

The Retirement Plan For Jayson (Case Study)

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Introduction

Just like the majority of the citizens, Jayson is a struggling gentleman who is trying to make his family comfortable in this difficult economic situation. He is a 35-year-old working at Walmart Limited as a senior finance manager. Jayson has a lot of future expectations; thus, having a retirement plan would be beneficial to him as he has a long way to go as far as his career is concerned. Jayson is currently married to Cherry Jayson, and he has two children aged 5 and 10 years, respectively. With the rising economic status of the country, Jayson needed to find part-time jobs to make his family comfortable. Apart from his current job, he is a security guard at night. At some point in life, he will need to retire from all these tiresome jobs because of age; thus, he needs to plan for how he would mitigate the unforeseen rainy days and the challenges that come with being old. People who are used to being financially independent may wallow into depression if they retire without a plan, as they would be forced to depend on their family members financially and for daily basic needs. Any savings or earnings applied today will come with an enhanced future; thus, it is worth working smart and making savings to have a better retirement moment. Jayson plans to retire at around the age of 65.

Factors that Jayson should consider

As time goes by, westernization slowly crimps into people's minds, nuclear families are being fragmented, and individuals are becoming more individualistic than in previous years when the older would be taken care of by the family members after their retirement. The world economy is changing every day, and the rate of inflation is increasing at a high rate; thus, it is necessary to set aside some earnings to make an investment that would help in the future (Cook, 2017). Some states sponsor pension plans; thus, if one is a citizen in that state, his pension plan gets sponsored by the government. If an employee is from a state that doesn't sponsor the pension plan, they have to start having their retirement plans earlier to protect themselves from unforeseen exposures. In most nations, the recommended retirement age ranges between 65 years and 70 years. This age comes with many difficulties as the body is frail, and most people start falling ill. Thus, an individual may be drained in terms of meeting his medical bills and, to some point, selling their properties to cover this bill.

The first factor that Jayson should consider is the earnings and salary from serving as the senior finance manager at Walmart. The higher the salary and returns, the higher the savings. To prepare a retirement plan, he has to start saving towards it as one cannot invest what he doesn't have. Thus, Jayson is better placed as he has a job opportunity that pays him \$2000 monthly. Jayson does not

only use his salary to meet his family's basic needs but also makes saving for his retirement. He saves between \$400 to \$500 every month for his future retirement. Taking into consideration that he is married and has two children, it is essential that he open a health insurance cover that would cater to his family's medical bills in case one of them falls sick (Andonov et al.,2017). Insurance is a good way to see yourself through the future. Life insurance, insurance for your properties, and education for your kids should be put in order. This allows for more income as compared to the expenses.

Additionally, for an individual to save for the future, he should consider the number of dependents. If an employee has a lot of dependents, then it means that he has to work hard and stay focused so that he can earn more income that would help him meet the needs of his dependents. From sickness to basic needs and the bills you need to take care of. You should prepare yourself in case of emergencies for the dependents so as to have peace of mind. Bearing in mind that Jayson has two grown children, it is evident that soon they will start schooling, thus requiring school fees. Significantly, with the new insurance policy for school fees, he can just make sure he gets his kids insured.

Moreover, the investor's age plays a vital role in preparing retirement investment plans. If most employees are asked, they would prefer to retire now as it is ok to retire even before attaining retirement age, thus having reduced retirement age. All factors held constant, Jayson has 30 more years of retirement savings; thus, if he decides to work till he attains retirement age, he would make more savings for future uncertainties. The age of the staff helps in evaluating the retirement age bracket that he falls in, thus helping in calculating retirement benefits. The calculated retirement benefits help the employees decide whether to work harder to save more money or abstain from working (Henretta, 2018). Jayson would fall in the age bracket of young and ambitious youth who can save more for the future every month as he has fewer responsibilities. Jayson's age would also help him develop a retirement plan that would help him save more money and avoid unnecessary luxurious activities.

