Apimuk Chanpiriyaporn 5904641320

Retirement Planning

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

Ans: Fixed Expense: such as income tax expense, transportation expense (for working) etc.

Because of retirement, there aren't any working income and also cost for working.

2. What type of expenses might increase during retirement?

Ans: Variable Expense: such as medical expense, vacation expense etc.

Because of aging, there are not only some cost for medical but also cost of time usage while no working time such as vacation tour.

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

Ans: A defined contribution plan: 1.Both employee and employer are contributed amounts for each ear.

2. At retirement, employee uses pot of money to purchase an annuity.

3. Preferred by employers because their obligation is known.

A defined benefit plan: 1.The calculation for employee's benefit would be received at retirement.

2. Employer is usually responsible for ensuring there is enough in the pension to fund promised benefits.

3. Employee is better off. (Pension is usually better)