

Retire to a lifestyle of your choice

Today, we learn how to secure our golden years with proper planning, using life insurance as one of the tools

● When do I need to start planning for retirement?

ASAP! Yes, you'll have to start as soon as you begin working as time is of greatest essence here. You want to make the power of compound interest work for you by setting aside part of your income and investing it every month.

You can start with whatever little you have and over time, you'd be surprised at how much it would have snowballed to with the power of compound interest.

● Isn't my Employees Provident Fund (EPF) enough?

If you'd been following the reports from the EPF, you'll know that you cannot solely rely on this source. It may be sufficient to cover very basic needs and for a very limited time only.

It was once reported that, on an average, an EPF member would have spent all of his/her savings within three years of retirement!

While you continuously save in your EPF, you should also supplement it with your own savings and investments, if you'd like to have your desired retirement lifestyle.

● How should I go about planning for my retirement?

You can retire by default, i.e. don't do anything and hope for the best, or retire by design, i.e. plan for it and achieve your desired retirement lifestyle. Which would you prefer?

Simplistically, you may follow the three "P"s of retirement planning:

- (i) Place — determine where you'd like to retire to
- (ii) Price — estimate the cost of your desired lifestyle
- (iii) Plan — work out a realistic plan towards achieving it

● How does life insurance help me in my retirement planning?

As mentioned in our earlier articles, the main purpose of life insurance is to protect your family's livelihood. Here, you may use life insurance to secure your spouse's retirement and working out the amount required should



you not be around.

In addition, there are some plans which also come with a savings element, of which you may use to plan for your own required retirement funds. It's kind of like a two-in-one plan whereby, if something unfortunate happens to you, your family is covered.

However, if nothing happens, then you'd be able to cash it out one day to supplement your retirement funds.

● What are the types of life insurance suitable for my retirement?

The most common type meant for retirement is the annuity plan. Basically, an annuity plan provides you with a monthly income upon retirement for the rest of your life or up to a certain time. However, there are not many offerings of these products here as yet.

The more popular types of plans that cater for such needs are the modified anticipated endowment plans and the whole life participating plans.

These plans require you to pay the premiums for a certain number of years and thereafter, will pay you a percentage of the sum assured till the expiry of the plans.

Should something happen in between, you or your family are assured of the insurance amount plus whatever cash value that is due to you.

■ Next week, we'll continue with the next phase of your life — leaving a legacy behind. We are going to explore why life insurance is one of the most effective estate planning tools for most people. Your Friend for Life article is contributed by the Life Insurance Association of Malaysia.