

INTRODUCTION TO THE COURSE

Welcome to the Course Practical Retirement Planning using Scenario Modeling, where you'll learn how to stress test anticipated and unexpected scenarios jeopardizing your retirement nest egg.

Practical Retirement Planning

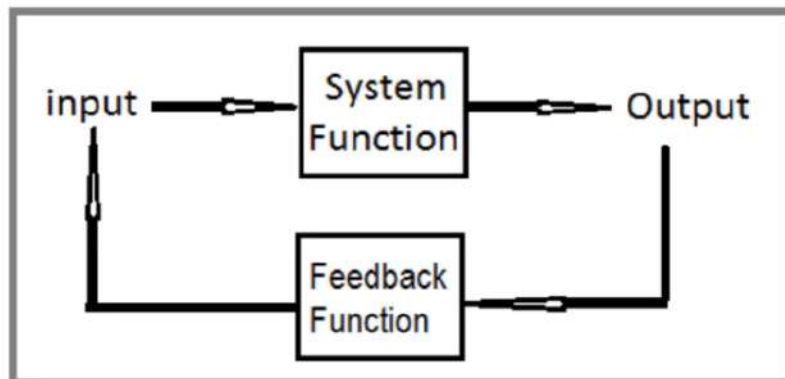
Using Scenario Modelling

Stress Test Anticipated & Unexpected Events

...jeopardizing your retirement nest egg

Apart from that, you will also learn many aspects of retirement life planning which conventional retirement planning lacks.

This course is for anyone seeking to use a reliable tailor-made system to manage their financial and non-financial aspect of retirement. By the end of this course, you will be able to construct your retirement roadmap with certainty, clarity, and predictably good results.



Scenario Modeling Analysis

We are using a system called scenario modeling Analysis, where any changes to your retirement life plan will automatically tell you what to do going forward. So you don't run out of money before running out of life. It also ensures that your emotional and mental well-being is being prioritized in the retirement stage.

We are going to start this course from the very fundamentals and then move on to more advanced concepts.

We will cover in detail the whys and how's of scenario modeling analysis in modern-day retirement life planning. Together we will walk through the entire process. Now you are the ideal student for this course if you see retirement planning and management as your current, urgent, and important priority but feel that the traditional retirement calculator lacks in terms of customization and flexibility.

This is also for people who already have their retirement plan mapped out but they intend to get a second opinion on how to manage the retirement nest way better than what they are doing now.

Unit-1

LEVEL – BEGINNER: AGE 30 TO 40

Unit-1



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Chapter 1

THE RETIREMENT PARADOX

1

THE RETIREMENT PARADOX**What is Retirement Paradox?**

The retirement paradox is the number one paradox. Why it seems like you are not able to retire early?

Module 1 - The Retirement Paradox



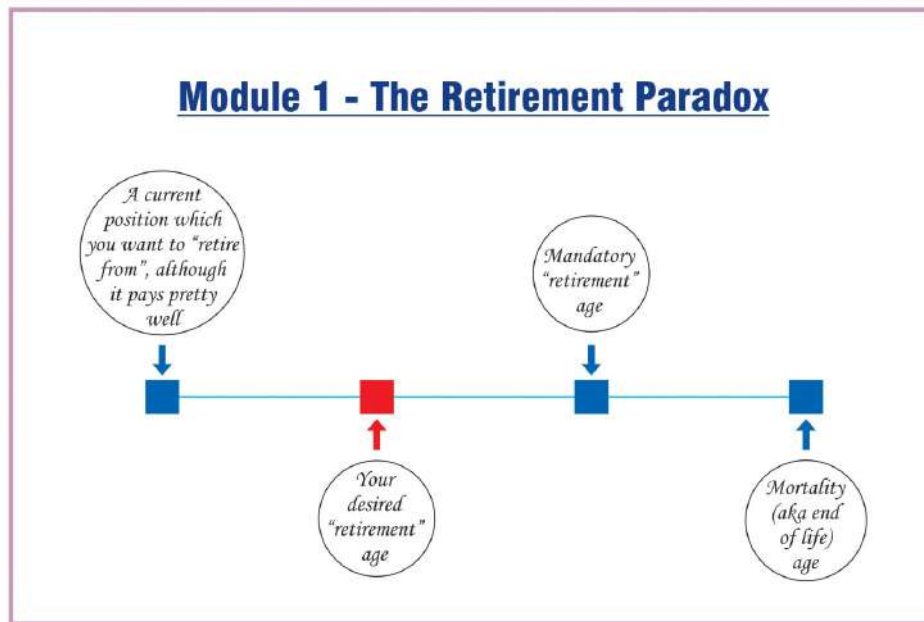
*The #1 Paradox Why it seems like
You are not Able to Retire Early*

