or her perfect or desired retirement. If financial planning is conducted early on, one will expect less commitment to contribute towards his retirement plan because the contribution is spread out over a longer time frame.

One of the methods to plan for your retirement is to perform a top down analysis which looks at the target retirement wealth level that you think is optimal to support your post-retirement lifestyle. Optimal meaning a satisfying amount that is realistically achievable. This retirement fund should be able to support your daily lifestyle post-retirement, any vacations that one has in mind and of course emergency funds for any unplanned events such as medical fees, which is perhaps the most common.

Once a target wealth level is determined then one should look at the many different methods that can be utilized to achieve this. This can be in the form of investments through Trust Funds, Bonds or any other investment products available in the market or through wealth accumulation from income deposits or term deposits or through other means such as a side-business. Everyone should bear in mind that one should do their financial planning with a certain amount of cushioning taken into account meaning to say that one should consider that things may not exactly go according to plan and may encounter bumps along the way. One can therefore set a higher target retirement wealth level than required to compensate for any mishaps or accept a retirement wealth level which is slightly lower than his or her target.

Once a proper financial plan is determined, the hard part is following through with the plan and not getting side tracked. This is usually the stage where most people fail to achieve and thus ending up with inadequate wealth for their retirement. How much a person needs to save on a monthly basis comes down to how much a person earns and how much does that person have to spend on his or his family household necessities. So, one should deduct these household necessity expenses from his or her monthly income before taking into account how much to save and spend. This net amount should then be split into savings or investments required to meet his retirement financial plan and spending on commodities and luxuries. The amount left after deducting necessity expenses, investments and savings is known as disposable income. Of course, it is not advisable to spend 100% of this disposable

income even though it is meant for spending. One should strongly consider the benefits of owning the commodity against the cost. Acquire the commodity only if the benefits outweigh the cost of owning it.

One must also have the discipline to not spend from their savings. It is common human behaviour to want to spend their savings when they notice a large sum of money sitting in their account. However, sometimes this spending this is unavoidable due to the occurrence of unplanned events such as a purchase of a commodity like a car or a house. However, any distracting behaviour involving the purchase of a commodity which is not a necessity is a big NO-NO! This is because one will develop a spending habit and run down his savings or contribution towards his retirement financial plan.

Therefore, in order to achieve ones perfect retirement, one has to be determined and at the same time have the discipline to stick to the plan. By having a retirement goal, a financial plan, the right attitude, and of course early planning, one will find that saving for retirement is not as difficult as it seems. One can also seek financial advice from one of the many qualified financial consultants available from your bank. So, remember it is not impossible to make your perfect retirement come true.

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800 words