



# WHICH TYPE OF RETIREMENT ARE YOU HEADED FOR?



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Retirement can be one's golden years. A time to reap your hard work and savour life - travel, relax and spend on the things you (and your loved ones enjoy). With healthcare improving every day, the prospect of a happy and long retirement becomes even more real.

However, how many of us think about the groundwork we need to lay in place for this happy retirement? How many of us understand what we need to do to lay the said groundwork? I thought this is something worth delving into in this article.

Sri Lanka is one of the fastest aging countries in South Asia. Leading to an increase in dependency and widening the 'aging gap' where, one runs the risk of outliving their savings.

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The retirement age in Sri Lanka is 55. With the advancement of healthcare technology, people live longer allowing one to live longer during his/her retirement. One would have many years to enjoy doing what they always wanted to do since there is now no longer a 'Work-life'.

Traveling to places you wanted to visit, buying gifts for grandchildren on special occasions, or taking them out for their favorite movie are just a few to name. One should be financially independent for the retirement age to be exciting and fulfilling.

But how would one do the things they, enjoy without having the financial backing for it if one had not planned for it?

The sad reality is that only 5% spend their retirement comfortably. About 64% depend on others. The main source of dependency is Children and that account for 48% of Sri Lankans.

There are 2 aspects one should look at when it comes to retirement planning. The adequacy and quality of their retirement plan will be based on the following 2 aspects.



# 01

## Knowledge of retirement planning

The knowledge you have about retirement planning will ensure how comprehensive your retirement plan is going to be. When you understand the concept better, it is more likely that you will work towards it. Sound knowledge of the retirement plan will lead to a stronger belief in the idea. Asking the right questions from yourself and the agent, choosing the right product from the various solutions out there and deciding on the cover required plays a larger role if you have a sound knowledge of this concept.

# 02

## The level of actions taken to build a retirement fund

Your retirement plan will only be a plan if you don't work towards it. Just believing in retirement planning will not help but executing it will.

Retirement Planning Quality Matrix

Level of actions taken to build a retirement fund	High	Substandard retirement	Happy retirement
	Low	Unplanned retirement	Regretful retirement
		Low	High
		Knowledge of retirement planning	



I constructed this matrix in which I map the quality of an individual's retirement into the following 4 quadrants, based on these 2 key aspects. The quality of your retirement is dependent on the amount of work and the effort you need to put into planning for your retirement. Let's have a closer look at each of these quadrants in the matrix.

## Happy Retirement

[High level of knowledge on retirement planning + High level of actions taken to build a retirement fund]



A happy retirement is where you have greater knowledge of retirement, and you have taken adequate measures to build a retirement fund. In simple terms, you know about it and you have done what is required. It is pertinent for you to understand the concept and its importance.

When you have a greater knowledge of the subject, it's easy for you to design or get someone to design the ideal retirement plan for you. You will be in a better position to ask the right questions that leads to a good solution. Because it's you who knows how you want to spend your life in retirement and the lifestyle you want to maintain.

This quadrant represents the quality of retirement achieved by having a lesser knowledge of retirement but by taking a higher level of action to build a retirement fund. Hence, there is a remote possibility of one designing a retirement solution that is adequate to maintain the lifestyle they want to. Perhaps the financial advisors or agents may have offered a product, but the fund built at the end may not be adequate. Furthermore, when individuals don't have a full understanding of retirement planning, many come to the conclusion that simply having a retirement product will solve everything. But it does not. For example, you may buy a retirement plan when you are single and when you are young with what you could afford. But now, things may have changed such as your job, income, lifestyle, etc. meaning that your investment needs to grow too. Hence you always need to review if you are adequately covered to sustain your life in retirement financially.

**Substandard Retirement**  
[Low level of knowledge on retirement planning + High level of actions taken to build a retirement fund]



## Regretful Retirement

[High level of knowledge on retirement planning + Low level of actions taken to build a retirement fund]



This quality of retirement is achieved by a person who has good knowledge about retirement planning. They understand the importance of the concept and are aware of the repercussions of failing to plan for their retirement. They will however regret their retirement due to the lack of actions taken to plan for proper retirement. Knowledge isn't good enough; what you do with that knowledge is what ultimately matters.

This quality of retirement is disastrous and leads you to suffer in your retirement. You will be dependent on your children and others in this situation. While most of us enjoy looking after our parents, in some cases you may become a financial burden to them. Especially when your children also face financially turbulent times in their own lives. That means you may not be able to spend a dignified retirement life.

In essence, retirement planning is setting aside some money from what you earn while working. Ideally, planning should happen at the early stages of your career. However, an annual review of your plan is recommended to ensure that you are on the right track and have a proper balance between your expected fund and your desired lifestyle. Your ultimate goal should be to spend a financially independent and happy retirement. So, don't delay and plan wisely.

**Unplanned Retirement**  
[Low level of knowledge on retirement planning + Low level of actions taken to build a retirement fund]