A paradox in this sense means that people who are working probably in a job that they don't like, they just can't seem to reach that goal or finally quitting from the job or in other terms retires. However, some people enjoy the job so much, that in a profession that they enter so much in doing that they don't foresee themselves retiring from their position anytime soon. So that's why it forms a paradox. People that can get it, people who are not looking for it they can retire any time. It's just that they don't want to.

Now the term retirement here in modern days, it does not only refer to people who are working for the past 30 or 40 years, then at an age of 55 or so, but they also stop working and start doing something else or just enjoy life. It also applies to people probably in their 30s or maybe in the 40s who are also looking for a so-called early retirement meaning that retiring from something that they are doing to something that they love to do. But they are not too concerned about the income or revenue that will be generated from that second position, their position that they would retire to.

Stages in the Retirement Paradox

So, now just imagine this timeline.



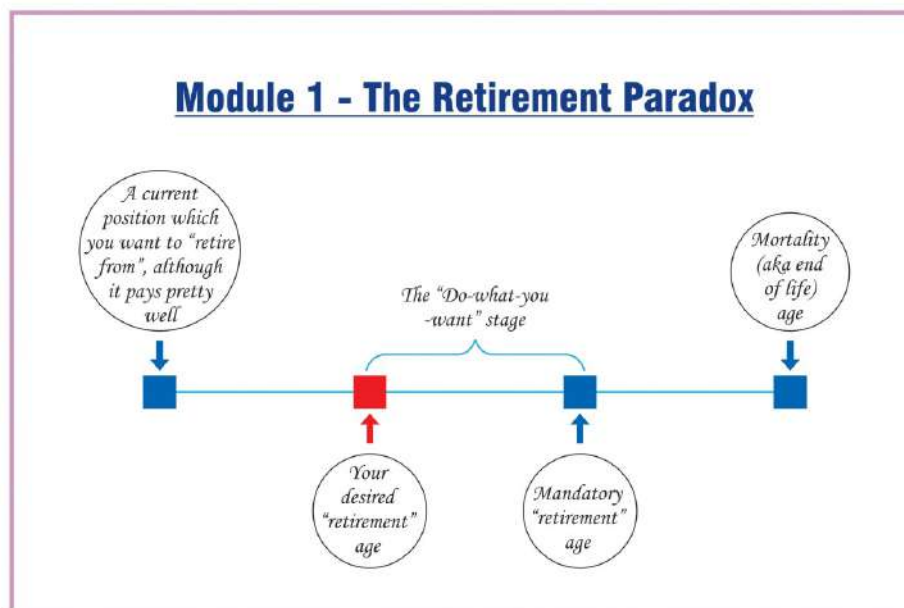
On the leftmost, you have your current position from which you probably want to retire, although it pays well. Money's not a problem.

Now the second red dot that you see over here is where in this whole lifespan (this whole line represents your whole age), years that you are active, living, breathing in this world and the red dot represents somewhere along the line, where your "desired retirement age" stands.

