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FN281 Assignment 6 : Retirement Planning

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

1. You will have lower tax expense as their have less or no income.

2. Mortgage can be reduce as you already pay up your debt in caae you decide to stay at the same place as before.

3. Social cost. When you get involve in working environment, you might have to pay your meals out with your college or other cost that you might have to spend for relationship building and connection

4. Professional clothing or fashion

5. Child expense will drop as at this age most of the retire people kids already graduate. So, they may no longer be feeding and clothing their kids.

2) What types of expenses might increase during retirement?

Retirement is a costly endeavor, and our expenses won't be the same as we were during our working years. While we'll lose the expenses associated with commuting and maintaining a professional appearance, we will likely shell out more for healthcare and extracurricular activities. So, here are 2 main cost that I think will increase during our retirement.

1. Health related expenses. The main expense that increase during retirement would be the cost associated with health issue, especially in their later years. Even if you have good health insurance, you'll likely face increasing out-of-pocket expenses for medical procedures and tests, as well as both prescription and non-prescription drugs together with dental expense.

2. Travel expense. As retire people have the leisure to go places where they have always wanted to see but never had time for when they were working and perhaps kids.

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

Employer-sponsored retirement plans are divided into two categories of plans: defined benefit pension plans and defined contribution plans.

1. Defined benefit plans(pension) : Employers guarantee a specific retirement benefit amount for each participant of a defined benefit plan, which can be based on the employee's salary, years of service or a number of other factors. Employees have little control over the funds until they are received in retirement. Typically, members and employers contribute a set percentage of the member's salary.

2. Defined contribution plans : Member and employer contributions are invested in a pension fund and used to pay the member's lifetime pensions.