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Retirement Planning

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

   1.1. *Reducing the size of your home*
   Normally, when children are getting they tend to move out from their parents' home, thus, their parents (retirees) are no longer need for house with several bedrooms anymore. Considering a down-sized home will contribute more on your available fund during retirement.

   1.2. *Moving to less-expensive neighborhood*
   Good location or near your workplace may be one of the most important factor in deciding which house they would like to purchase. Normally, most of desirable places are quite expensive due to high demand. However, when they get retired they have no more reason to live in those areas and spend comparatively higher than other places. So, moving out to less-expensive area can help the retirees to save their costs.

   1.3. *Planning for uncertainty expenses*
   Retirees, normally older people, tend to face with unexpected and large expense of medical care. Sometimes, they do not even know that they have some serious disease until they discover when it is too late or require large amount of money to cure. Thus, planning ahead to prevent yourself from this kind of situation will likely to help retirees better manage or spend less money during retirement, which you earn no income.

   1.4. *Considering whether you still need existing vehicles*
   Most of people, when they are in working ages, they and their spouses tend to have their own cars. However, after retirement, most of their time will be spent in your house or both of them tend to hang out together. Thus, to reduce the costs, they can reconsider to sell cars to have only one car left to have more available money in spending and also reduce the related maintenance costs.

2. What types of expenses might increase during retirement?

   2.1. *Renovating your houses*
   When retirees were still at the working age, they tended to spend quite only a few hours at their home but when they retire they tend to spend more. Together with changing in physical health, they need some special-designed tools for people with their ages. For example, they need to renovate the bathroom's floor to prevent them from slipping.

   2.2. *More Traveling*
   Particularly in the early years, retirees tend to spend more in leisure as a reward after long years of working. They have chance to go places where they always want to see but never have time. This can result in skyrocketing expenses during retirement.

   2.3. *Health Care*
   As retirees are getting older, they tend to have more diseases. Some of them are chronic problems, like diabetes, which require both large and continuous funding to cure. Or other diseases like cancer require a sudden huge amount of money for treatment. Thus, the retirees who have not noticed about their health problems and planned for their financial stability in the future may experience high spending in healthcare

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

A defined contribution plan specifies *how much money will go into a retirement plan today*. The amount typically is either a percentage of an employee's salary or a specific monetary amount. Then, those funds often are invested in mutual funds available inside the retirement plan. The amount you have at retirement depends on how much your employer contributes to the plan, how much you as the employee save in the plan, how long you leave those funds invested, and how well your investments perform inside the plan.

On the other hand, defined benefit plan identifies the *specific benefit that will be payable to you at retirement.* Your basic retirement benefit is usually based on a formula that takes into account factors like the number of years a participant works for the employer (years of service) and the participant's salary. A retirement benefit is generally provided in the form of regular payments over your lifetime beginning at normal retirement age. This stream of periodic payments is generally known as a pension or sometimes called an annuity.