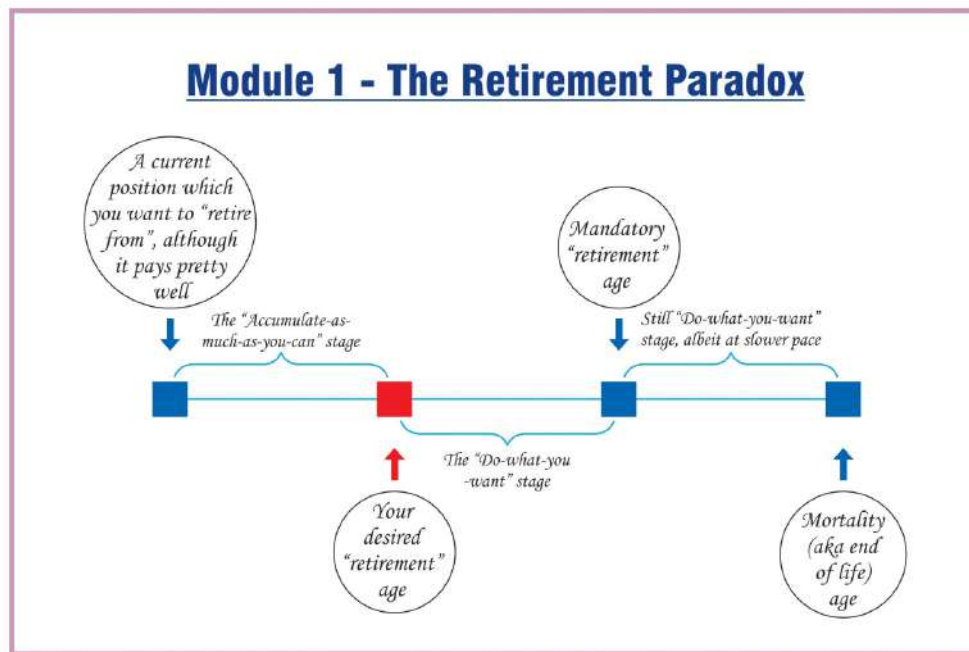
Now the third one is what we call a "mandatory retirement age". It might differ from country to country, but the end of the day is that this is the part whereby the company is a force to retire you. Maybe you have a mandatory retirement age of 55, 60, or even 65.

Now the fourth one represents our "mortality age" which means the human end of life.

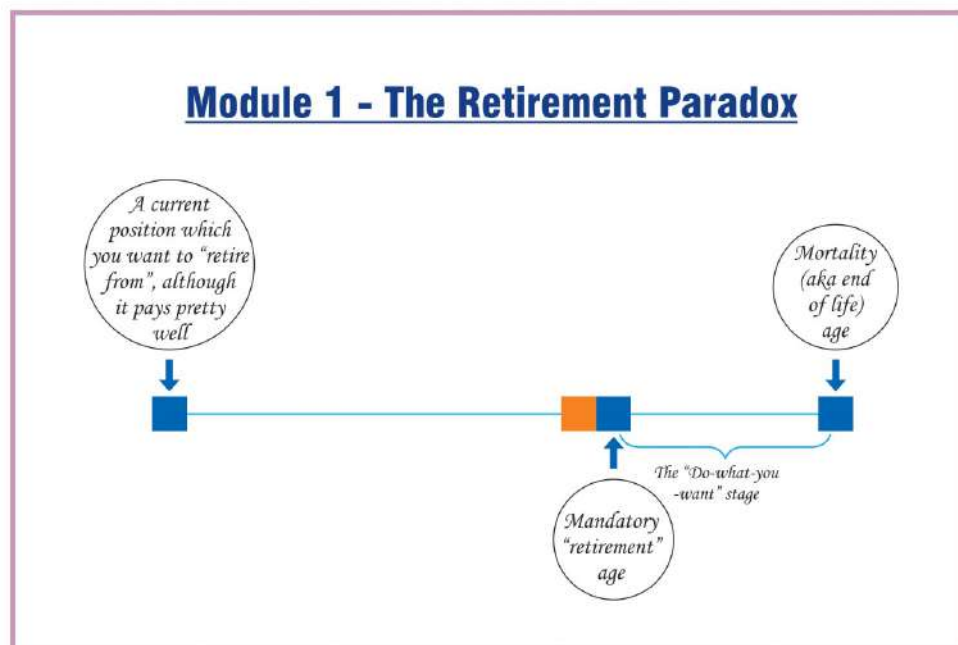
In the current position over the first dot, everyone wants to move to the red position as soon as possible. After your desired retirement age hopefully, you still have the energy to drive the passion from what you were doing to what you enjoy doing, without worrying too much or too concerned or too calculative on the monetary part and is called the "do what you want to stage".



