PLANNING FOR OLD AGE

1. How To Plan For a Happy Retirement

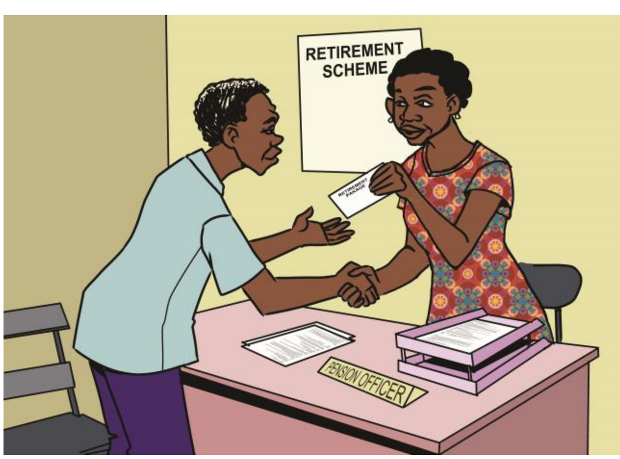
1) Definitions:

Retirement *is the stage where a person stops employment completely. In Uganda, many people do not stop work completely because they do not plan early enough for retirement. This forces them to continue working even after the retirement age. The minimum age of retirement in Uganda is 55 years. People retire either voluntarily (resign or retire before the minimum retirement age) or involuntarily (forced to retire because of age, fired from work, or forced to stop working due to sickness or disability).*

Many people plan to retire at the age when they are eligible for ***private or public pension benefits****. A pension is a regular payment made during a person's retirement from an investment fund to which that person or their employer has contributed.*

2) *Plan for your retirement early*

Everyone needs to plan for their retirement early. It's important to ask yourself how much income you will require when you retire to maintain yourself and any dependants you may have during retirement. Therefore, planning early by saving and investing wisely will help you meet your needs during retirement.



3) *If you work for the Government, you are entitled to a public pension*

Employees of Government (e.g. ministries, government hospitals, schools, security forces), don't make monthly contribution to their pension scheme. The Government will automatically pay you a certain amount of money every month for 15 years after you have retired. Make sure you fill in the pension form during employment and have the documents (such as your appointment letter) you need to get your pension processed. Your family can get your pension if you die – by presenting the letter of administration and appointment letter to the pension desk at the Ministry of Public Service.

4) *If you work in the private sector, your contributions to NSSF will be given to you upon retirement*

If you are employed by a private company or a Non-Governmental Organization (NGO), you will have a 5% deduction from your salary sent to the NSSF. Your employer must also make a 10% contribution to the NSSF every month. It is always important to get your statement from NSSF to ensure that your money is being saved every month. You will have your savings paid to you when:

- *You retire at the age of 55, or*
- *You get an accident that causes you to stop working, or*
- *You have a terminal illness such as acute AIDS and terminal cancer.*

5) Ask your employer if s/he has signed up for a voluntary private pension plan

Voluntary private pension schemes (plans) are retirement benefits plans which are initiated by employers as an addition to the mandatory NSSF. The employer in a private occupational pension plan makes contributions for its employees. These schemes (plans) are not registered or regulated. Such plans are few in Uganda but they make an additional saving for employees. This money can be very useful in retirement.

6) Other ways to prepare for retirement

a. Savings

It's important to save for old age. The following are the three steps to consider if you want to increase your retirement savings:

- *Rethink your goals: You can adjust your savings goals to fit your retirement plans.*
- *Postpone your retirement: You can work more years and accumulate more money in your retirement account or take a different job, start a new business and supplement your money retirement.*
- *Increase your contributions to your retirement account; putting more money aside now increases the possibility of having more money later.*

b. An annuity

This is a different kind of retirement account. Annuities are based on a contract where you pay in a specific amount each month and receive a guaranteed amount each month when you retire.

c. Assets

This may include for example real estate's which can generate income in future. Most assets especially land appreciate in value over time. In our community, people invest in land, build houses for rent, and keep animals e.g. Cattle.

d. Insurance

Insuring for old age/retirement is very important. There are various forms of premiums that you can consider. When you retire, your insurance needs will likely change. Review your existing insurance premiums and think about any new coverage you might need now that you're no longer working.

7) Your family can benefit from your pension – if you provide the right information

