

ERRR... WHAT RETIREMENT?

THE RISING COST OF LIVING AND THE DESIRE TO KEEP UP WITH THE LATEST TRENDS ISN'T DOING ANYONE ANY GOOD. **VASENTA SELVANAYAGAM** REVEALS A FEW MUCH-NEEDED TIPS ON WAYS TO SAVE CASH FOR YOUR LATER DAYS.

A few months back, I decided to meet up with my BFFs for coffee. After placing my order at the counter, I passed the lady a RM20 bill to pay for my cuppa. She looked at me and said that the cup of latte I just ordered was RM35. I was shocked but of course, was too embarrassed to cancel my order. I cursed myself for not checking the price before placing my order. But it also got me and my GFs complaining about how difficult it is to enjoy the simple things in life without enough money. One of my peeps who is a financial planner popped the question: how much have we saved up for our retirement? We all went blank. Retirement, errr... us? We're just starting our working lives; there's plenty of time to think about retiring, right?

The question of saving for retirement continued to bug me. Were my friends and I the only ones so ignorant about this subject? I decided to ask this question to a few random people I met along the way in the mall, between the ages of 20 to 35, and these were some of their responses:

"Nope! I'm still young. I can start doing that once I hit 40." – **SALLY NG, 29**

"I have my normal savings. Does that count?" – **CHEW LAI YIN, 30**

"I'm still in debt as I need to pay off my PTPTN and my car loan. Only after I've managed to buy a house will I think of my retirement." – **INDIRA RAHMAN, 25**

"Life is short. There is no point working hard and not rewarding yourself. I believe my retirement is sorted as I have my EPF savings. So for now, I'll just go with the flow." – **NG BOON PIN, 35**

"Hmm... I believe my parents have that sorted out for me already. They're rich and I'm sure they'll pass me their wealth, which I can use for my retirement." – **MARY ALFONSO, 37**

Listening to their response, I was quite relieved that I wasn't the only one who hasn't given the matter some thought. But it also got me thinking about this simple equation: if I was able to spend RM35 on a cup of latte, how is it possible that I don't have enough to save for my retirement and how much is a cup of latte going to cost when I hit 60?



MALAYSIANS' COMMON MISCONCEPTIONS ABOUT RETIREMENT

As much as most of us envision ourselves to be happily away on a holiday at the beach when we hit 60, the truth is that we aren't going to be able to achieve that if we don't start working for it now. We spoke with Kelly Wong, a certified member of the Financial Planning Association of Malaysia and CEO and Licensed Financial Planner with Blueprint Planning International Sdn Bhd, and here's what she says are the common misconceptions Malaysians have about their financial situation when they retire.



Theory 1:

EPF is enough for retirement

Kelly Wong: "We work hard for about 30 years to earn our money (between the ages of 25 to 55). 89 per cent of our salary is sometimes just enough to live moderately. With rising inflation and the increasing cost of living, we would be having merely 23 per cent of our salary in our EPF. What most people fail to realise is that as they age, they'd have to deal with medical needs and long-term care as well."

Start acting!

After speaking to Kelly, I started to do the math and it hit me real hard that if I don't start acting now, chances are that I might be working until the age of 90 to support myself! For starters, as advised by Kelly, I opened a new bank account without having an ATM card for that account. Putting aside my other savings and commitments that I have to pay, I still make it a point to set aside 20 per cent of my salary in this new account without fail. The thing is that when you set aside the cash at the start of the month, you tend to forget about it and you'll eventually make do with whatever remaining cash you have for your daily expenses. I also listed down at what I age I plan to retire, worked out the amount of money I'd make by then, how much I would need for personal use and added 50 per cent to that figure to factor in inflation. I must say the final figure was really shocking! However, I can safely say that I'm on the right track now. Start thinking about your retirement, take the necessary steps and get on the right financial track!

Theory 2:

There's more than enough time to save up

Kelly: "If we're working for 30 years and receiving an income once a month, we will only have 360 days of pay (30 years x 12 months) to plan our long-term goals such as retirement and our children's education. Have you ever thought about how much of this amount do you have left for your personal use? People usually think there's more than enough time because they haven't done the proper calculation and don't know what they want and need for their retirement."

Theory 3:

Properties are the best way to make money

Kelly: "Most people assume that just by buying a property, they're set for life. Yes, properties are a good investment but be smart and take into account the additional fees that are involved – lawyer fees, stamp duties and other costs. Also, with the supply being more than the demand, there's a risk of not being able to sell off or even rent one's property to make money. So make a decision wisely. Invest not in any property but in a real good one that'll do well in the future."