The next stage is still the “do what you want to stage” but maybe it is at a slower pace because your age is catching up.

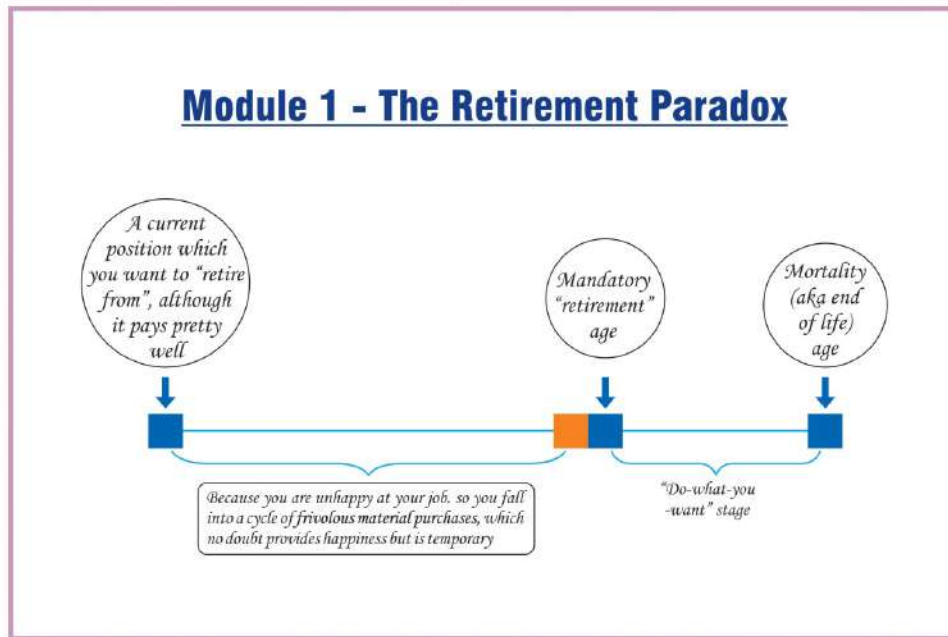


Now the important portion is to “accumulate as much as you can” stage because at this stage whatever you have accumulated will be mostly used to fund for the “Do What You Want stage” and the second portion the extended “do what you want to stage” at a late stage.



