

Retirement Plan

There is a joke " the most regret is that you don't spend all your money before you die; the saddest situation is that you are still alive but you have spent all your money." If it's possible, most people prefer to not spending all money before life ends. No one wants to live without money. Therefore, we had better plan for retirement pay as soon as we can. However, how much is enough for retirement?

How much should we prepare for retired life?

With late marriage, late maternity, fertility decline and aging society, the next generation will take more and more pressure than us. It means the concept of "to bring up children for the purpose of being looked after in old age" is not applicable anymore. Everyone had better arrange retirement by himself instead of relying on his children.

However, how much is enough for retirement? Actually, there is no standard answer for this question. It depends on different needs of each person. There are many different amounts of retirement pay. Thus, there is no standard definition for "Enough Money". Averagely, if you would like to keep the living quality of retired life as usual, you have to keep 75% of income at least after retirement.

In other words, if the monthly income is HKD 10,000 before you retire, the monthly income should be at least HKD7, 500 after retirement. Of course, it's just a rough calculation without considering other realistic factors.



There are some consideration should be put into while planning the retirement:

Factor 1 How many years you'll live after retirement

First of all, please make sure when you will be retired? According to a recent research, it reveals that the average of retired age of Hong Kong residents is age 59.4, and the ideal amount of retirement pay is HKD6.04 million.

However, along with the extending of Life Expectancy and the rising of Inflation Rate by years, this amount isn't real enough for retirement anymore. The newest statistics result of 2015 from Hong Kong Census and Statistics Department indicated that the average of Life Expectancy for female is 87 years old, and for male is 81.4 years old.

Therefore, if you would like to retire since 60 years old, then it's not a problem that you can live more 20 years after age 60.

For example, Mr. Chan is 30 years old now and expects to retire at age 60, according to the average of Life Expectancy (Age 81) , then there will be more 21 years in his retired life.

Factor 2 The living quality of retired life

The retired life could be simple and ordinary or luxurious and rich. It depends on what your needs. However, please notice what kind of retired life you want will affect how much you should prepare for monthly costs after retirement.

As mentioned above, you can calculate the amount directly based on your monthly incomes nowadays. But, you should deduct directly some costs such as children's education fee, mortgage, car loan, and Insurance premium… etc. what will not arise after retirement.

Factor 3 Inflation Rate

Hong Kong for example, the average of Inflation Rate is 4.58% from 1981 to 2014. Don't forget to calculate the Inflation Rate as well when speculating monthly retired life costs.

For example, Mr. Chan wants to maintain the monthly cost USD 1,500 after retirement. According to Inflation Rate 4.58%, the monthly cost should be USD 5,745 after 30 years.
1,500 x 3.83=5,745(USD)



Factor 4 The amount for retirement

We can easy to evaluate the amount for our retired life according to above factors. Mr. Chan plans to get retired 30 years later and expect to exist more 21 years after his retirement. If he spends USD 1,500 every month now, the total amount he should prepare for retirement is 1,447,740 (USD). [21 x 12 x 5,745 = 1,447,740 (USD)]

Factor 5 Start to prepare the retirement fund

In that case, how can Mr. Chan gain nearly USD 1.5 million within 30 years? He may have two solutions to get the huge amount. Solution 1, Mr. Chan should pull in his belt for saving money. However, even if he does this effectively, it's not necessary that he can have USD 1.5 million. How about Solution 2, choose a nice regular small savings plan to let him achieve the goal quickly.

Age	Years from now to retired	Living years after retirement （Age 81, the Life Expectancy for male）	Amount of retirement pay* (USD)	Amount of monthly savings# (USD)
20	40	21	2,268,000	356
30	30	21	1,447,740	635
40	20	21	926,100	1209
50	10	21	589,680	2855

* Inflation Rate assumed 4.58 % yearly
# Return on Investment (ROI) assumed 10 % yearly

Conclusion



The earlier you draw up a retirement plan, the more profit you'll get. If you are 30 years old now, you just have to invest USD 635 per month. However, if you start investment 10 years later, the amount of investment monthly will become USD 1,209. It's because Time is the key to profits of investment, just start your retirement plan as soon as possible.

Metis provides various innovative and flexible trust plans. They are easy to understand, execute and can help you achieving your retirement plan easily.

— To Plan Retirement Earlier, the more happiness you will have in elderly life. —

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