

Retirement Planning

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Retirement

- What comes into your mind when you hear the word retirement?
- What emotions does it elicit?

What best describes your reaction about retirement?

- Looking forward to it
- Dreading it
- Ambivalent
- Don't want to think about it

Have you talked to a retired person about what retirement is like?

- Yes
- No

Retirement

Write one paragraph about the kind of lifestyle you would like to have when you retire.

Retirement has different meanings

20s

30s

50s

40s

60s

70s

Quote

"Age is an issue of mind over matter. If you don't mind, it doesn't matter." Retirement can be made easier if you have the right mindset. Mark Twain

Everyone grows old,
It's inevitable. The
question is, will you be
ready when retirement
gets here?

Thinking About Retirement

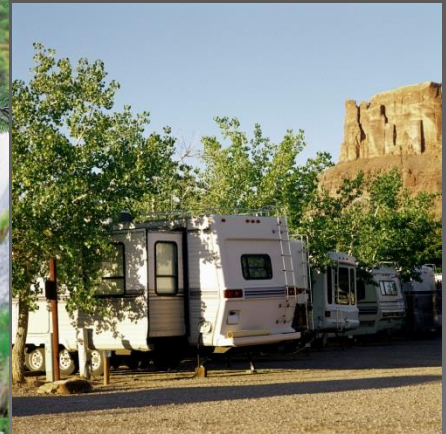
- Future Decisions
- Future Concerns

Future Decisions-Where to live?



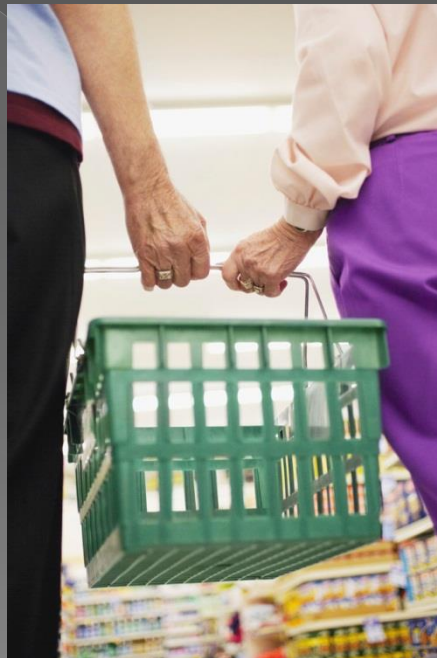
Future Decisions

Type of activities?



Future Concern

24/7 with spouse?



Future concern: Money



Future Concern

- Family issues?
 - Sandwich Generation
 - Care giving
 - Parents
 - Grandchildren
 - Children

What age do you plan to retire?

- 66 - 70
- 61 - 65
- 56 - 60
- 51 - 55
- Never 😊

What is retirement planning?

The process of determining retirement income goals and the actions and decisions necessary to achieve those goals

Simply put.....

Retirement planning is the planning one does to be prepared for life after paid work ends, not just financially but in all aspects of life.

- The non-financial aspects include such lifestyle choices as how to spend time in retirement, where to live, when to completely quit working, etc.

When?

The best time to start thinking about your retirement is before the boss does.

Source Unknown

When?

Preparation for old age should begin not later than one's teens. A life which is empty of purpose until 65 will not suddenly become filled on retirement.

Arthur E. Morgan

Why plan for retirement?

- ◉ Uncertainty of Social Security and Pension Benefits- will your kids take care of you?
- ◉ Improved medical technology has pushed up life expectancy- You will live long
- ◉ Unforeseen medical expenses as one grows older-insurance expensive if over 60

- ◉ Flexibility to deal with changes - would you like to maintain or improve your lifestyle
- ◉ The power of compound interest: a little saving now has a huge payout later

HOW?

How much do you think it will cost to have that kind of lifestyle you described earlier?

SETTING RETIREMENT GOALS

Individuals develop their retirement plans by evaluating their preferences for:

1. Consumption today and tomorrow
2. Work and leisure

Assessing retirement needs

- ① At what age would you like to retire?
- ① How many years do you have until that age?
- ① What is your main source of income and its nature?(constant/ irregular)
- ① How much do your expenses add up to based on your current lifestyle?

- ◉ Would you like your lifestyle to change upon retirement and by how much?
- ◉ How much risk are you willing to take with funds you put away for retirement? what maximum return should you earn to retire in comfort?

WHERE WILL THE MONEY COME FROM?

Write a paragraph on
where the income will
come from after
retirement

How long will you live?

Retirement life length calculator

Where will the money come from?

- Employment
- Pension schemes
- Current savings and investments
- Other sources of funds-
inheritance, gifts, bonuses,
tetemesha

Types of pension plans in Kenya

- Public pension fund: regulated by public law-employee/employer contribution
- Occupational pension scheme-sponsored by employer

- Individual pension scheme- you can now top up
- Defined contribution plan - employee contributes and upon retirement gets money and interest from fund performance

- Defined benefits plans- amount an employee shall receive upon retirement is based on a formula. No money is contributed

Some benefits of pension plans

- Tax exemptions on investment income
- Tax exemptions on retirement benefits- monthly pensions income of up to 25k or lump sum payments of up to 600k is exempt from income tax and also monthly retirement dues to retirees above 65

- ⦿ Professional management
- ⦿ Exclusion of retirement benefits from one's estate
- ⦿ Acquisition of mortgage loan- can use up to 60% of their accrued benefits to secure a mortgage

Pitfalls in retirement planning

- Starting too late
- Putting away too little
- Investing too conservatively especially when younger

Procrastination...

There's only one side to waiting and that's the downside

Don't hold off planning for your retirement: it cannot wait!

Put your money where it counts--in savings!

EXCUSES

I'm too
young

It's too late

I don't
have
enough
money to
put away

There are
other
expenses

Way forward

- Start early
- Set goals
- Take action on the goals daily

Thank you

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