Retirement Planning in Your 20s, 30s, 40s and 50s

You are never too young or too old to think about retirement planning. A good plan can help greatly towards ensuring a comfortable life during your golden years and we talk to some experts on how to do so. *By Ariel Chew*

Whether you're just starting out in your career or you realise that retirement is just a few years away, everyone needs to plan for life after the golden handshake. In an exclusive interview, three financial planning experts share their game plan for retirement planning from your 20s right up to your 50s.

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What is your advice for people planning for retirement in their 20s to their 50s?

Everyone needs to save for their retirement. Most private company employees don't have pensions, and there are no government social security safety nets. Money saved in EPF is not sufficient. Money should not just be saved, it should also be invested in inflation proof investments. It needs good financial planning. People in their 20s and 30s should save money and put down a down-payment for a house. Their priority should be getting a house to stay in so that they can convert their personal rental expenses into investment.

People in their 40s would most likely be married and have children, and thus they need to focus on saving money for educating their children and retirement. People on their 50s should save for their retirement, but as they don't have much time, they should preserve their wealth as well.

Everyone, from when they start working, should follow the principle of saving first and spending the rest. Divide your funds into different categories, one for a house, one for children's education, and one for retirement. The needs are at different life stages, and as such they should invest accordingly. People should take advantage of the 8th wonder – compounding interest.

For people who are retiring or just retired, what would be the best approach to stretch their available retirement funds further?

Most people retire at the age of 55, and are likely to live up to the age of 75-80. Those 20 to 25 years are a long time, and whatever money they have saved – whether in EPF or savings – should be funnelled into a portfolio of investments. At least 40% should be in equity funds as growth is still needed. 40% should be in conservative income funds such as bond funds. 20% should be in fixed deposits. It is better to invest in funds which give a stable monthly income.

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20s, what they must realise is that retirement is really not that far away but will become a reality very soon. They have the best ally that will work wonders for them - time. Assuming a 25 year old young lad who starts by investing just RM 100 a month for 35 years with ROI of 12%, by the time he reaches 60 years, he would have accumulated RM 517,996; by delaying the same habit for ten years, and increasing the investment amount to RM 200 a month for the next 25 years, this same person would only be able to have a nest egg of just RM 320,001. The cost of delaying is in fact a very large tab for anyone to bear, so make time our friend instead of foe.

If you are in your 30s, you may want to focus on issues other than money. It's a time to take stock of your life and ask yourself if you really love your current job. If the answer is not a definite yes, then you must give yourself and your future a good chance to find out what is it that you love doing most, where does your passion lie? Pursue your passion, and when you are happy with your work, you will realise that life is much more than the regular 9 to 5 job you used to have. When we are doing what we really love doing, the idea of retirement at an early age would become not so attractive anymore. In fact, you will be able to work well beyond the conventional retirement age of 50 to 60 years. Also, be careful of your lifestyle and habits because how we live our life at this age will most probably be a very strong determinant on how our future will look like. If you are still a spendthrift in your 30s, you really have to make some big adjustments to your mentality about money and responsibility. This is the best time for you to build your retirement nest egg if you have not begun to do so during your 20s.

Many people say the 40s is the