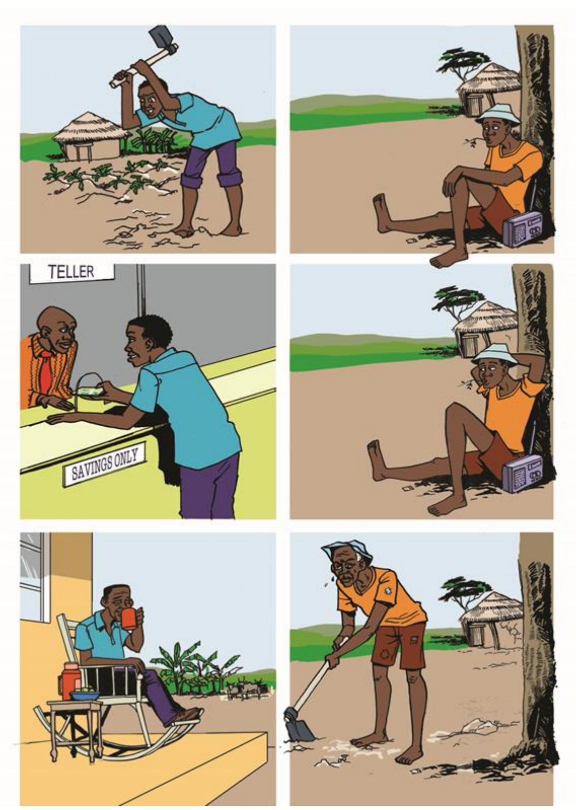
If you are on a pension plan, you are sure of a regular income to take care of you in your old age or disability. Your family will also benefit in case of your death. You should ensure that you provide information about your next of kin on your pension form so that your pension is given to the right person. Also make sure your spouse or family members are informed about your expected benefits and the procedures to access them should you die.

8) Use your benefits wisely

Even if you are on a pension plan, you still need to make a plan for your retirement, which should include plans for an investment which gives you an income after the pension benefits have been used up. The pension benefits could, for example, be used to buy more animals for your farm or to expand your grocery shop that you had started while in employment.

9) Start planning for your retirement now

Start saving and investing some of your income as early as possible. If you are on a pension plan, this will be a useful addition to your retirement or pension income. If you are not, these savings will be your security for old age. ***Please Note****: The retirement package you receive from Government (if you are a civil servant) or NSSF (if you are a private sector employee) may not be enough to enable you meet all your needs during retirement. Therefore plan early, save and invest to be able to supplement that retirement or pension income.*



2. Rules of Thumb

Things to consider BEFORE you retire!

- ***Convert your savings to income***

You've spent years saving your money for retirement, but before you retire you need to select the best way to convert your savings into an income. Make a research on your income options and set up a plan so you have an income from the first day you retire.

- ***Pay off your debts***

Pay off your debts as soon as you can – ideally before you retire. To help you pay debt off faster, make sure you are paying the lowest interest rate you can get.

- ***Calculate your monthly income***

Estimate how much monthly income you'll receive from your savings, government benefits and any pensions.

- ***Make a budget***

Figure out how much you'll need to spend to make ends meet in retirement – then see if it matches your monthly income. If it doesn't, you'll need to find ways to save more, cut spending or boost your income in retirement. You also need to determine what your retirement lifestyle will be and how much it will cost.

- ***Review your insurance needs***

As you get older, your insurance needs will likely change. For example, if you have fewer debts and dependants, you may not need as much life insurance coverage. But you might have more health problems, so you may want to consider critical illness insurance or long-term care insurance. Make sure you have enough insurance.

- ***Review your will and powers of attorney***

If you're about to retire, your will might need to be changed or updated. Having a valid, up-to-date will is essential to ensuring your estate is distributed as you intend it and that your death does not create a legal and administrative burden to your family.

- ***Review your risk taking profile***

As you grow older, the risk taking profile has to change and mellow down. Your investments should reflect this change. If you are in your twenties, your time horizon is 40 years. Your objective is to build assets. On the other hand, a retiree does not have a time horizon of 40. Your objective is to preserve capital.

3. How Much Do You Know about Retirement Planning?

QUIZ – PLEASE PICK THE RIGHT ANSWER!

1. ***Which of the following are government employees entitled to?***

☐ *A) Piece of land* ☐ *B) Public pension* ☐ *C) A lump sum of 1,000,000 /=*

2. ***Your NSSF savings will be paid to you at the age of…***

☐ *A) 50* ☐ *B) 60* ☐ *C) 55*

3. ***Who can benefit from my pension in case of my death?***

☐ *A) Family* ☐ *B) Friends* ☐ *C) Anyone*

4. ***What is the deduction of your salary which will be paid to the National Social Security Fund (NSSF)?***

☐ *A) 2%*
☐ *B) 5%*
☐ *C) 7%*

5. ***And what is your employer's monthly contribution to the NSSF?***

☐ *A) 10%*
☐ *B) 15%*
☐ *C) 20%*

CORRECT ANSWERS: 1B, 2C, 3A, 4B, 5A

4. Build Your Own Retirement Plan

Step 1: Expenditures

During old age my (monthly, half-yearly, yearly) expenditures will be:

(Note: Take into account additional expenditures due to old age, such as health expenditures, additional insurances but also the fact that you might face lower expenditures in other areas during retirement period.)

Step 2: Income

During old age my (monthly, half-yearly, yearly) income will be:

These will be the sources of my income during retirement:

Step 3: Is my Income Sufficient To Cover My Expenditures?

If not, either 1. Cut back on the following expenditures:

Or 2. Find additional sources of income (e.g. work part-time, sublet your home, move to a cheaper home,…):