

Level: Advanced

Age 50 and above

Unit

3



2 Critical Retirement Concepts to take Note of

19



Retirement Fund

- The draw back on the witnesses of most retirement calculator out there is they only compute for you how much you need to accumulate for your retirement fund.
- It does not show you or teaches you how to manage it post-retirement.
- If you know how to manage it, you actually do not need one million of retirement nest egg at the age of 55 because as we know if we do not know how to manage and continuously invest in, it does not matter if you have a one million retirement nest egg at the age of 55 because this one million will be eventually finish up when you reach the later years.

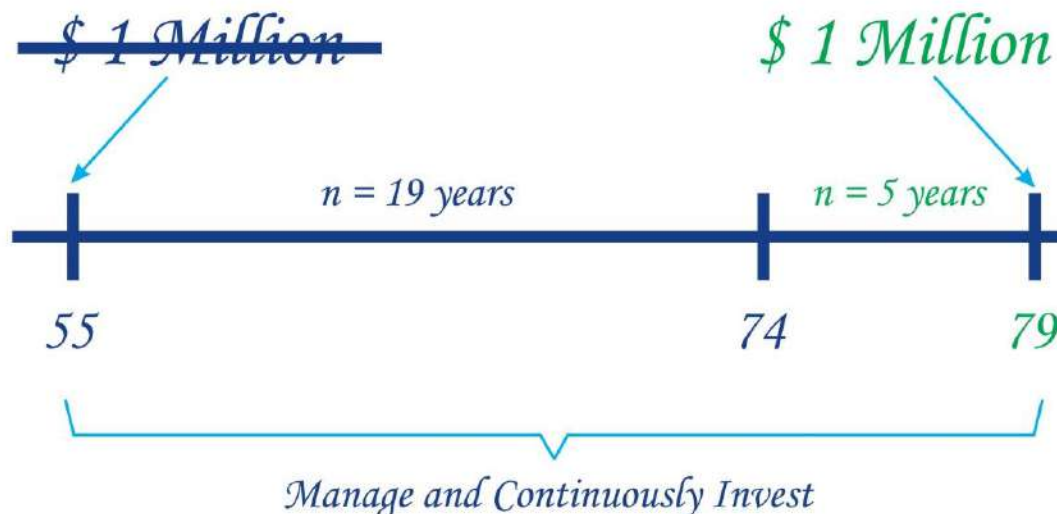
Retirement Fund

*DO NOT NEED
\$ 1 Million @ 55
if You Know How
To Manage It*

Post Retirement Expenses

The most important factor of course is what your post retirement expense is and how you adjust for that.

So if you see that is familiar and again let's just shift our focus from having a one million retirement nest egg at the age of 55 and shift that focus to actually having a 1 million legacy for our children at the age of 74 or even 79 when both the husband and wife passed away. So what needs to happen here? It needs constant management and constant reinvestment of capital.



19

Now we need to establish two very important points here to have a 1 million legacy for your children.

- You need to have a lump sum retirement fund at 55 which covers 24 years of expenses, 24 years i.e., from 55 to 79 years. Taking into account the inflation and retaining retirement lifestyle.
- You need an additional lump sum at age of 55 to be continuously reinvested to generate a 1 million legacy for your children at the end of twenty four years when both the husband and wife pass away.

19

The real return rate is also known as the inflation adjusted rate.

Real Return Rate

aka

Inflation-Adjusted Rate

Real Rate

- If you have an investment rate and the inflation rate, the formula is actually your net investment return after deducting the effect of inflation.
- You can calculate this as one plus your investment rate, divide that with one plus the inflation rate and then subtract one and you will get a real rate, for an example here.

$$\text{Real Rate} = \frac{1 + \text{Investment Rate}}{1 + \text{Inflation Rate}} - 1$$