

Retirement Planning

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

- Child expense: as they can rely on themselves
- Commuting cost: you do not have to spend oil and gas or transportation cost to work anymore
- Professional clothing: do not have to keep up with the trend or new work cloth
- Paying full price: many public places or services reduce the price for the elder
- Peak travel cost: we have time to travel at low season which will enjoy the low price rate
- Unnecessary fee: investment cost, review your portfolio
- Tax rate: when income decrease tax rate decrease

2. What types of expenses might increase during retirement?

- Healthcare: you do not know about your future health anything can happen
- Traveling: after long working life, it is time to travel
- living expense, Entertainment, Socializing, household help, grandchildren

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

Defined benefit plan: is the benefit that employees will receive at their retirement but they will receive this benefit only they work with this company until their retirement. Nowadays, defined benefit plan least seen in Thailand as it is quite a huge cost for the employers. We can find this type of benefit in the government organisation such as BOT. This type of benefit create the employers risk because they do not know how much the health care cost for one employee that may has severe disease. Employees will be risky if the company was defaulted. This benefit can not be transfer to other company if you move workplace before retirement. To make this defined benefit plan company have to come up with a very good model to run the efficient financial plan.

Defined-contribution plan: the employer transfer their risk to the employees in defined contribution plan as they using provident fund as a tool to pay the employee benefit and let the employees manage their own retirement money plan. Employer will only pay fixed amount of money 3%-5% of salary to fund. This way is more save cost for the employer. This will benefit employee by they can transfer the benefit to other company that they move in to.