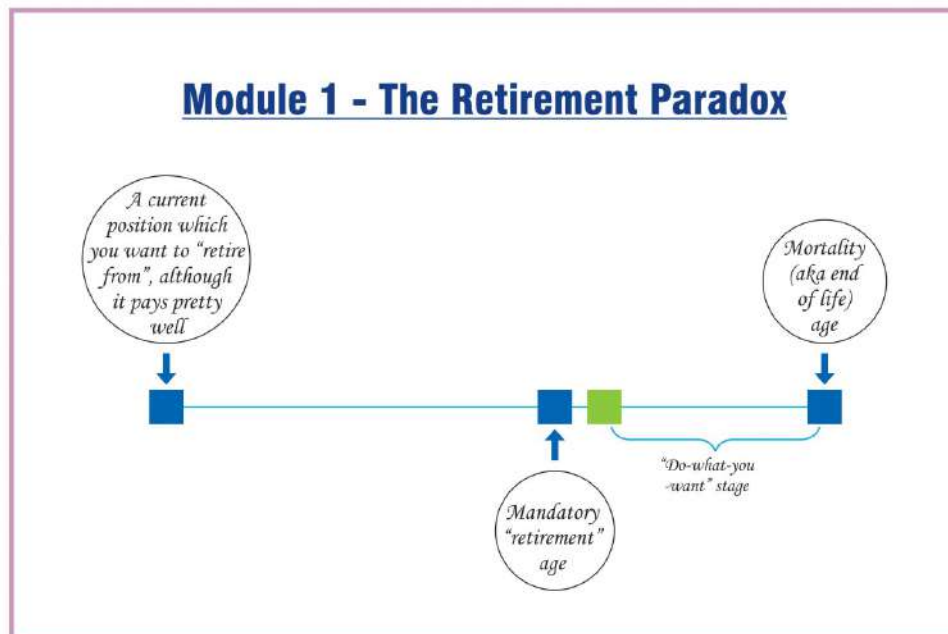
For most people, their retirement road map will look something like this, which is represented by the orange dot. Despite what they desire, they find themselves cannot really retire from what they are doing or probably they cannot find what they want to do.

So they could just keep doing what they are doing or they know what they want to do but they can't seem to leave their current position because of the money factor. Therefore most people are stuck here because their desired retirement age is no earlier than the mandatory retirement age.



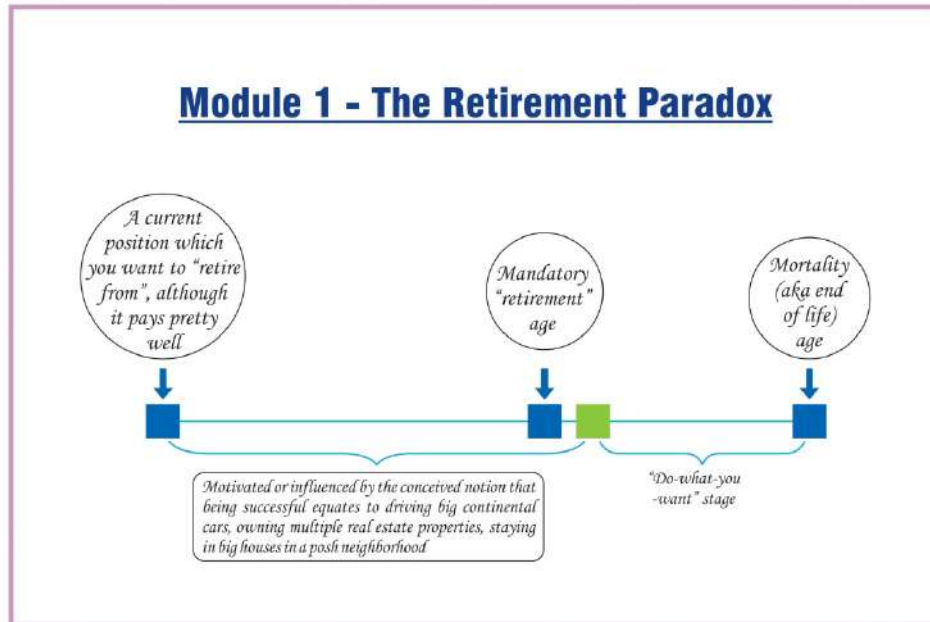
If you are unhappy at your job you'll fall into a cycle of frivolous material purchases, which no doubt provides happiness but is temporary. The thing is that a person is happy working in that unhappy position. A person needs now and then some excitement maybe that vacation, to buy a new car or to inject some excitement into day and day life. So that unsatisfying jobs can be balanced with all those little excitement that comes along the way. So this little excitement normally costs money and normally it is not cheap at all. So if someone is unhappy at the job and keeps on spending this kind, it is the frivolous material purchases. When you purchase, you reduce your surplus to fund your end goal that is retirement goal, and by that, you probably have to take a mortgage or take some loans and then you need more time to pay off the loans and indirectly it extends your retirement age.

