

Retirement Plan

- 1) What types of expenses can be lowered or eliminated during retirement?
 - Mortgage - since people is likely to already paid off the mortgage before retirement.
 - Commuting cost - travel less than before since you used to go to work 5 days a week, but after retirement, you do not have to go to work.
 - Taxes - less income means less tax or you might not have to pay at all after leaving job.
 - Groceries - by the time you retire, your children might already moved out so this cost will be decreased.
 - Living cost - this can be reduced by moving. Since Bangkok has the highest living cost in Thailand so, you may consider Chiang Mai, Hua Hin or Rayong that have lower living cost and well reputation hospital such as Bangkok hospital located nearby, to stay after you retirement.
 - Senior discount - you will get senior discount for such as movie tickets and etc.

- 2) What types of expenses might increase during retirement?
 - Medical expenses - health condition is cannot foresee. Getting older might lead to worse health condition.
 - Travel, leisure and social activities - you'll be more free and have more time to go to travel after you retire so you might entertain yourself. But, you'll be free to travel off-peak time and manage travel cost more effective.
 - Dental expenses - dental problems may arise
 - Household help - as you are getting older, you may need assistance with physically to help you maintenance your home.
 - Electricity bill - since you have more time to stay at home so you probably turn on the air conditioning all day long so the electricity bill goes up.
 - Health insurance - when you get older, you might not have enough fund to support your medical expenses as it goes up so you need to purchase health insurance that will cover your medical expenses.

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

The thing a defined-contribution plan and defined benefit plan have in common is that both of the plans are pension plan, but it works differently.

A defined-contribution plan is a retirement plan that specified amount of money contributed to it by a company and employee. The amount will specify in percentage of employee's salary or in a dollar amount. Then these fund will be invested in mutual fund available inside retirement plan. The amount that employee at the retirement will depend on how well the employee locate the investment and how well it perform, how much does the employee save in the plan, how long does the employee leave the fund to be invested, and lastly it depends on how much does the employer contribute to the plan. Furthermore, this type of pension plan has less risk for the employer.

A defined benefit plan is the retirement plan that specify the amount that employee will get. It will depend mostly on employer, the employee has little control until they receive it. The amount that the employee will receive based on how long they work there and the salary that they earn. For the risk, the employer will be the one who bare the risk since the employee does not have to contribute to it.