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Retirement Planning

1) What types of expenses can be lowered or eliminated during retirement?

Before your retirement, paying off all the debt and mortgage loan can lower a huge part in your monthly expense during your retirement. Since you will not be working anymore, your tax expense will also be lower from less income you receive, you will be able to eliminate your working expense, office social expense and professional clothing expense.

2) What types of expenses might increase during retirement?

When you retire you will have a lot of time to spend on traveling expense, entertaining expense and socializing expense. As you getting older, your medical bill will increase along with your insurance expense since the company will no longer provide you any insurance anymore. Housing expense will also increasing, you will need to hire someone to look after your house for some task that you can no longer do it anymore.

3) Explain the difference between a defined-contribution and defined benefit plan.

Defined Contribution Plan

Defined Contribution Plan helps employee accumulate retirement savings during their active career. Employee and employer contribute a set percentage of the employee's salary and employee decides how their money is invested. At the retirement, It is not certain the income will last for life but employee may be able to purchase an annuity

Defined Benefit Plan

Defined Benefit Plan provide members with lifetime retirement income. Member and employer contributions are invested in a pension fund. Professionals manage all investments to protect plan members. After retirement, once member start receiving their pension, they receive it for life. Defined benefit plan usually more beneficial to employee.