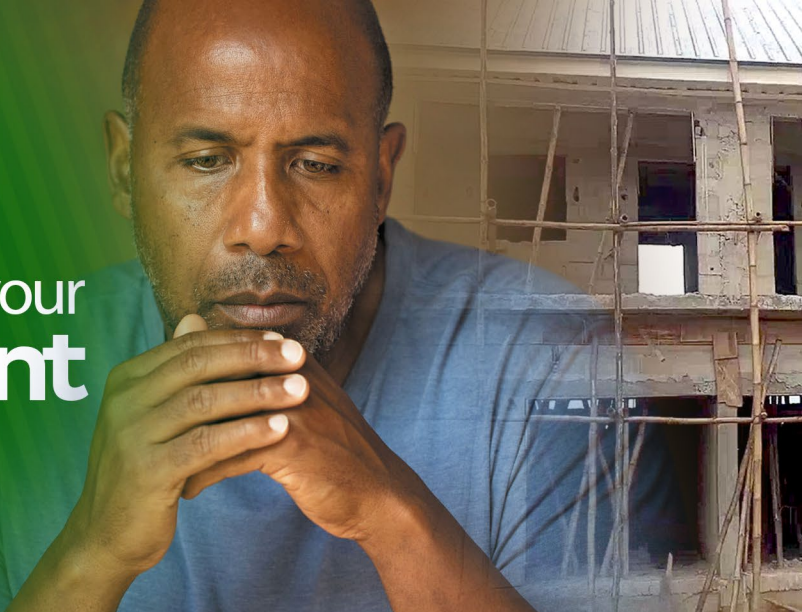


# 10 mistakes that could cost you your retirement



Many Ghanaians are caught off guard when it's time to retire. Instead of enjoying a comfortable retirement, they struggle to meet day-to-day expenses. This stress is caused by mistakes many of us make during our working years. But you can avoid the struggles in your retirement by identifying the common mistakes and taking the right steps.

## The 10 common mistakes to avoid

- 1 Failing to set a retirement goal** with a numerical target. It's hard to chase after something for 30 or 40 years if you don't have a goal you're reaching for. Setting clear goals such as having GHC1 million at retirement helps you focus more and know whether you are on or off track.
- 2 Putting off saving for retirement until later.** Many people believe they will get ample time for their retirement planning "later" while others believe retirement is far away. However, the earlier you start, the less you will have to put away on a regular basis to reach your retirement goal.
- 3 Not having realistic expectations about retirement expenses.** What standard of living would you like to have in retirement, compared with your current lifestyle? Will your house and car be paid for? Will you still be paying school fees for your children or taking care of your parent(s)? During retirement, expenses may change, but they won't go away so you need to factor them into your plan.
- 4 Keeping all your money in a traditional savings account.** Many Ghanaians are trying to build their retirement nest egg through a traditional savings account. Though possible, the interest on traditional savings accounts are generally well below inflation, which means your money will lose value over time and may not last as long as you would like it to during your retirement.
- 5 Combining your investments for retirement and other purposes in the same account.** Many people keep one account for everything: retirement, school fees, emergencies, vacation, etc. If you keep dipping into the same account to meet varied needs, you'll find your money may never grow at the pace you want to and you risk missing your retirement goal.
- 6 Wrong investment mix.** The wrong investment mix can happen when you don't match your investments with your time horizon (i.e., the amount of time before you will need to start withdrawing from the money) or risk tolerance (i.e., how you feel about fluctuations in your investment value). Get financial advice to ensure you are on the right track.
- 7 Carrying debt into your retirement.** You might have incurred debts throughout your working years for several reasons like acquiring a home, car or business. Although you may have the resources to pay during your working years, do not attempt to carry debt into retirement as it can reduce the length of time you can expect your retirement funds to last.

**8 Believing SSNIT pension will be enough to retire on.** An interesting article from NPRA in 2020 shared that many Ghanaians “live under a rather strange assumption that Tier 1 and 2 of Ghana’s 3-Tier pension system will be enough.” But those benefits are designed to alleviate poverty in old age, not make you rich in retirement. Very few employees take advantage of Tier 3, and often only at the directive of employers. Many retirees blame the government for low pension benefits, forgetting it is determined based on your contributions over your working life from your BASIC salary (allowances are not counted so be careful how you build your lifestyle around them).

**9 Cashing out instead of transferring your provident fund when you change employers.** When switching jobs, you have the option of transferring your employer-sponsored retirement account into another account or cashing out. Interestingly, most staff prefer to cash out their fund, which will set them back on their retirement saving journey and eliminate the benefits of compound interest.

**10 Thinking you will never retire.** Some people intend to move into consulting or start their own business as they move into retirement. While this is achievable, don’t bank on working long after retirement because the older you get, the more likely you are to begin to experience a decline in your physical and/or mental facilities. Consider what will happen if you eventually do want to retire and you don’t have enough money stashed away in a retirement account? It is always better to be prepared.

### 3 ways to take charge of your retirement

While the thought of preparing for retirement may seem scary, you can better position yourself for a comfortable retirement by following these three steps:

**1 Calculate your pension payment.** You will receive between 37.5% and 60% depending on several factors. The formula is (1) the average of your 3 best years of basic salary x (2) number of months of contribution x (3) your age at retirement. Visit [ssnit.org.gh](https://ssnit.org.gh) for more details about your pension benefits or to get assistance with the calculations. It is also critical that you regularly check your SSNIT statement to ensure that your contributions are accurately reflected.

**2 Determine your Retirement Number™.** That is the amount you need to invest regularly to achieve your retirement goal. For example, if you want GHC 1 million by age 60, you would need to invest GHC 89 a month if you’re 25, GHC 180 a month if you’re 30 and GHC 367 a month if you’re 35 (assuming an average annual return of 15%). That monthly amount is your retirement number. Use the [Databank Retirement Number Calculator](https://www.databankgroup.com) at [www.databankgroup.com](https://www.databankgroup.com) to discover your unique Retirement Number™.

**3 Match your investments to your risk tolerance and time horizon.** If you don’t have a lot of time to retirement or you don’t have the tolerance to see your account value going up and down, then stick with fixed income investments like MFund, Treasury bills or Bonds. A Databank advisor can help you choose the right investment mix. Call 0302 610610 to get help.

### Let’s face your retirement together

We will all retire someday. However, the quality of your retirement tomorrow depends on the quality of the retirement planning decisions you make today. Don’t let the thought of retirement scare you. Retirement planning is easy with Databank, so let us face it together. Call **0302 610610** or email us at [info@databankgroup.com](mailto:info@databankgroup.com) and let us help plan your dream retirement together.

**Invest wisely. Invest with Databank.**