Consequently, Jayson should consider his life expectancy while preparing his retirement investment plan. Researchers define life expectancy as the number of years an individual is expected to live. Jayson can use the SSA calculator to calculate his life expectancy. The SSA calculator considers individual health, lifestyle, fashion, and heritage, thus calculating the number of years one can live. If the calculation results indicate that Jayson has a higher life expectancy, then it means that he has to make more savings and vice versa. Therefore, calculating an employee's life expectancy helps individuals determine the amount of money they should save.

Retirement age and retirement income

Retirement comes with different options for people depending on their earnings, assets and even savings. In the case of Jayson, he plans to retire at the age of 65, which is not a bad option since it is part of the retirement age bracket. Jayson has no option of retiring early since he has not gotten to

the point where he is comfortable without the earnings from his job. However, he does not have to wait until he reaches the full age of retirement as he can retire if he is free from debts; if he has paid off all his loans, he can retire from his work.

To find out his retirement income, he might use a retirement wellness planner. It allows you to see what else you need to do and helps estimate how close you are to getting where you want. You have to put in all your monthly earnings from all your jobs and deferrals and your savings. Jayson's retirement income is \$40,000. Considering that Jayson gains a fixed salary, he may be financially strained if he retires without settling his mortgage. Additionally, he may retire if his kids are grown and he no longer needs to support them. If his kids are grown and earning their incomes, he is no longer responsible for their basic needs; hence, he can retire. If Jayson's parents are elderly, he has a role in taking care of them; thus, taking early retirement may make him drained financially. Supporting elderly parents and taking care of kids may be expensive; thus, one must have a good income before retiring.

Consequently, an employee may retire if his portfolio is well-updated. Three determinants influence one retirement age: the amount of savings or investments portfolio upon retirement, the expected growth rate from the investments, and the yearly withdrawal that the retiree will require to maintain his standards of living after retiring; thus, if one has a poor portfolio, it means he is not ready for retirement. Therefore, there is no preferred age for one to retire as it depends on how well a person has prepared himself for retirement through investing. While considering retirement income, one should retire when he feels he has enough savings to meet his financial obligation.

Risk tolerance

An employee makes a retirement investment depending on the amount of returns or salary. The higher the returns or salary, the higher the savings, and the lower the returns, the lower the savings. However, the higher the return, the higher the risks; thus, investors would take cautiously. If a client is risk-averse, he will be reluctant to make retirement investments, thus having a high chance of financial struggles. Retirement investment includes investing in stocks and bonds. Stock investments have a high return, but they are linked to high risks as they involve investing in a firm, and if the company is performing well, then the returns on stocks will be low (Shah et al., 2020). Bonds are like loans, and the investor can tell when he will be paid and the interest he will gain. Being a risk conservative, Jayson should make 70% of his retirement savings on stocks and 30% on bonds.

Jayson may not be able to control risk on his own. Thus, he should involve an investment professional who can help him minimize risks. The investment expert would conduct research on firms with good reputations and those making high profits so that he could guide Jayson on how to invest in stocks without losing his money. The investment professional may also guide him on the technique of investing in bonds. Therefore, an investor who is risk conservative should work with investment professionals who would advise them on the way to make retirement investments, but as early as

now, Jayson should set aside 20% of her income for investment. After being guided by investment expertise, he should now make an effort to spread money to various investments such as stocks, mutual funds, and bonds.

A defined Retirement plan for Jayson

Jayson would prefer to have a defined contribution plan where he and his employer would make contributions. In this plan, both capital gains and losses affect the contributions. In a situation where Jayson retires, he receives his balance after the employer factors out the effects on capital investments. The value of the defined plan is majorly affected by the investments and prevailing market conditions (Fisch et al., 2019). This retirement plan has definite returns, and since Jayson is risk-averse, he would prefer it over retirement plans. As previously stated, changes in the market and investments significantly impact defined contribution contributions, as opposed to defined benefits, where retirement benefits are determined solely by employer and employee contributions. As previously stated, changes in the market and investments significantly impact defined contribution contributions, as opposed to defined benefits, where retirement benefits are determined solely by employer and employee contributions.

Finally, having a retirement plan in place early in life relieves stress in our golden years by ensuring that we can continue to enjoy our financial independence after retirement without having to rely on others, and having the best investment plan is even better as we sit back and watch our money work for us.

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