

FIVE YEARS BEFORE | 24 June 2014

Go boldly into your Golden Years By Leia Parker



Heading off into the sunset of your work life? Be prepared. (AFP/Getty Images)

Despite a long career spanning more than 40 years, Latifah Merican Cheong wasn't done with work when she retired.

“It is important to me that I am useful,” said Merican Cheong, who worked at the World Bank and Malaysia's Central Bank. She now takes on advisory projects for the International Monetary Fund, World Bank and United Nations agencies, earning some pocket money in **retirement**. She also volunteers.

Rising costs, longer life expectancy and reduced benefits mean planning for retirement is more crucial than ever. According to HSBC, 38% of retirees in a global survey of more than 16,000 people said their income in retirement was less than they expected, with more than a third of those people attributing this shortfall to not planning enough for retirement. Many people also don't take time to really think about what a retirement lifestyle might look like.

The years just before retirement can be important ones for making sure you are on track financially, emotionally and professionally to go boldly into your golden years. While not

everyone has the financial savvy or resources of a former central banker like Merican Cheong, all is not lost if your plans fall short as your retirement date looms. Here's what to do with five years of work ahead of you.

Five Years to Go

Now is the time to pull together a projection of your living expenses in retirement and to assess how much you might expect from pensions, retirement savings accounts and part-time or consulting work you plan to do in retirement.

Look at your statements and put together a realistic monthly income amount. Then compare it to your current expenses and family budget. Consider what you won't need any longer once you retire. For instance, do you spend \$150 per month on dry cleaning clothes you'll no longer wear when you stop working? Delete that expense from your model retirement budget. How much less might you spend on petrol each month when you no longer commute by car to work?

Create a realistic budget and compare it to the income you know you'll have in retirement to get a sense of how big a gap there might be — and what you need to do to fill it before you retire or in retirement.

Free online calculators are available from banks and from the US-based nonprofit AARP. Many banks help customers set retirement goals free of charge, while certified professionals will charge a fee for a detailed plan, said Jamal Mahmood, a certified financial planner at Access Wealth Planning, LLC, in the United States.

In developing nations, such as the Philippines, government retirement benefits can be too meagre to live on, so many people rely on their grown children for support, said Layne Sisk, who lives in the US but serves as chief executive of Server Plus, a call centre and data-entry firm in Manila.

Extended family plays a far more important role in retirement security in East Asia than in the West, but that is changing, according to a Center for Strategic & International Studies survey in 2012.

American Cheong said she and her husband prepared, so they don't have to ask their sons for money. "We are very conservative in terms of financial management and cutting your dress according to your cloth," she said.

Private retirement schemes are catching on in some Asian countries to boost government-managed pensions, or for the self-employed who aren't required to contribute to state plans, said Ahmad Zakie bin Ahmad Shariff, former chief executive of the Federation of Investment Managers Malaysia. He retired about a year ago.

Do you have a target date for retirement in mind, even if it's not set in stone? Having an idea of when you'll retire will help you correctly position your assets to reduce risky investments while earning enough to meet your projected expenses.

"More important than the age you retire at is that you live a comfortable life when you do," said Shariff, who also serves as a founding director of Private Pension Administrator Malaysia, central administrator for Malaysia's nascent Private Retirement Scheme.

Checklist: Five Years Before

- Develop a projection of retirement income, assets and expenses
- Set a retirement-age target, even a flexible one
- Ensure assets are correctly positioned

Four Years to Go

Half of retirees surveyed by HSBC in 15 countries during 2012 and 2013 said they have cut down on everyday spending, while 22% said they believed their health would deteriorate during retirement. That's one reason it's important to begin to think about caring for yourself when you're no longer working. Start curbing some of your expenses, particularly if you're a bit off your retirement saving goals.

Medical costs may take up a larger proportion of your income as you age, so now is the time to research health insurance and medical care plans for the future. It's also smart to address any minor health issues now if you have a comprehensive care plan, before you're paying more of the bill.

Lee Choon Heng, a retired engineer in Malaysia, said hospitalisation coverage provided by his employer ended when he retired in January. Then in February, he suffered a stroke, which postponed his plans to travel more during retirement.

You should also think about housing considerations well before retiring. Determine whether climbing stairs in a two-story house will remain sensible as you age, whether to sell and downsize, or whether to set aside money for ongoing home repairs and modifications. If you want to modify your home, it is easier to get a loan to do so while you are working.

Review annually how much you have set aside in government programs, such as US Social Security or Malaysia's Employees Provident Fund, and when to begin receiving benefits. For many, this can be a moving target.

Malaysia last year raised its minimum retirement age to 60 from 55, said Lee Ching Wei, founder of the iMoney comparison website for Malaysian financial products. While that age remains lower than the retirement age in nearby Singapore, it is on par with Thailand, Indonesia and for men in Vietnam, he said. Many European countries also raised the retirement age following the global financial crisis.

Checklist: Four Years Before

- Ensure medical costs will be covered
- Think about housing considerations
- Determine when to begin receiving state pension payments

Two to Three Years to Go

Jim Pelosi, a retired US Army officer who owns investment properties and receives a "respectable US government pension," suggested people pay off debts and try to live on their retirement budget in the few years before they stop working. The point: you should be able to cover expenses with your projected retirement income, he said.

"Practice living as if retired," Pelosi said. "Does it work?"

Keeping physically fit leading up to retirement can also help guard against rising medical costs in retirement, he said.

“A potential retiree should glide, not fall, into retirement,” Pelosi said.



Are you ready for your golden years? (Pascal Le Segretain/Getty Images)

Now is also the time to consider whether to continue with some form of paid work in your golden years. Reducing hours, switching to consulting work or turning a hobby into a new business can shorten the duration that you'll need your savings to live. It can also keep you mentally engaged — a boost for a longer, healthier life.

Be sure to find out the laws about how much you can earn while drawing on a government pension or other retirement scheme in your country.

“Extending working years, whenever we look at the projection, it makes the biggest difference,” Mahmood said.

Checklist: Two to Three Years Before

- Do a trial run, living on your retirement budget
- Pay down any outstanding debt
- Consider career goals, part-time or volunteer work

One Year to Go

A retirement plan should not be static: Re-evaluate it and update it just before retiring and afterward.

If you have excess savings, you may decide to spend more on yourself, make gifts to family or charities during your lifetime, or receive qualified help with estate planning, Mahmood said. Meanwhile, if you see a shortfall, setting more money aside in the lead up to retirement instills the discipline to live on less money, he said.

As you re-evaluate your retirement income and assets, experts recommend making sure your money is in investments that are less risky than those you might have held during your working life. Yet, not so safe that you won't earn high enough returns, causing you to end up running short of money down the road, Mahmood said.

"If your retirement horizon is 25 years — meaning if you retire at 65 you could live to be 90 or more — then you want to be sure you're earning a good enough return, or it's going to be very hard to extend them long enough," Mahmood said.

Typically at this stage of your life, you want to be investing less in stocks and have more of your savings in bonds, real estate or cash, Lee said.

Meanwhile, retiree Shariff is crossing new adventures off his bucket list. He has ridden a dhow — a traditional sailing vessel — down the Nile, and glimpsed a pride of lions from the safety of a hot-air balloon floating over Kruger National Park in Africa.

"Retirement is not being old—it's being bold, deciding what you want and then doing it," Shariff said.

Checklist: One Year Before

- Review and update your retirement plan
- Consider spending more on yourself during retirement or gifting money
- Share retirement plans and insights with friends and close colleagues