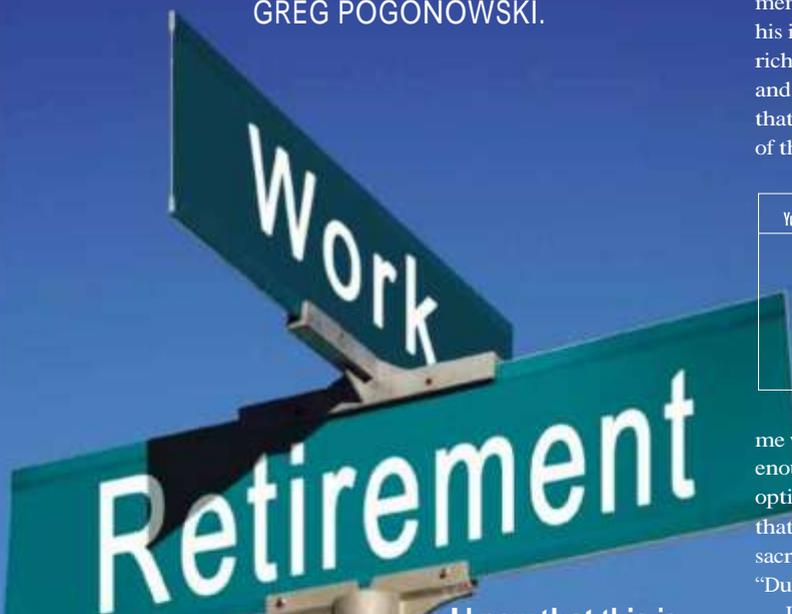


# hOw tO RetiRe at 55

THE CHANCES OF MOST OF US RETIRING IN COMFORT APPEAR TO BE PRETTY SLIM. BUT THAT'S SOMETHING YOU'VE GOT TO THINK ABOUT SERIOUSLY, WHETHER YOU OWN YOUR OWN BUSINESS OR WORK FOR SOMEONE, SAYS INDEPENDENT FINANCIAL ADVISOR GREG POGONOWSKI.



**I know that this is alien for most employers in this region, unless they have their headquarters in another country where remuneration norms are different, but instead of getting a pay rise why not ask your employer to pay into your pension plan?**

▶ Many of us simply aren't putting enough money aside to be able to give up work before our mid 70s. Indeed, an increasing number of people are reaching middle age without anything set aside at all, perhaps relying on state benefits in their home countries.

**How much will you need?**

It is possible to retire early. It's just not easy, but things worth doing rarely are. As one of my mentors said to a colleague of his in the US: "You live in the richest country in the world – and you are broke. Who sold you that plan?" Can the same be said of the UAE too? It still puzzles

33-50% on the day you retire! Most SME owners have two days in their current weekend, and most retirees have seven. Funny how just at the time when most people do the most of their spending (the weekend), they will have "longer" weekends and yet less money!

The current national average salary in the UK stands at £25,800. If we translate that into US dollars at the current approximate rate, we arrive at a figure of \$41,280 which is only around AED12,600 per month – not that extravagant. So let's see how much you need to save in order to enjoy a retirement income of around AED 12,600 per month.

Your age now	Your monthly contribution	Total pension fund	Annual projected income
20	\$778	\$595,135	\$20,578
25	\$992	\$592,900	\$20,548
30	\$1,301	\$591,466	\$20,552
35	\$1,767	\$587,028	\$20,461
40	\$2,557	\$584,236	\$20,391

me why people end up with not enough when there are enough options to help you plan; but that does mean making a small sacrifice today and reining in the "Dubai lifestyle" a bit perhaps.

If you want to retire by the age of 55, it's time to do some math. It will come to you before you know it, and one thing that gives senior citizens dignity in older age is money – with it you have choices, without it not many.

So, exactly how much cash is needed to cover retirement varies depending on the person and their lifestyle. Sadly, there's no simple answer. However, pension experts tend to tell you to aim for between half and two-thirds of your current income. This still means a "pay cut" of

**You have to start early**

What the table above clearly shows is that it's next to impossible to retire early if you leave your pension planning late – very few SME owners or their workers in any country are going to be in any position to devote 50% (or more) of their salary towards their pension, as would be required for workers aged 35 and over. The first thing that is abundantly clear is that if you want to retire early, it is absolutely crucial to start saving early, and with meaningful sums.