It's not what you want. We are moving away from the goal that we want, instead of moving to what's nearer to the goal.



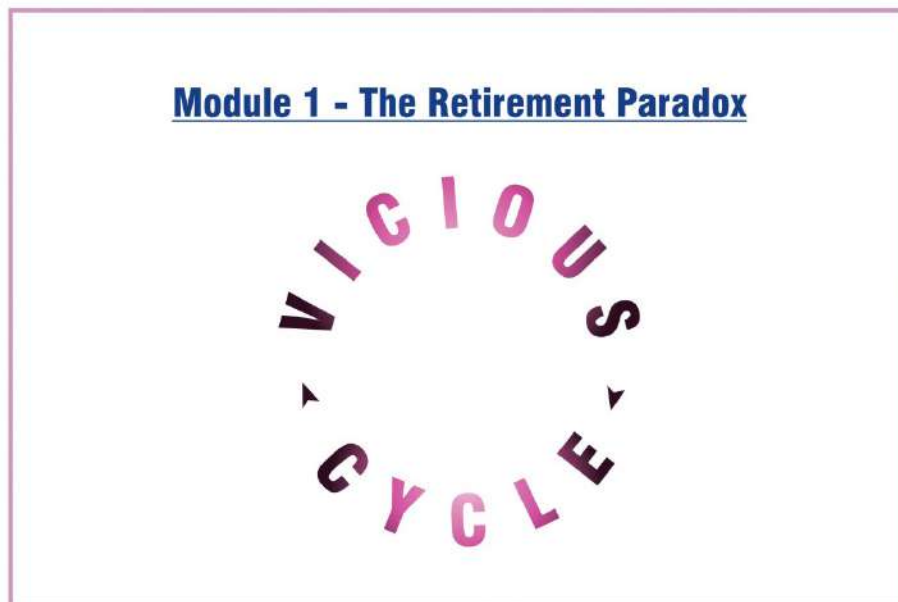
Now the worst-case scenario is that people end up extending beyond their mandatory retirement

age represented by the green dot. Now they might be motivated or influenced by the conceived notion that being successful in life equates to driving big cars, owning multiple real estate property, or investing in big houses in a posh neighborhood.



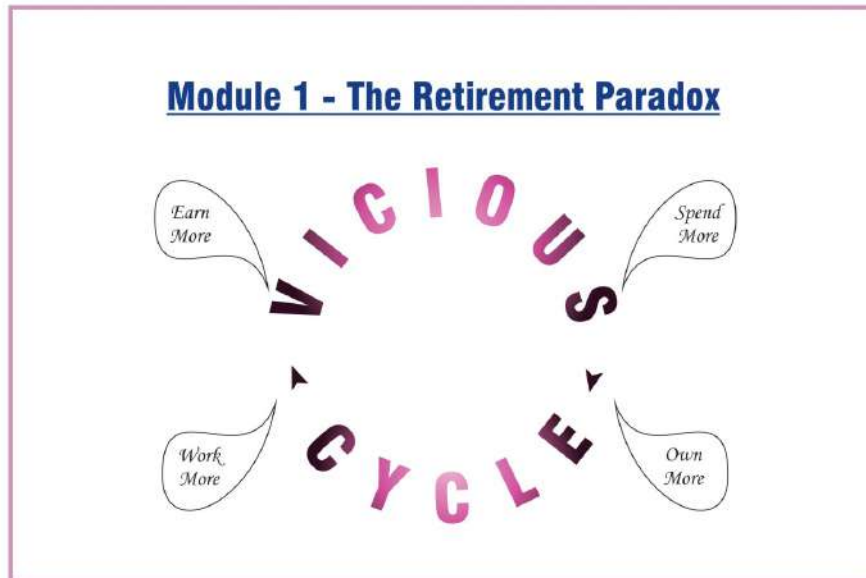
Maybe people are just doing this to impress friends or relatives to boost the confidence level but at what cost. It costs a retirement where a lot of people find that they really have to extend the active working life because they just cannot afford to retire early or even cannot afford to retire at mandatory retirement age and it is a vicious cycle.

