What will your future look like?

The importance of retirement planning

What will you be doing when you retire? Travelling the world first class? Eating out at expensive restaurants with your family? Or starting a philanthropic organisation?

Retirement is the period you are considered as no longer in active work. If you have not made any investments for this period, you would have to depend on monthly payouts usually provided by the Social Security and National Insurance Trust (SSNIT), handouts from children and other family members or continue working in order to meet your financial needs. Research shows that out of every 100 Ghanaians who retire, 2 can retire comfortably, 23 must continue working and 75 must depend on SSNIT, charity or relatives *(An Actuary's Review on Pension Reforms, 2005)*.

Here are some reasons why you need to consider retirement planning now:

First, **retirement may increase your cost of living or introduce new costs.** As you get older, you are more likely to grapple with health issues and this could increase your health expenditure. For some people too, retirement means losing out on benefits such as a company car or houses and you would have to spend money to acquire these things if there are no alternatives already in place. This is in addition to still having to pay school fees for children who are still in school or cover health care costs for an aging parent. These can make retirement very difficult for many people.

Another important reason for retirement planning is that **monthly SSNIT payouts are generally inadequate** for many retirees. As at January 2019, the average monthly pension paid by SSNIT was GHC 841, and since your retirement benefit is a percentage of your basic salary, you already expect to live on less than you were earning. The highest a retiree could receive at retirement is usually around 60% of his/her basic salary. This excludes allowances and other entitlements you may have enjoyed while working. This means that for someone who was earning GHC 3,000 (GHC 1,500 basic salary and GHC 1,500 allowances), you should expect a maximum of GHC 900 monthly after retirement. If your monthly expenditure was more than GHC 1000, you are already earning less than that and this could mean a major negative impact on your finances.

How can you prepare for retirement financially?

1 **Don't keep all your money in one account**

You should begin investing towards your retirement period in a retirement fund while you are still working. This fund should be separate from your other accounts, such as your emergency account or multi-purpose account. Your retirement account should generally be difficult to access and left to grow until after retirement.

2 **Don't build your life on loans**

Taking loans could derail your progress towards gaining financial independence at retirement. Although you may be building your retirement account through regular investment, if you have taken some loans, you may be forced to use some of that money to pay off your debt. And if you have the habit of deferring loan payment, you could have piled up a lot of debt when you are ready to retire. Compounding this issue is the new costs that come with retirement, and you surely do not want to spend your retirement paying loans you took while you were working. If you must get a loan, be sure to pay it off quickly to prevent the interest from compounding.

3 **Start investing early**

Retirement is a concept that people prefer to think about "later". But although it may be in the future for you, unfortunately, you cannot prepare for it when you get there. You must prepare for it well before it is time. Ensure that you have stored up enough to be able to live comfortably after retirement through consistent investing. When it comes to investment for retirement, no amount is too small as any amount is better than nothing at all. Another key is to authorise automatic regular deductions into this account to keep the investment growing.

Here is how much you could make on an investment considering how much you contribute and how long you contribute it for.

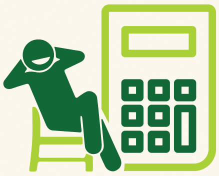
Years to retirement	Monthly contribution of GHC 50	Monthly contribution of GHC 100	Monthly contribution of GHC 500	Monthly contribution of GHC 1000
30	GHC 278,328	GHC 556,656	GHC 2,783,279	GHC 5,566,559
20	GHC 65,585	GHC 131,171	GHC 655,853	GHC 1,311,000
10	GHC 12,999	GHC 25,997	GHC 129,986	GHC 259,973
5	GHC 4,317	GHC 8,633	GHC 43,165	GHC 86,331

Notes to table: If you had 30 years to retire and you invested GHC 50 every month, you could have GHC 278,328 at retirement. However, if you had just 5 years and you made a monthly contribution of GHC 50, your investment could grow to GHC 4,317 at retirement, whereas a contribution of GHC 1,000 monthly would give you GHC 86,331 over the same 5-year period.

Calculation assumed an average annual return of 15%.

The table tells the story – the earlier, the better. But if you do not have the luxury of time, you could make up by contributing more towards your retirement fund.

This is where BFund comes in. BFund helps you to prepare for retirement by investing in a combination of equity and fixed-income securities to provide sustainable growth in your capital over the medium to long term.



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