



RETIREMENT PLANNING

Planning For Retirement Security: Key Factors To Consider

By Samson Osero

People employed before the mid-90s, particularly in the civil service, were certain of job security until the specified year of retirement. The obedient servants were on "Permanent and Pensionable Terms" which would only be withdrawn on disciplinary actions, health grounds or returning to the Maker. In 1998 under the Civil Service Reform Program, the government for the first time retrenched over 20,000 employees in the infamous 'Golden Handshake' payouts.

The private sector caught up with the retrenchment wave and nipped in the bud career dreams of workers in their 20s, 30s, 40s and 50s. Retrenchment became an office-hold name that caused cold shivers in workplaces whenever it was mentioned. In essence, it wound backwards the retirement clock with enticing titles such as Voluntary Early Retirement Program.

Unrelenting market forces, digitization of work processes and business-unfriendly legislation, among other factors, have

eroded job security to unprecedented levels. Unlike two decades ago, employees are now self-compelled to begin planning for retirement from the first day at work.

Here-under are some factors working people should consider in planning for retirement security way ahead of leaving paid employment for whatever reasons.

Financial Independence

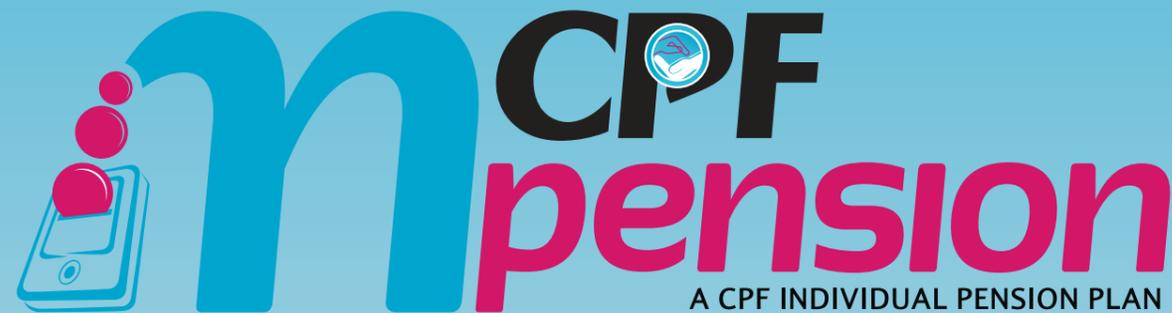
Employees' main source of income is the salary they receive at the end of every month. The money enables them to meet living expenses; purchase assets; pay for services and save for investments. On retirement, the salary tap shall be closed and replaced with pension payments most of which are a pittance. Pension compared to the salary on last pay slip cannot enable one to continue living at the same lifestyle as before. The key question to ask oneself today is: What decisions should I make now to secure my financial independence during retirement?

Since the employer's monthly pensions will not be adequate, open and make contributions into a personal pension scheme in a registered financial services firm. At retirement time, the scheme money can be converted into an annuity receivable every month for an agreed period. This annuity plus the pension will become reliable sources of income to enable you meet some of your retirement living expenses.

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Other employees have increased NSSF contributions above the minimum statutory requirement. The total NSSF contributions will be available for withdrawal on attainment of 50 years. Such a lump sum is more often than not subjected with numerous expenditures until it gets exhausted after a short period.

Retirees who obtain lump sum payments from their pension schemes have wondered over the lightning speed at which their money wallet becomes empty. It reminds them of people that win lotteries but later on live in abject poverty. If you have an on-going project that requires money, the lump sum would be its ready source of finance. Without such a project at hand, the money may be squandered in purchasing unnecessary goods or services on impulse. The money will be soon gone. The retiree will become financially stranded claiming that the money was cursed from the day it was received. Retirement advisors have recommended that lump sums be converted to annuities to guarantee retirees with a regular future income.



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The key decision one can make during working years is to postpone consumption especially of luxuries and increase savings preferably in a SACCO. The accumulated savings can be invested in an income generating project or investment instruments such as shares, Treasury Bills and bonds. Some people have invested in real estate that eventually produces rent income that outlives them.

People have a tendency to create all sorts of flimsy excuses for being unable to save money. Some deceive themselves that they will begin saving when their salaries are increased. Others are convinced that savings cannot be made out of the meager salaries they earn. These and similar deceptions will not be a remedy to the dry spells of money they are likely to face in retirement.

Saving is a habit one develops regardless of the amount of salary you earn. Needless to state, money matters require self-discipline driven by one's specific financial goals. Self-discipline is the key stepping stone towards financial independence. It can empower you to save more money compared to spending it on unbudgeted for items.

Financial experts have proposed that a monthly salary be allocated on the ratio of 50:30:20 for living expenses; other expenditures and savings respectively. Over a long period, the money saved could be available for investments like starting a side hustle. When the side hustle succeeds, it turns out to be a safety net or soft landing while earning you revenue in retirement. The ball is in your court during the employment season to apply the above ratio and monitor your progress towards achieving personal financial goals.