VICIOUS CYCLE



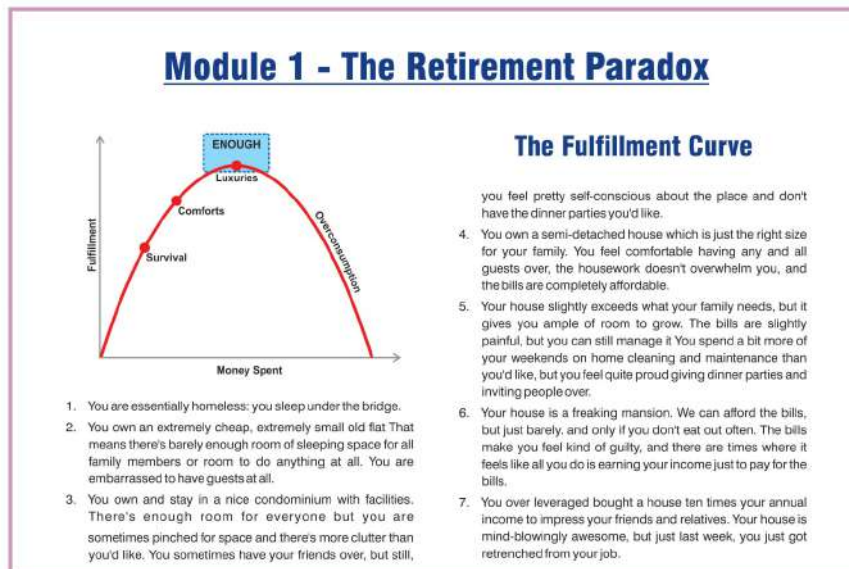
The vicious cycle keeps going and going if you don't break away from this vicious cycle. You're unhappy at your current position or you are motivated by the pride of having expensive material purchases to impress your friends, family, colleagues and you end up spending more. And when you spend more, indirectly it might get you into consumer debt. Consumer debt just kept piling up and you own more

money by the credit card balance whether it is personal loans you own, whether it's a higher purchase loan, car loans, and things like that. And then if you end up, you get stuck because you have those all financial obligations or commitments to pay. You end up working more, spending more hours even that big promotion comes. You don't think that it helps a lot in cash surplus every month or every year, so end up spending more time at work looking for that opportunity.



Normally in the corporate world the higher you get, the bigger is your paycheck. At the same time the more time you work in your office like we're going to take you away from your home, you end up going into this cycle where you have to work and normally you earn more.

“The Fulfillment Curve”



The fulfillment curve starts at a very low point of one, it picks at a point of four, and it goes down again at a point of 7.

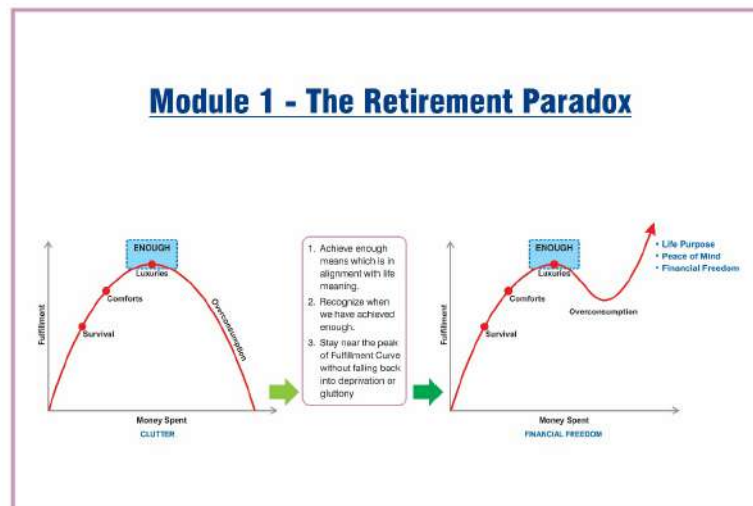
So imagine when it comes to purchasing a house. Just look at this situation.

