Dos and don'ts of retirement planning

"The early bird catches the worm"
– Proverb

"Age 60 is so far away. I will start saving later", "I have more pressing needs now", "Why bother about retirement now? I'm still so young."

If you are more than 20 years away from retirement, planning for that period of your life could seem a little too early. Many people only begin to realize how close they are to retirement when they turn 50 and now want to take retirement planning seriously. Unfortunately, with less than 10 years to retire, you may not have enough time to build a retirement fund that can finance your dream retirement.

When should you start planning for retirement?

The answer is simple: as soon as you can. Ideally, you should start thinking about retirement when you get your first paycheque. After all, planning for retirement has many aspects: deciding when to retire, defining what a comfortable retirement means to you, contributing to your Social Security scheme and most importantly, building your personal retirement fund. It doesn't matter if your first pay comes when you are only eighteen; every paycheck is a reminder that there shall come a day when it will cease. Then you would have to survive on what you have stored up either through your Social Security contribution (which is hardly ever enough), gifts or your investments.

Why is it important to start early?

Investing, like many habits, is **better developed when started early and done over a long time.** Starting early will also **help you with a clear idea of how you would like to spend retirement** and how much you need to have when you retire. Also, you will **find out that your financial responsibilities tend to increase with time** (think of cost of children's fees, money for projects, taking care of other family members, etc.). This gives you less disposable income throughout the years, meaning less money available for you to invest.

But one of the greatest benefits of starting early is to take advantage of **the power of compounding.** This means two things: (1) you have more time to grow your investment significantly and (2) you would need to invest less over time to reach a target.

Let's say we all had an extra GHC 300 to invest every month from now until retirement (assuming an annual average return of 15%). With 10 years to retirement, you would make GHC 79,324 while someone

with 20 years would make GHC 399,427 and 30 years GHC 1,696,230. Again, if we all wanted to have GHC 1 million in our retirement fund at age 60, a 50-year old would need a monthly contribution of GHC 3,846; a 40-year old GHC 762.37 while a 30-year old needs to invest only GHC 180 every month.

Let's face your retirement together

At Databank, we are committed to helping you enjoy a comfortable retirement. Contact us on 0302 610610 or send us an email at info@databankgroup.com for any questions you have.

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

You may be wondering…

What if I'm running out of time?

If you are close to retirement and you feel you do not have enough saved up for a comfortable retirement, your best bet would be to increase your investment contributions. You could also explore contributing more towards Tier 3 of the SSNIT Pension Scheme, although there is a limit. It is illegal, however, to inflate your salary figure just to contribute more to Tier 1 and Tier 2. Rather look for a low-risk investment (like MFund) and try to save as much as you can. You may also see what other projects you can do on the side to earn some extra income to add to your savings. It is never too late to start. We can help you prepare. Let's face it together.

Invest wisely. Invest with Databank.

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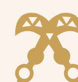

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