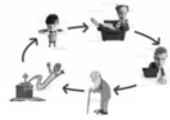
Retirement Planning

Reasons to Save for Retirement

1. Longevity



3. Life Style

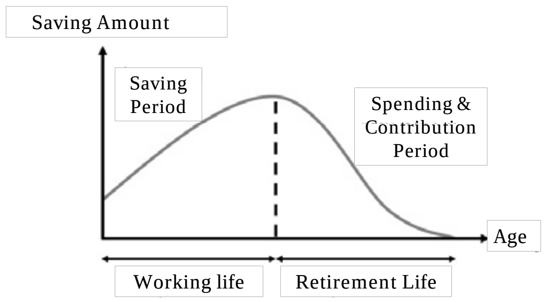
2. Expected Inflation

4. Health

1. Longevity

- Average human life
  - Past (1900) is 49 years
  - Present is
    - Male 72 years
    - Female 75 years
- People who do enough exercise and reduce temptation tend to live up to 85 years.

Retirement Life Cycle



2. Expected Inflation (1)

- Inflation deteriorates value of money over time.
- Average core inflation year 2010 was around 3.3%

2. Expected Inflation (2)

Expected Inf.	3 years	5 years	10 years	20 years
3%	109	116	134	181
5%	116	128	163	165
8%	126	147	216	466
10%	133	161	259	673

If today you have 10,000 bath monthly cost of living or 120,000 baht each year

Suppose inflation rate is 5%, 20 years from now:
Your cost of living is going to be 26,500 per month or 318,000 baht per year.

3. Life Style

- Life style that you want to have after retirement will determine the amount of money you will be needed.
- In general, 70% of your expenses before retire will be needed.

Retirement Spending

Age	**Main Expenses**
Before Retirement (age of 56-60 years old)	Main expenses are on travel, relaxation or education Someone may have expenses on their family members
First stage of retirement (age of 61-70 years old)	Health expense (debt obligation should be reduced)
Last stage of Retirement (age of 71 and above)	High health expense (all expense should be carefully made)

4. Health Problem

- Health problem may waste a lot of your retirement saving
- Health expenses after retirement normally increase accordingly with the age
- Exercise today to get faraway from the problem

Why Retirement Life Go Wrong?

1. No planning/ late planning
2. Ignore inflation
3. Saving amount per year is too small
4. Cannot maximize return from investment

Retirement Planning Steps

1. Set retirement goals
2. Calculate needed amount of money after retirement and see how much you have now
3. Set the solid methods to achieve the goals
4. Write down your plans
5. Act according to the plans
6. Review and revise the plans to adapt with the situations

When to Retire?

- Start to ask yourself “when will you retire?”
- How much will be enough?
- To have not enough money after retire is very risky for one life.
- To save/invest since the young age to enjoy retirement life

When to Retire?

- Fixed your retirement age to know the amount of time left to work.
- 60 years old is the general retirement age even though it could be earlier caused by either expected or unexpected events.
- Therefore, to be prepared, saving more could be a good way to shortening the working life.

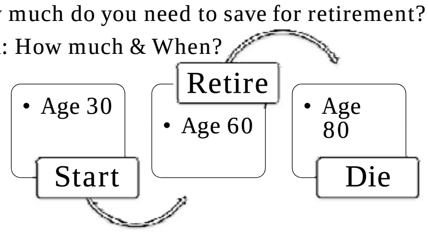
How much will be needed?

- Some types of expenses will reduce when you become older but health expense will increase accordingly with the age.

- Regardless inflation.

Example (1)

- How much do you need to save for retirement?
- Goal: How much & When?



- Assumption: Return____%, Inflation____%
  Save/invest _________ per month

Example (2)

- Expect to have 1 million at the age of 60. How much will be needed to save/invest each month?

Start	Saving Period	Interest 10%	8%	6%	4%	2%
20	40	158.13	286.45	502.14	846.05	1,361.59
25	35	263.39	435.94	701.90	1,094.41	1,645.96
30	30	442.38	670.98	995.51	1,440.82	2,029.53
35	25	753.67	1,051.50	1,443.01	1,945.04	2,571.88
40	20	1,316.88	1,697.73	2,164.31	2,726.47	3,392.17
45	15	2,412.72	2,889.85	3,438.57	4,063.55	4,768.42
50	10	4,881.74	5,466.09	6,102.05	6,791.18	7,534.68
55	5	12,913.71	13,609.73	14,332.80	15,083.19	15,861.09

Earnings After Retirement

- Most people will earn less or not earn during retirement
- Earning after retirement may accumulate from:
  - Social Security Fund
  - Provident Fund
  - Government Pension Fund
  - Retirement Mutual Fund (RMF)
  - Long term Equity Fund (LTF)
  - Other Investments (in money and capital markets)

Techniques to Accumulate More for Retirement

- Increase income reduce expenses
- Insurance
- Tax planning
- Non-taxable saving

The Social Security Fund (SSF)

- The Social Security Fund (SSF) was established under the Social Security Act B.E. 2533 to bring about security and stability of livelihood for Thai citizens.
- The Social Security Office, established by virtue of the Act, has duty to manage the SSF for the best interest of all members. The coverage is divided into seven types: sickness, maternity, disability, death, child allowance, old age and unemployment.

