



Dos and don'ts of retirement planning

Don't depend on your pension benefits as your only source of retirement income. Invest towards it.

Statistics reveal that about 75% of Ghanaian retirees depend on SSNIT or handouts from loved ones for financial support or as retirement income. In this article, we will explore why this is not a good idea.

Many of us spend our working lives diligently contributing to social security (or a pension scheme) and look forward to the day we can finally enjoy this money. Unfortunately, many retirees in Ghana confess that their pension benefits are not enough to cover all their costs or for them to enjoy some level of financial independence. They wish they had more money in retirement to, perhaps, start a business, embark on a project or pursue a hobby.

What some retirees in Ghana are telling us about their pension payouts

"As for the pension, it's good. But my only problem is it's not enough for all my needs. My children are still in school and taking care of them with other needs can be very expensive" - Alex

"Sometimes, waiting for my pension makes me feel like I am living from hand to mouth. I don't think I will ever be able to start a business unless I ask my children for money." - Solomon

"My prayer every month is that there will be no surprises that require money or any emergencies because, frankly, I do not know where I will get that extra money from." - Gladys

What your Social Security contributions can do for you

The Social Security and National Insurance Trust (SSNIT) explains its primary role as "to replace part of lost income of workers in Ghana due to Old Age, Invalidity or Death of a member where dependants receive lump sum payment."¹ The Scheme currently pays monthly pension benefits to over 230,000 Ghanaians (as at July 2021).

The 'lost income' that is being referred to here is 37.5% - 60% of your basic salary, excluding allowances, depending on how long you contributed to the Scheme. This calculation is also based on your average best 36 months' (3 years') salary. Let's see how much you could earn on some incomes as pension benefit:

Basic monthly salary (excluding allowances)	Minimum monthly pension payout (37.5%) ²	Maximum monthly pension payout (60%) ³
GHC 800	GHC 300	GHC 480
GHC 1,000	GHC 375	GHC 600
GHC 3,000	GHC 1,125	GHC 1,800
GHC 5,000	GHC 3,750	GHC 6,000
GHC 20,000	GHC 7,500	GHC 12,000

For more information on the computation or your actual benefits, visit www.ssnit.org.gh

If you are like many Ghanaian workers, you probably earn a lot of allowances while your basic salary is relatively small. As allowances are not factored in the calculation, this could mean a major reduction in income for you meanwhile, you have built a lifestyle around the combined income of your basic salary plus allowances. Nonetheless, your pension benefits can go a long way to help you to gain some economic stability when you retire and you should ensure your employer contributes regularly to the scheme.

Why you should not solely depend on SSNIT for your retirement

- **There can be a lot of 'lost income' when you retire:** When you think of lost income, do not only think of what enters your bank account every month. Allowances for medical, transport, clothing, accommodation (to name a few) are all likely to stop once you retire from active service. You need to think about how you can financially make up for all these once you lose them and this could be very difficult with a pension that is less than what you used to earn.
- **New costs at retirement:** Healthcare is one of the major costs that many retirees have to grapple with. As you advance in age, it is likely that your medical bills will also 'advance'. With a reduced income (i.e., pension payout), you risk not being able to afford quality healthcare for yourself. Additional expenses could also spring up and this would create the need for extra income, which you will need to fund.
- **The risk of reduced quality of life:** Let's assume you used to earn a monthly income of GHC 5,000 – basic salary of GHC 2,000 and GHC 3,000 being allowances. After retirement, you now receive GHC 1,200 every month as pension benefits (60% of your basic salary). Undoubtedly, moving from GHC 5,000 to GHC 1,200 will have a serious negative impact on your life. You will be forced to cut down on your expenses or live below a certain standard and this not only affects you, but your loved ones also. What's more, you may never be able to realize your retirement dreams

Invest towards your retirement

You can build your retirement fund today to raise that much-needed extra income when you retire. Your SSNIT benefits will help but should not be your only income plan at retirement. Investing towards your retirement can help you look forward to it with confidence.

At Databank, we are ready to assist you invest towards your retirement and generally prepare for that phase of your life – from discovering your Retirement Number, to choosing an ideal investment and setting you up on a consistent investment plan. Get in touch with us via phone at **0302 610610**, WhatsApp at **0577 289133** or email at info@databankgroup.com.

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

¹Source: <https://www.ssnit.org.gh/about-us/ssnit-at-a-glance/>

²Based on 15 years or 180 months

³Based on 35+ years or 420 months



 **0302 610610** | www.databankgroup.com

 **Databank**
Leadership