

**FINANCIAL LITERACY -
RETIREMENT**

Time flies by. You have been working in Hong Kong for two years, renewed your contract and paid back your debt. Every month, you send most of your income to your family to support them. But who will support **you** in 10, 30, 40 years' time when you want to retire?

Even though retirement may seem very far away, it is important that you start thinking about it as early as possible. And not just think about it but prepare for it. What's the big deal about retirement? You stop earning money, but you still spend! So you have to either get other incomes or have accumulated enough saving to be able to use them for your daily life. As life expectancy grows over the years, you are also likely to live 20 to 30 years or more after the time you retire. And women tend to live longer than men.

As you have started discovering it with these money articles, there is no secret about managing money. Just a few simple rules; and the main rule is to anticipate. One of the very first reasons to save is for emergency; once you have built up an emergency saving, you should start getting ready so that you can retire as smoothly as possible. Why think about retirement when you are 30 years old, or younger? Because retirement is not a one or two year project: you need to have enough money to live for 20 to 30 years. And, second reason, because it is easier to save when you are still young and don't have children to support. But it is never too late; even if you are in your 50s, don't avoid the issue and start planning for it now: you need to help yourself and not rely on others to find solutions!

The first step is to estimate how much you will need to live. To get a rough idea, you can think of when and where you are planning to spend your life once you are around 60: will you live in the countryside or in a city? Will you own your home or rent it? If you own it, will you have paid your mortgage completely? Will you still have children or other family members to support? What kind of expenses do you expect to have? Write a list with today's prices, and add more healthcare and medicines as health expenses tend to increase with the age. Then multiply this budget with the numbers of years you can estimate to live after you retire. You should also add up inflation as over the years, prices will go up. You may not have answers to all these questions, but having a first idea and a plan that you can review once a year will help you tremendously as you are reaching the age to retire. Retirement calculations are also available on internet. They can make the calculations easier, especially for the inflation, but most of them are only for people with regular revenue for their whole working life.

Now you have an idea of the (very big) amount of money you will need to live when you retire, don't panic! The second step is to find if you might get income. Check if you are entitled to a pension. If you are, keep the papers safely to be able to claim it. If you are not sure, don't hesitate to phone the right organisations. You might

Financial Literacy

Because money is more than adding up figures

also think of how to generate revenues: rent a place you own, run a business, or produce food which will make you save on food expenses. Or invest money. Whatever you choose, make sure that you understand the risk. As you will need the money to live, you should not invest in anything too risky.

The last step is to calculate how much you need to save every month to be able to accumulate such a sum. Divide the sum by the numbers of years you still plan to work. Even if you don't manage to save as much as you have calculated, try your best: little and regular saving are better than nothing. Start as early as possible and don't count on others to finance your retirement. Think of yourself!

STEPS 1 and 2: ((Yearly expenses) x 30 years (from 60 to 90 years old) – possible yearly income (retirement fund, business, investment...) for 30 years)) x inflation from now to the year you plan to retire = sum to save for retirement

STEP 3: Sum to save for retirement / the years from now to your retirement = yearly saving for retirement / 12 = monthly saving for retirement

If you have questions on retirement, send me an email: Sophie@aandbmake3.com , call 2868.5399 or read www.aandbmake3.com. **Enrich**, our not-for-profit partner in Hong Kong, gives courses on money matters (T: 2817.8928)