Retirement Home

During working years, some people stay either in rented houses or staff quarters. The two types of housing sometimes put

People who live in a stable family are able to weather both internal and external storms of life. But those from problematic families are unable to obtain the family's support in times of need. Family relationships nurtured during employment time would facilitate one's seamless transition into retirement. Poor relationships today are bound to be carried forward and cause psycho-social adjustments in retirement a real nightmare.

them in a comfort zone that becomes unfavorable when retirement knocks at the door. The occupants will be required to move out of the houses for alternative residences. A few would immediately wish to move to cheap houses within town or its suburbs. This temporal movement will be short-lived because the fresh retiree will not have a regular source of income for rent payments. Finally, the retiree may be forced to relocate elsewhere to meet his or her shelter needs.

Cases of employees refusing to vacate staff quarters or rented houses have been prominently featured in the local media. Landlords or employers have sorted out the impasse through evictions after expiry of notices. Families have sometimes put up with ugly eviction episodes that include brutal physical fights. To avoid such unbearable evictions, it is advisable for one to plan and build a house where you will reside in retirement.

Some employees may decide to relocate to the rural area, preferably their ancestral community. Those with an existing house will move in and begin adjusting into the rural life with its challenges. If you had not built a house back at home, you could use part or the whole terminal lump sum for one.

Of late middle class employees are living

in their own houses. For the people in this category, retirement does not make any difference on the issue of shelter. However, some retirees with empty nests vacate their houses for relocation to either the rural area or nearby cheaper suburb. They let out the vacant house as a new income stream.

Unfortunately, other retirees have been thrown out of their own houses by their adult children. The children have argued that they need the houses more than their aging parents. On planning for retirement, working people should aim at owning retirement homes. Such an owner-occupied house in whichever location will enable a retiree to begin his or her retirement on the right footing.

Side Hustle

Nowadays, full-time employees are stealthily starting and running side hustles to not only meet their living expenses but also as a possible soft landing whenever employment is terminated. Although the idea of a side hustle is attractive, one should select those that are not in conflict with the current employment. People who have ignored this advice have lost their jobs at a time they are most needed.

Starting a side hustle is easier, but keeping it running viably is a completely different

ball game. Consider many business ideas for the side hustle before settling on one. Evaluate the viability of the business ideas by confirming that a ready market exists for its products or services, required finance is available to take it off the ground, and one possess the pre-requisite management capability for running the side hustle.

New entrants into business have burnt their fingers by venturing into businesses they had little or no knowledge about. Others have employed close relatives to run the enterprises but failed to put in place necessary control mechanisms. The worst hit on business failure opened under-capitalized businesses that took off but closed soon after.

Proper planning backed with adequate resources will enable you start viable side hustles with potential for growth. Take your time to understudy the nature of business you want to begin before committing resources into the venture. The running of a side hustle will become not only a new occupation in retirement but also a source of income.

Healthy Lifestyle

The old adage: "health is wealth" has stood the test of time. Good health can enable you engage in daily activities that include working to earn a living. But it is a pity that people do not take care of their health. Eat a balanced diet and engage in regular physical exercises, both of which are basics for living a healthy lifestyle.

The saying: "you become what you eat" is out rightly ignored until people develop medical conditions such as obesity and hypertension. The decisions one makes now on better nutrition will have an impact on their health in retirement. Aim at meal plans that qualify as balanced diets for both your nourishment and protection from avoidable lifestyle disease such as diabetes.

Physical exercises are beneficial for keeping one's body healthy. They burn excess calories whose accumulation would cause obesity. The exercises promote blood circulation in the body to keep away cardiovascular diseases. Yet people find plausible excuses to avoid even simple physical exercises such as brisk walks. Keep the excuses at bay and make it a habit to regularly undertake physical exercises



for body fitness. Sustain the keeping fit habit into retirement for the sake of your physical wellness and longevity.

Family Relationships

The family is an important institution whose members are expected to foster good relationships between each other and among themselves. Healthy family relationships play a key role in managing life issues that may not be handled singly. It is, therefore, crucial to maintain high quality family relationships while working and during retirement.

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Friends and Community Members

Social wellness dictates that you build good relationships both at work and outside, particularly in your community.

Some friends made during working years may be available to lean on at different times. They can become a sounding board when grabbing with retirement issues some of which cannot be readily addressed. Maintain friendly relationships with people because you may in future need each other outside the workplace.

Community members play a key role in shaping the socio-economic activities of a particular geographical location. They are a good source of ideas on addressing communal issues. Participate in current and future collective community activities to contribute towards societal well-being.

Continual engagement in community development matters would pave your way into any desired future leadership roles. Eventually, taking up the roles would enable you to both give back to society and make you productively occupied in retirement.

Samson Osero is an Independent Human Resource Development Consultant and Author of the book 'Transition Into Retirement'. You can commune with him on this or related matters via email at: Samsonosero@gmail.com.



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Head office, CPF House, 7th floor, Haile Selassie Avenue, P.O Box 28938-00200, Nairobi
Tel: +254-020-2046901-5, 047-20-4333354 Mobile: +254-735 763 293 Email: info@cpf.or.ke

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