Contribution Rates

Conditions	Government	Employers	Employees
1. Sickness	Every party made a contribution of 1.5% of wage.		
2. Maternity			
3. Disability			
4. Death			
5. Child allowance	1% of wage	3% of wage	3% of wage
6. Old-age			
7. Unemployment	0.25% of wage	0.5% of wage	0.5% of wage

Note: Base wage used in calculation range from 1,650 to 15,000 baht per month.

Benefit Payouts

- Benefits paid out to insured persons are of two types:
  1. Old-age lump sum paid out under the following conditions:
     - I. Insured person had made consistent contributions for less than 180 months.
     - II. Cessation of insured status.
     - III. Insured persons are fully 55 years of age.
     - ➢ Insured persons making consistent contributions for less than 12 months are entitled to benefits equal to their contributions in case of old age and child allowance.
     - ➢ Insured persons making contributions for not less than 12 months are entitled to benefits equal to their contributions in case of old age and child allowance plus interest set by the Social Security Office.

Benefit Payouts

- Benefits paid out to insured persons are of two types:
  2. Old-age pension paid monthly for a lifetime under the following conditions:
     - I. Insured persons had continually made contributions for not less than 180 months.
     - II. Cessation of insured status.
     - III. Insured persons are fully 55 years of age.

Tax Benefits

- Social Security benefits are tax exempted.
- Steady saving as it sounds; however, the SSF is unlikely to be a sufficient source of saving if one wants to maintain the same quality of life they are having today after retirement.
- Therefore, besides SSF, workers should look into other options such as provident funds and retirement mutual funds for additional sources of security.

Provident Fund

- Provident fund ("the fund") is a fund set up voluntarily between the employer and employees. Assets of the fund consist of money contributed by both employer and employees.
- The contribution to be made by employer shall always equal the rate of the employee's savings or higher. Therefore, setting up of a provident fund can be regarded as a kind of benefit so as to motivate employees to work with the employer.

Provident Fund

- Member's savings could grow over time on account of the monthly contributions from both employer and employee, plus assets derived from investments or interests incurred from assets of the fund.
- Interests and dividends from investments will not be paid to fund members before membership termination since the purpose of setting up the fund is to accumulate the savings into a large amount with the intention to assure a quality life after retirement.
- Members are not entitled to withdraw part of the savings before termination of membership since it is not consistent with the objective of saving for retirement.
- Money received from a provident fund upon retirement is tax exempted.

Employee's Choices

- Having a single investment policy may not be proper owing to the diverse characteristics of different members such as age, risk-taking behavior, and expected return.
- Large investment proportion of the single investment policy is normally aimed at low-risk debt instrument and investment in risky assets is capped. Therefore, the single policy cannot satisfy all members' needs.

Government Pension Fund

- The GPF is designed by combining both concepts of defined benefit and defined contribution.
- The government employees will contribute 3%-15% (mandatory contribution of 3%, and voluntary contribution ranging from 1-12%) of their monthly salary and remit to the Fund as employee's contribution.
- The government as the employer, then tops up with an equal mandatory portion of 3% together with another two percent of the pre-reform compensation.
- The money will be credited to each member's individual account and invested according to the regulations.

Compensation Options

1. Lump-sum
2. Partial Withdrawal
3. Monthly, Quarterly, or 6-month installments
4. Leave the balance with GPF and earn investment return until withdrawal

Retirement Mutual Fund (RMF)

- The Retirement Mutual Fund (RMF) is an investment vehicle designed to promote retirement savings through tax incentives guidelined by the government's policy.
- The RMF is suitable for investors who wish to save for retirement, especially those who do not have other retirement saving welfare in place such as government pension fund or provident fund, or else wish to further enhance their current retirement savings.

Retirement Mutual Fund (RMF)

- Investment up to 15 percent of the annual assessable income or a maximum of 500,000 baht when combined with provident funds or government mutual funds is tax deductible.
- Depending on the fund's policy, the fund manager may invest in equity funds (Thai as well as international), debt instruments, or mixed funds.
- Benefit payouts including capital gain are tax-free as long as investors:
  - Make at least one investment per year; however, a maximum grace period of one year is acceptable.
  - Invest at least 3 percent of the annual assessable income or 5,000 Baht, whichever amount is lower
  - Redeem investment at the age of 55 and over after a consistent investment period of not less than 5 years.
- Redemption before the age of 55 or have not consistently held the investment units for at least 5 years will not grant investors any tax benefits.
- Tax deducted at the time they purchased the redeemed investment units will be recalculated as taxable income within the next tax filing.

Long Term Equity Fund (LTF)

- You get a current-year Thai tax deduction on contributions.
- Unlike RMFs, LTFs invest primarily in Thailand-listed stocks. You'll therefore want to make sure a Thai-only equity holding makes sense in your diversified portfolio.
- Returns grow free of Thai tax.
- The maximum annual contribution is the lesser 15% of total annual compensation or THB 500,000.
- Contributions can be made in addition to those made to provident funds and RMFs.
- There is no need to make ongoing contributions to maintain tax benefits.
- Contributions and earnings can be withdrawn free of Thai tax after five years.
- If you withdraw before the five-year holding period, any tax deductions you received will need to be paid back along with penalty fees. In addition, any capital gains will be subject to a 10% tax.
- Contributions must be recorded by the end of the calendar year.