Parita Varanusart
5904640090

Retirement Planning

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

Income tax expense

As you retired, you will not receive income or received less. Hence, your income tax expense would be decreased.

Apparel expense

You may going out less, those fancy or luxury clothes and accessories become less necessity.

Housing Expense

As mortgage declines, your housing expense would also be reduced.

Working Expense

When you are on retirement you would not work and therefore, travel less and eat at home more.

2) What types of expenses might increase during retirement?

Medical Expense

We tend to get sick and injured easily as we become an elder. Also, Recovery takes more time. We have to pay extra for this age.

Leisure Expense

What would you do when you are no longer employed and reached the retirement stage? It is a right time for leisure. You might want to tone that muscle, get that fat off or doing something fun and sociable like exercising or playing sports like golf.

Insurance Expense

As you lose that monthly income, paying for insurance becomes substantial. Moreover, At this phase of life, your age is more likely to get sick and injured than others. The risk of getting sick easy would drives up the cost of insurance.

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

Defined Contribution Plan

Both employee and employer contribute specific amounts yearly. When it comes to retirement, employee spend those amount to purchase an annuity.
This is more favorable to employers as their obligation is known.

Defined Benefits Plan

Employer predetermines pension payment based on the formula Average of salary, years of service and age of retirement will take into account for the calculation.
Employer has to ensure that the pension is enough to fund promised benefit
This is more favorable to employees as they will absolutely have a pension.