Don't see your children or loved ones as your retirement fund – plan for your own retirement.

Dos and don'ts of retirement planning

Joe is the sole earning person of a six-member family – father, mother, wife and four-year-old twin boys. Recently, he has been under immense pressure to take care of the family's expenses and is struggling to make ends meet. With his parents' rising medical expenses, which has become a recurring monthly expenditure, he is now regularly running out of money before the month ends. Although Joe is thankful that his parents did everything to raise him, he also feels that if they had some extra money saved up, things would be a bit easier for him as he tried to also take care of his wife and children. Their pension payout is only able to support them to a point but all extra income support has to come from Joe.

The 'loved ones retirement fund' syndrome

It's easy to plan your retirement around your children or the support you will receive from your loved ones. Although many Ghanaian parents do not verbalize this desire, they unconsciously 'expect' their children to take care of them when they finally retire. They see it as a reward for all the financial 'investments' they made into the children by taking care of their educational and other needs. Coupled with this is a sense of entitlement drawn from our strong community spirit – family members should take care of you when the need arises.

These remain two of the largest hindrances to personal retirement planning. Out of every 100 Ghanaians who reach age 60, 75 have to depend on SSNIT or handouts from loved ones for their financial upkeep. For these people, financial independence at retirement will never become a reality. Let's delve into why it is NOT advisable to plan your retirement around your children or your loved ones.

Why relying on your children and loved ones when you retire is a big mistake

- **It puts undue financial burden on them:** As your children grow, so do their financial responsibilities. They may now be taking care of their own young families in addition to accommodation, transport, health, debts and other costs. You do not want to put an extra financial burden on them as they strive for their own financial freedom.

- **Their financial future is uncertain:** Even if your children are financially comfortable today, you cannot predict their financial situation next year or in the next 5 years. In life, you hope for the best but prepare for the worst. Imagine how your life would be if they lost their jobs or fell into some bad debt. This should motivate you to prepare financially for your own retirement.

- **It creates the vicious cycle of children also not being able to plan for their retirement:** You may have been 'forced' to depend on your children (or loved ones) because you didn't plan for your retirement, but do you want them to also depend on their children? Unfortunately, you rob your children of the extra income they could be investing in their retirement fund when they have to cater for you in addition to their growing financial obligations. Show your concern for them by encouraging them to build their own retirement fund. They may not be as lucky as you to have their children around when they retire.

- **It limits what you can enjoy during your retirement:** One of the main reasons you should be concerned about your financial independence at retirement is for your own comfort. Depending on someone else ultimately limits what you can do. You may want to acquire new equipment or start a project but your child might see it as an unaffordable luxury. In the end, your retirement dreams will never materialize. More importantly, some of your needs may be neglected if the child lacks the resources to finance it. If you want to retire on your own terms, prepare for it yourself.

- **Taking care of your children is your responsibility; not a favour:** Seeing your children as your responsibility, not an investment (that you make today to reap later), is a huge step in changing how Ghanaian parents plan for their retirement. It is unfair to see your children as some sort of business venture or chickens who can lay golden eggs for you in your old age. Whatever your child is able to give to you should be a bonus to what you have already prepared for yourself; your life and livelihood should not depend solely on what they give you.

Plan for your own retirement

A financially independent retirement tomorrow depends on the decisions you make today. A great first step is to decide not to be a burden on anyone when you retire.

To achieve this, you need to actively secure an extra source of income to finance your retirement dreams. This is where your retirement fund comes in. When you commit to building your retirement fund, you will have extra money, in addition to your SSNIT pension payout. You can then use it to cater for all unforeseen occurrences or to pursue your dreams.

Talk to us at Databank today. We can help you choose the ideal retirement fund from our five (5) mutual funds. We will also help you to invest regularly so you can retire comfortably. Send us an email at info@databankgroup.com or call **0302 610610** today.

Retirement planning is easy with Databank.
Let's face it together!

You may be wondering…

How can I become less of a burden on my loved ones during retirement?

If you are already retired and are wondering how you can become less of a financial burden on your loved ones, you should consider ways to directly or indirectly save money. These include moving somewhere with a lower cost of living, starting a small business or even adopting a healthy lifestyle to reduce your medical costs.

Invest wisely. Invest with Databank.