



How Much Do I need to save for Retirement?

One key question is on everyone's mind when thinking about retirement is how much do I need to retire. When discussing retirement planning people expect to be told exactly how much they have to save or invest to have a comfortable retirement. This simple question does not have a simple answer as there are a number of factors that would dictate the amount of money needed to retire. Key among these is the type of lifestyle that the person is accustomed to. Some critical areas must be considered in order to provide some indication as to how much you would need.

How do you foresee your retirement?

The type of retirement you envisage will dictate the amount of money you would need. If you want to use your retirement years for travel and vacationing then you will have to increase the amount that you save or invest for retirement. This may mean lowering your standard of living today to enjoy your retirement tomorrow.

What is your present salary?

The amount you save clearly correlates to the amount that you earn. It is wise to save as much as you can from your salary to supplement your retirement income. This may be hard but with adequate budgeting and planning one can realize significant savings. It must be noted however, that the amount you save will dictate your lifestyle at retirement.

How much will you get from NIC?

Based on your present contributions and future payments it is possible to get an estimate of the amount that you will receive from NIC. Using that figure you can now calculate how much more you will need after subtracting expenses and allowing for increases in the cost of living.

When will you retire?

The younger you retire the longer you will live in retirement and the more money you will need. Therefore you will have to save more. If however, you retire later then your retirement years will be shorter and you would have saved more. For most people the best bet would be to retire later if possible. There are however, unforeseen factors which may sometimes militate against putting off retirement. One such factor is illness; the quality of your health will dictate the length of time you spend in the labour force. The increasing incidents of such lifestyle illnesses have forced many people into early retirement.

How will you invest?

Adopting an aggressive investment style that is investing in high risk instruments can reap huge rewards. However, because the risk is high there is always a possibility of losing the investment. It is always wise when investing to have a diverse portfolio, which

would reduce your exposure somewhat. Another rule of thumb would be to seek financial planning advice before embarking on any investment opportunity.

How much have you saved already?

The younger you are and the more you have saved to date means that you will need to save a lot less in the future. This does not mean however, that you should cut back on your savings. It is therefore important that the habit of saving begins early. For people just out of school this is the opportune time. However, it is never too late. When discussing savings it is important to note the time value of money. One hundred dollars today may be worth fifty dollars thirty years from now. So what you can purchase today with one hundred dollars may not even afford you the same when you retire.

Retirement planning is an essential aspect of life. Saving for retirement is very important as one is always faced with uncertainties. As we age medical costs become frequent and the actual costs are increasing. Your quality of life greatly depends on your finances and how you manage them. To find out more about retirement planning and the RRIA call the Wealth & Asset Management Division of Bank of Saint Lucia at 456-6000.