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Assignment 4

1.What types of expenses can be lowered or eliminated during retirement?
Ans After retirement, the retired persons might not receive the regular income as they worked anymore, so they have to expense lower than before. The first thing that they can cut is credit card expense because there is a risk, if they cannot find the income to pay for their credit card debt. Secondly, the next expense is insurance expense. They should have the insurance before they retire because, after retirement, most insurance company will not allow those retired persons to buy the insurance and, at the same time, persons who used to rely on will become less rely on since they can live on their own and take care of retired persons instead. Thirdly, travel expense is the expense that retired persons should have accounted at the first place before they retire, so, after retirement, they should reduce this expense because it's not necessary. Fourthly, gambling is another thing that should avoid because it has high risk and it's not suit with the age of retired persons. Fifthly, they can reduce the food expense as well because the more they get older, the more they have to concern about their health, so it's a good time to reduce the junk food expenses and eat what it's good and necessary. Lastly, technology expenses should be looked closely every time before decide to purchase thing online because it might necessary.

2.What types of expenses might increase during retirement?
Ans Firstly, travel expense might increase because, after retirement, retired persons might want to spend their time on vacation and if they aren't being able to control or well planning, it might lead to the huge expense. Secondly, as I mentioned earlier about the vacation, retired persons are willing to take any hours for relaxation, so this might lead to the increasing in entertainment expense. After they retired, they might not have conversation with many people as they used to be, so the socializing expense might have occurred. Fourthly, as they get older, there will be the increasing in heath risk, so the health insurance premium will rise as well. Moreover, as the same reasons for health insurance premiums, there will be the increasing cost in healthcare expenses. Sixthly, since they get old, they cannot do all housework by themselves, so they need to hire someone and this will increase the household help expense.

3. Explain the difference between a defined-contribution and defined benefit plan.
Ans Both plans are designed to provide retirement income. For defined-contribution plan, the employee must put the money into the fund, along with the money from employer. For example, in Thailand, if employee pays 2% of his/her income, employer must pay at least 2% of his/her employee. This kind of fund allow no obligations to the employer because the payment is depending on employee. However, defined benefit plan is the retirement plan that employers specify the retirement benefit amount. The amount might depend on the employee's salary, years of service, and etc. The risk bearer of this plan is the employers because they have to make sure that they can achieve the specified benefit amount.