- 1) You are essentially homeless; you sleep under the bridge, which is one of the worst scenarios one can be in. So of course you cannot. You don't want to stay in this situation forever.

- 2) The next step that makes you a bit happier makes you and your family more fulfilled. It's the fact that you own an extremely cheap, extremely small old flat. That means there's barely enough room for everyone for your family or there's barely any room for men to maneuver around as well. Of course, having a very small house is very narrow. A small house you're embarrassed to have any guess at all.
- 3) And further up the curve. Now imagine you can afford to stay in a nice condominium in a good neighborhood with facilities. There's enough room for every one of your family. But then you're sometimes pinched for space and there's more clutter than you'd like. You sometimes have your friends over, but still, you feel pretty self-conscious about the place and don't have the dinner parties you'd like.
- 4) Now the peak of the fulfillment curve is that you own a semi-detached house which is just the right size for your family. A family of four-five and you feel comfortable in having all friends. You can even host a big dinner party and things like that. And it's just the right size because the housework doesn't overwhelm you and the bills when it comes to bigger houses you have bigger utility bills to pay. But having a semi-detached house is just nice.
- 5) You realize that if you have even a bigger house that slightly exceeds your family needs in terms of space, it takes more time more money to maintain the pews. You spend more time maintaining it rather than enjoying the space in the house. The bills are slightly painful, but you can still manage it. But of course, it's a really big house and you feel proud of giving dinner parties and inviting people over but at the cost of high maintenance time and cost.
- 6) Moving on you feel that further down the fulfillment curve is that you have a freaking big mansion. You can't afford the bills but it's just that you earn barely enough to sustain the bills to extend, that you have to tighten your belt and you have to cut corners when it comes to vacation eating out. The bills make you feel a bit guilty, and there are times where it feels like all you do is earning your income just to pay for the bills.
- 7) A lot of people when they reach that stage the fulfillment curve isn't that much different from sleeping under the bridge. You over-leveraged bought a house ten times your annual income to impress your friends and relatives. Your house is mind-blowingly awesome, but just last week, you just got retrenched from your job. If you lose your job now you can't even service the mortgage repayments for more than two months.

So this is what I think about it. It's not always having a lot more money or more material possession. It's not always bigger because you just have to strike the right balance when it comes to the fulfillment curve. And this relates very well with the retirement paradox.

So before we wrap for this module, just imagine that the fulfillment curve looks like this.



If you plot a fulfillment curve, upper-level fulfillment against what is the money spent. Of course when you move up the curve, if you are homeless now, you've got to have at least a shelter over your head. And then after that, you'll be good to have a nice apartment and it will be even better to have a semi-detached house. But moving on after that owning a mansion that does not double your happiness or what we call as your fulfillment curve because this is where you see a diminishing return.

So knowing this fulfillment curve is that you want to achieve three things. Life purposes so that you have more time to spend on other important things in life instead of focusing only on how big how many the number of material possessions you want to have. A life purpose you want to have a peace of mind. And of course, you want to have that kind of freedom when it comes to financial freedom. It's a cliché but again I do want to mention it because it's a very optimum level in the fulfillment curve. It means that you have achieved enough which is in alignment with the meaning of your purpose of life, which we are going to cover in the subsequent modules.

And also we need to know that we recognize when we have achieved enough in that example previously we have achieved enough, probably the optimum level is when you're on a semi-detached house, not when you own a big mansion. And of course, the final message from this module is to say you need to have to stay, know how to stay near the peak of the fulfillment curve without falling back into being very deprived of all spending, and now what we call the gluttony.