

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

For the retirement, it is the age that you do spend less time for working or stop working. But the problem is you may not have income but you still have to use money in everyday life. So, for the retirement man, they must lowered or eliminated some expense that in not necessary for their life. There are many types of expense that they should lowered or eliminated such as a transportation, credit card, insurance, and clothes.

For transportation, senior citizen tends to go outside less that the younger because they do not have to went to work or study anymore. So transportation expense is also the cost that they must be lowered.

For credit card, old men should not create the debt for themselves. They should buy a product or service that they can afford because it may be a trouble later if they have a debt in the period that they may not have income anymore.

For insurance, it should buy it before you have retired to ensure that they will get a compensated income for their family in case the unexpected events occur. But as the older you get, the less important it becomes to focus your attention and money on life insurance plans. So after retirement, this expense should be lowered.

And for clothes, older man tends to stay home more than younger. They do not need to dress variety too much and they are not the age that goes shopping for clothes. So expense for clothes is another one that they may lower.

2.) What types of expenses might increase during retirement?

Same as above, retirement is the age that you do spend less time for working or stop working. Although you may not have an income, you have to spend in everyday life. So, there are many types of expense that might increase during retirement such as travel, facilities, health care, and household help.

For travel, many retiring man want to do all the traveling that they never had enough vacation time for while working. So they tend to spend for travel cost.

For facilities, old men have less power or weaker body than before. So they may need to buy some facilities to make their life easier.

For health care, as you get older, your body will seedier than before. So retiring people tends to have more expense for health care.

And for household help, old people may need to hire help with household work that you do not want to do it yourself such as cooking, cleaning, security guard, etc.

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

The defined-contribution plan is a funded primarily by the employee with the employer matching contributions to a certain amount. But for defined benefit plan, employers guarantee a specific retirement benefit amount for each participant of a defined benefit plan that can be based on the employee's salary, years of service, etc.

For the difference between these 2 plans, there are 3 main issues.

Defined benefit plans avoid longevity risks. An individual investor in a defined contribution plan needs to plan for a long life expectancy, and must save at a rate that ensures that their funds will last well into their nineties to avoid running out of money. Defined benefit plans save for average life expectancy. As a result of this longevity risk pooling, defined benefit plans achieve a 15% cost savings over defined contribution plans.

Defined benefit plans can maintain an optimal asset allocation. Financial advisors urge individual investors to make higher risk investments with higher returns when they are younger, and shift to lower risk investments with lower returns as they age so their funds will last through their retirement. But because defined benefit plans do not age, unlike the individuals in them, they are able to take advantage of the enhanced investment returns that come from a balanced portfolio over long periods of time.

Defined benefit plans achieve higher investment returns. Professional management and lower fees result in a 1% annual increase in investment returns over an individual's career. That amounts to a 26% cost savings for defined benefit plans over defined contribution plans.