MBMG
INVESTMENT ADVISORY

MBMG Update

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Financial Planning for Teachers

Part 1: Retirement & Savings

You can't stop a teacher when they want to do something. They just do it.

— *J.D. Salinger,* The Catcher in the Rye

On 14th October, 25 people attended an MBMG IA event in Bangkok which informed teachers about financial planning. It covered retirement and savings; reducing income tax liability; insurance and wills. In Part 1, we look at an example of a retirement and savings strategy.

Retirement and Savings

Saving for retirement or even just for a rainy day is often the last priority – quite literally 'putting money aside'. Another approach is to pay yourself first before the electricity company, the bank etc. The example given at the event was that of a fictitious person, Chris Smith.

Imagine Chris is a 30 year old teacher, who has worked in Thailand for the last 5 years and has not contributed to a retirement plan during that time. He currently earns THB 150,000/month and wants to retire at 55 years old. He has worked out that after paying his bills every month and putting a little bit aside for holidays, he can save THB 40,000 per month for retirement.

Chris decides to put his savings into a fund has targeted a growth rate of 7.5% a year. Chris begins to save THB 40,000 a month every month for the next 5 years and hits his target growth rate of 7.5% (compounded monthly). At the end of 5 years Chris's retirement contributions are worth THB 2.9 million

Chris then accepts a head's job in Germany, where the school pays into a government retirement scheme. Chris therefore no longer needs to pay into his private plan. The THB 2.9 million remains in the retirement plan for the next 20 years (until Chris reaches age 55) growing at 7.5% per year.

When Chris reaches age 55, his retirement plan is worth THB 12.3 million. Assuming Chris retires at this point and becomes a little more cautious with his retirement investments (targeting 5% returns). His retirement plan can pay out THB 800,000 per year and last a further 30 years.

Had Chris not put money away for his retirement for 5 years his retirement income would be THB 800,000 a year less.

There are many ways to save money: it could be just in a bank account, in international plans or, if you aim to stay in Thailand for a few years, Thai retirement plans. Thai Retirement Mutual Funds (RMFs) or Long-Term Equity Funds (LTFs), are also available and are tax deductible.

For further information contact us by e-mail on info@mbmg-investment.com or call +66 2 665 2536.