Anuthida Vattanasiri 5704640076

Retirement Planning

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

The first types of expense that can be lowered or eliminated during retirement is the cost associated with working, for example the you don’t need to buy clothes for work or you don't need to go to work so there is no cost of transportation or you spend less on eating out. Another cost that can be lowered or eliminate is credit card cost. Now as you work all your life you can earn or get most of the things you want so you don't need to spend a lot or buy something you don't really need. During retirement your income is lower so these kind of expenses should be cut down. Last but not least, Tax expense will be lowered during retirement because you have love income means a lower tax expenses.

2) What types of expenses might increase during retirement?

Expenses that might increase during retirement is health care expense which ,in the present day, should be highly increase. During retirement you are old and weak and you might have some disease so there is cost associated with the sickness you get. As people are getting older they would think about the thing or opportunity that they have missed. These thought leads to travel expense or any expense of the things they have missed. The cost of travel will be surely increasing during retirement period and the cost will be more than the working period because you are old now and you need a good facilities to support your conditions.

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

Defined benefits plan is employer-funded pension plan where employer provided employees benefit from working with the company which could be calculated by factors like salary or the length of employment in the company. This could be a certain percent of your salary. This kind of employer-funded pension plan has a restrictions on when and how you will receive benefits in the future. Employer bear risk on this kind of plan because the payouts depend on the return of the investment of the fund or we can say that employers bears investment risk for the plan.

Defined-contribution plan is a retirement plan that both employer and employee contributed a certain amount of money is set aside for the employee each year for example a provident fund. The amount of contributions are fixed but the benefits are vary. The amount of benefits depends on the return of the fund. This kind of plans the employee bear all investment risk.