

Preparing for retirement



Finance

By Don Freeman

MANY expats don't know where to begin when planning for retirement. The key is getting a head start. While it's best to start planning as soon as possible, it's never too late to take control of your finances and your own destiny.

This is the first of a three part series outlining the three critical steps that must be taken in order to retire comfortably. The first step is to begin preparations for retirement. This is important because for the first time in their lives, retirees will no longer be building their nest egg, but rather they will be spending it.

In preparation, retirees must be honest with themselves and their financial adviser. It must be remembered that income levels won't be as substantial as before. Certain expenses will have to be cut back.

For many expats, these cuts will include not going to the beer bars every night, but maybe once or twice a week instead. There have been a number of examples of expats who retired to Thailand with a lump sum and didn't follow this advice – within three years, they were broke and forced to go home.

While expats don't want to curtail their lifestyle, the fact of the matter is most do not have

enough money saved up for retirement. That's why it's important to establish a budget. For instance, 59% of men and 70% of women will live to age 80! After that, 20% of men and 31% of women will live to age 90. That means retiring at 65, some will need their money to last another 25 years.

Furthermore, as age increases, so do health care costs. Only about 20% of retirees age 65 and older are covered by employer-sponsored health insurance. Even though medical costs are lower in Thailand, it's important to get coverage.

Another important thing to consider when retiring abroad is currency conversion. Many clients have most of their money in dollars, Euros or pounds. The money kept here in Thailand is spending money.

How many months of spending money should one keep in Thailand? The most important factor to look at is the baht conversion rate. When the baht approached 33 baht to one US dollar, that was an ideal time to transfer several months' worth of money to Thai bank accounts.

It's also helpful to minimize the number of transactions not only because of the conversion rate, but Bangkok Bank, for instance, charges approximately 600 baht for each wire transfer from the US. Over time, this can add up to thousands of lost baht. Being smart with small fees can save considerable money over time.



Currency conversion must be worked into the equation when considering retiring abroad. Photo: epSos.de

The last and most important thing to consider in preparing for retirement is where to keep saved money. All the things discussed in this article are what is called the "nickels and dimes". It's where retirement assets are kept that is critical to long-term success.

No one wants their hard-earned fortune taken by an unscrupulous broker or a firm that goes belly up. That's why it's safer to use brokerages such as TD Ameritrade (which has US\$500 billion in assets), Interactive Brokers, Saxo Capital Bank,

Investors Europe and other discount brokers.

Once an account is established, exchange-traded funds (ETFs) from Vanguard (which has over US\$2.4 trillion in assets) or US stocks can then be used to diversify growth investment portfolios. Investors don't have to worry about either one of those brokerage firms going out of business or running off with their money since it is held in segregated accounts separately from their business structure.

A future article will discuss

why having a broker with segregated client trading accounts is important.

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Experts weigh in on keeping Thailand competitive

A COUNTRY'S economic strategy must be formulated from the top down, says the director of a leading business institute. He added that investment in education is worthwhile even though results may take time and insisted that accountability is crucial for the reform of any educational system.

In an exclusive interview with *The Nation*, Professor Arturo Bris, director of the International Institute for Management Development (IMD) World Competitiveness Center, explained what he feels is the best approach to the creation and application of a reform strategy.

"The formulation of a clear strategy is probably the easiest part, and certainly implementation would be more difficult, but strategy must be formulated top down. It is not something that can be delegated and it is the responsibility of the political leader. It is not something that can be developed in isolation," he said.

"This is true not only for politicians, but all executives, and anybody in a leadership position. A strategy is something that you develop by listening to the main stakeholders. It involves a lot of listening, getting to know the problems, and at the same time trying to involve all of the parties that are going to suffer or benefit from those decisions," he added.

A clear strategy to increase competitiveness must exploit the country's uniqueness and Professor Bris said that Thailand's main



Investment in education is part of a smart long-term strategy. Photo: ajari

advantage is its geographical location – in the middle of the Southeast Asian region – which means the country can serve as a hub for businesses. He said Thailand also has a well-diversified export sector – a major driver of competitiveness.

He added that Thailand's other advantages included its ability to be the first in the region to offer services in a very competitive way. He cited the Kingdom's leading position in tourism, financial services, and support services to export industries as examples.

"The largest percentage of Thailand's GDP [gross domestic product] comes from the

service industries and that is the strength that has given the country a competitive advantage over neighboring economies," he said.

Anne-France Borgeaud Pierazzi, senior economist and head of IMD World Competitiveness Center, said that as Thailand has achieved a well-diversified line of export products, but it needed to shift from a regional to an international focus when developing network partners in its export industries.

She also said that the country needed to increase its investment on research and development (R&D) to raise its overall competitiveness, as its expenditure on R&D is low

by international comparisons. She said she is glad to see that the new government has such a vision and mindset.

The new government plans to increase the country's R&D expenditure to 1 per cent of GDP from the current level of around 0.25 per cent.

In terms of education, Professor Bris said the two main issues behind success in educational reform is accountability, which involves the creation of a system where the outcome of education becomes a key performance indicator in order to allow the country's educational system to improve.

"Education is one of the sectors where public management is crucial, as public management is usually not based on incentive," he said.

Financing is also important, as the more money the public sector spends on education, the faster it develops and, generally speaking, there is a strong correlation between how much money is spent on education and the outcome of the educational system.

Pierazzi said, "It is difficult for some countries to look at the long-term, but investment in education is very worthwhile and it is one of the main drivers of competitiveness besides innovation. Thailand should start to improve its educational system from the secondary level or as early as possible."

– *The Nation*