**Take advantage of your employer**

It's worth noting that in my calculations above, I relied entirely on the personal

contributions that you make towards your pension. However, your chances of retiring by the age of 55 are far higher if your employer offers to make a contribution as well, where they will also pay a set percentage into your pension pot. I know that this is alien for most employers in this region, unless they have their headquarters in another country where remuneration norms are different, but instead of getting a pay rise why not ask your employer to pay into your pension plan?

People tell me there is a gratuity scheme in place by law, and that is all very well, but the amounts that are paid out are insignificant when compared with your needs, whether you are an employee or a business owner. A good way to look at this if you are an SME owner – what will you get personally? Why not use your money to safeguard your personal future by creating a fund outside your business so you are not dependant on it for your future income?

Assuming you as an SME pays the equivalent of 5% of your salary, let's see how much fees you need to invest now, to enjoy a life free from work at an early age:


Do note that a number of assumptions are made with all the tables here: A compound growth rate of 7% has been used, while a management charge of 1% is deducted from the final figures. Inflation is assumed at 2.5% compound, while annual contributions are assumed to increase by 2.5% each year in line with inflation.

As you can see, while you still need to save a serious amount every

month in order to put enough cash aside to retire at such early age, it's a lot easier if you can take advantage of cash from your employer as well. For all SME owners, that means you. If you want to ditch work by 55, it's crucial that you take advantage of whatever pension help you can give yourself.

What's more, even if your employer doesn't currently have a pension scheme, they may be forced to. Governments are moving into proper pension provisions just a gratuity.

**It's a sacrifice**

Even with employer help, it's still a pretty big task to set so much cash aside each month towards your pension. In order to put aside such a sum every month, you'll need to make some serious sacrifices.

A healthy aversion to getting into debt will help, while you'll need to forget about keeping up with the Jumeira Janes – no Kindles or iPads for you perhaps? Your entire cost of living will need to be kept to a minimum. Personally, I'm too much of a sucker for a treat

here and there, but if you have some reasonable fiscal discipline it should be possible to save the requisite amount.

**Take control of your cash**

Of course, in order to reach early retirement it's not enough to put that money in your pension and hope that it performs well – in order to get the most out of your pension contributions, you really need to engage with your pension.



Greg Pogonowski

before you even consider signing on the bottom line, be sure you know exactly what sort of performance you should expect from your cash. You also need to be fully aware of the charges involved – even small differences in the charges can make a huge difference to your final pension

Not all pensions are the same, so before you even consider signing on the bottom line, be sure you know exactly what sort of performance you should expect from your cash. You also need to be fully aware of the charges involved – even small differences in the charges can make a huge difference to your final pension. It's not usually should regularly look at to move your fund is performing and, if it's not up to scratch, don't be afraid to switch it elsewhere.

So after

**worth it?**

For all that, is it worth trying to retire so early? Personally, I'm not so sure.

Don't get me wrong, I'd love to retire at an age where I can actually enjoy my newfound freedom years. But I'd quite like to enjoy my younger years too. Of course, I know that I need to keep up my pension contributions at a decent level so that I have a healthy fund by the time I do retire, but that doesn't mean I want to sacrifice my holidays (however modest) or whatever other treats I get to enjoy every now and again.

And anyway, lots of us actually enjoy work (no matter how much we may deny it). My grandfather didn't completely retire until he was well into his 80s, and I've no doubt I'll be the same. Building up a decent pension pot is really important, so be serious about the amount you put in. After all, you want a serious amount back, but it doesn't have to be entirely at the cost of enjoying your younger years. A bit of balance is more like it. ■

**ABOUT:**

Greg Pogonowski is an independent financial adviser with over 27 years experience in the financial services profession, he works with Pinnacle Asset & Wealth Management. He can be contacted at [greg@yourmoney-matters.com](mailto:greg@yourmoney-matters.com), or by calling +971 (0) 50 8769035.