Ananya Seatamanoch
5704640043

FN281 Assignment 6

Retirement Planning

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

   Assuming I have no responsibility on my children anymore as they are full-time employees. I bought a house when I was 30 years old and have a home mortgage loan for 20 years. Also the older I am , the more simple lifestyle I have.
   Expenses can be lowered are mortgage principal payment, tax payment as I have lower income, children care expense, the personal expenses such as shopping costs.

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

   The main expenses that might increase during retirement are medical costs, insurance premium, vacation expense, and other expenses.
   In general, my expense in total would rise annually by the inflation rate that I have in my mind.

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

   The differences between these two are:
   A defined-benefit plan: A firm or the government promises to give employees benefits after retirement such as medical expenses, a fixed amount of income, etc. The firm or the government is a risk bearer. It is a non-contributory, the employees cannot resign until they retire, otherwise all benefits would be voided.
   A defined-contribution plan : an employee is a risk bearer, the employer already put upfront money into the fund, the benefits for retirement depends on the fund management.