

I Dream of Early Retirement



To be able to afford to retire young is a dream held by many as it is an indication of financial success. Early retirement usually does not mean ceasing from work but freedom from having to work due to financial needs. So, where can we start? GRACE CHUAH writes.

Decide on the life-style you wish to have in retirement.

Some have a simple lifestyle – walking, gardening, and local holidays – but for others, enjoyment means overseas holidays, fine dining, living in high end condos. One consideration is also whether or not you want to continue working and earning active income during your ‘retirement years’, though at a more relaxed pace.

Calculate how much you need in order to fund your retirement lifestyle.

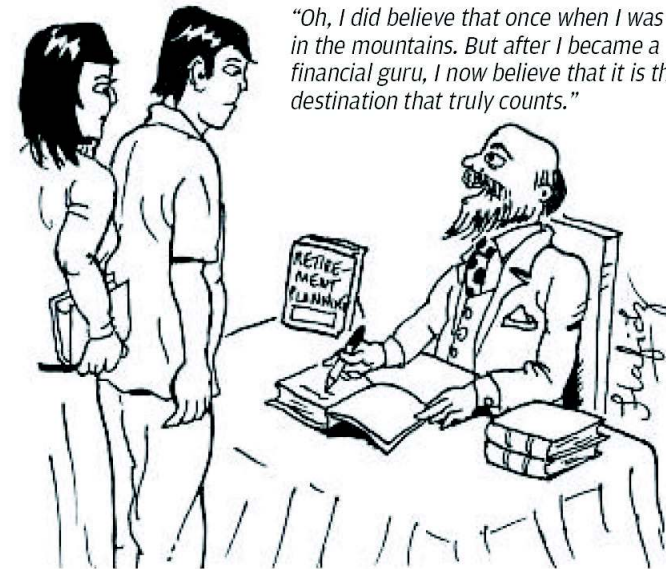
Mortgage repayments, children education and living and medical bills (ideally covered by medical insur-

ance) are major expenses. If you need RM5,000 spending money per month, a capital sum of RM1mil (retirement nest egg) at a consistent dividend yield of 6% per annum will be simple enough to cover retirement costs.

However, one needs to factor in inflation. At 7% inflation rate, RM5,000 becomes RM7,000 and at 6% inflation rate, a RM200,000 education fee becomes RM335,000 in five years’ time. The only way to overcome inflation is to invest.

Work out the strategy to meet the gap between what you would have and what you would need during retirement.

To close the gap, you need to build



“Oh, I did believe that once when I was a guru in the mountains. But after I became a financial guru, I now believe that it is the destination that truly counts.”

Illustration by HAFIDZ MAHPAR

up your nest egg, readjust your desired retirement lifestyle or postpone your retirement to a later age. Cut down on unnecessary spending. What matters more is how much you save, not what you earn. Pay yourself first every month and increase this amount as your income increases. Invest your retirement savings in a long-term portfolio and rebalance it annually.

Take action now.

A retirement age is an artificial finish

line but nonetheless serves as a goal-post. When we start planning early, we have the advantage of time to enjoy the effect of compounding returns over time and to fine-tune our investment strategies and recover from mistakes early.

Remember the quote “Someone’s sitting in the shade today because someone planted a tree a long time ago”. Plant the tree for yourself today.

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