



Dos and don'ts of retirement planning

(Do) Calculate your Retirement Number

Let's assume you are in your 40s and have decided to start investing seriously towards your retirement. You have identified your risk tolerance and already selected the ideal Databank mutual fund to use as your retirement fund. To further show your commitment, you want to sign up for Direct Debit to have monthly investment deductions made from your bank. But there is a problem: you don't know exactly how much you should be investing every month. GHC 100? GHC 500? What if that's not enough? GHC 2,000? What if that's so much more than you will need? This is where your Retirement Number comes in.

Your Retirement Number explained

Your Retirement Number is the monthly investment contribution needed to secure your dream retirement. To arrive at this figure, there are several factors to consider:

- **Current Age vs Retirement Age:** The difference between your current age and your retirement age (whether it is the government-mandated age or an earlier/later date) will inform how much money you need to set aside – the shorter the time frame to retirement, the more you may need to invest on a monthly basis to meet your needs and the more you may need to have invested to cater for a longer retirement.
- **Monthly income at retirement:** How much do you think you would need every month (in today's cedis) when you retire to live comfortably? Think of all the expenses you may need to cover at this time before you conclude on this amount. Consider whether you will still need to pay school fees for your child(ren) or whether you expect to be taking care of aged parents during your retirement.
- **Life expectancy:** We recommend that you plan for at least 25 years in retirement (assuming you live till age 85). However, it is important to look at your family history. If your family members generally live beyond age 85, then it is better to use the average life span of your family as a guide.
- **Retirement Savings:** When calculating your retirement number, first deduct the amount you currently have saved up/ invested already towards retirement so that your target amount is the difference of how much is left to invest towards your retirement. Note, however, that if the money you are attributing to retirement is sitting in an account that you dip into to take care of non-retirement needs, you need to immediately separate it and that is the amount you factor into your Retirement Number calculations.

- **Risk tolerance:** Your investment plan can never be complete without a risk tolerance assessment to check how you feel about fluctuations in your investment. It is critical to match your investments to your risk tolerance so that you don't make emotional investment decisions based on short-term market movements, which could cost you over the long term.

How to calculate your Retirement Number

- i Go to www.databankgroup.com
- ii Select "Tools" on the menu tab
- iii Click on "Retirement Number Calculator" under Retirement Calculators to begin

Alternatively, you can type bit.ly/myretirementcalculators in your browser or [click here](#) to get started.

After my Retirement Number, what next?

For our 40-year old friend at the beginning of this article, the Retirement Number is the amount he should indicate for his monthly deductions. Once you remain committed to investing this amount every month, you are on your way to securing a comfortable retirement.

If you have any questions about calculating your Retirement Number or retirement planning, please contact us at 0302 610610 or info@databankgroup.com.

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

You may be wondering...



Can I invest less or more than my Retirement Number?



If your Retirement Number is higher than you can practically invest, start with what you can afford, but keep the number in mind so that if you get excess cash you can invest it to try and close the gap. Alternatively, you can adjust your lifestyle expectations at retirement until you reach a number that is more feasible. You can also invest more than your stated Retirement Number as it simply means you will achieve your goal earlier or will have more "cash" to enjoy at retirement. Remember, the Retirement Number is meant to serve as a guide and is not a binding number.

Invest wisely. Invest with Databank.

