If you were to retire next month you would probably need 80% of your current income. But after one year you will need more money to meet the same expenditure. This is because of inflation (e.g. rising prices of commodities, which gradually increases the cost of living and erodes the money's value.

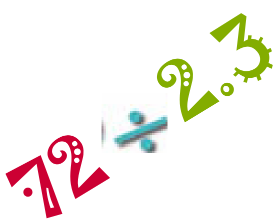
The rule of thumb is that you need to earn more than the current inflation rate to keep ahead of the inflation.

Experts in the financial world use a simple rule known as the Rule of 72.

The difference between what you need and what you expect to have must be adjusted by inflation. You can use either a financial calculator or a multiplier table and determine how much the shortfall will be when you retire. Multiply the monthly shortfall by 12 to convert to a yearly amount.

If you want to know how long it will take for prices to double, take the number 72 and divide it by the current inflation rate. You can apply this same rule to your savings.

In St. Kitts, the inflation rate for 2004 was 2.3%, using the Rule of 72, it would take 31.3 years for prices to double here in St. Kitts.



3. Add up your current retirement savings. Preparing a net worth statement will help you determine how much you currently have saved for retirement. Also consider other financial needs that must be met, such as paying for a child's college education or providing care for an elderly parent. These needs can significantly impact how much you'll have available for retirement.

4. Develop a retirement savings plan. Based on the above factors and considering inflation, you should be able to make a reasonable estimate of your total capital needs at retirement. You can then calculate how much you need to save on a monthly, quarterly or annual basis.

   Take time to assess how you will save. Carefully analyze how you will save your retirement assets using alternatives that are appropriate for the long-term nature of your savings.

   Don't give up if you can't afford to save the amount needed to meet your goals. You can start out saving what you can and increase your savings in subsequent years. You can also revise your retirement plans. Reducing your financial needs, delaying your retirement date, or working part time after retirement can substantially change the amount you'll ultimately need for retirement.

5. Last but not least, review your retirement plan annually. This allows you to assess your program and make any needed changes.

Produced by the Public Relations Department

Have You Started Preparing For Your Retirement Yet?

Social Security & Retirement Planning

Your Social Security benefits are the foundation on which you can build a secure retirement. You'll need to supplement your benefits with other sources of retirement income.

Most financial advisors say you will need between 70% and 80% of your pre retirement earnings to comfortably maintain your pre-retirement standard of living (the lifestyle you live now). If you have average earnings, your Social Security retirement benefit may only replace about 40%.

A secure, comfortable retirement is every worker's dream. And now because people are living longer, healthier lives, we can expect to spend more time in retirement than our ancestors did. Achieving the dream of secure, comfortable retirement is much easier when you plan your finances.

Contributions

Social Security contributions are the building blocks used to find out whether you have the minimum amount of covered working years to qualify you for each type of Social Security Benefit.

Social Security Contribution Weeks are credited to each insured person for each week worked.

Amount of Pension Benefit

A pension ranging between 16% to 60% of the average annual wages of your best 3 working years would be paid out. The minimum pension is $200 per month. Your Age Pension Benefit is payable for life.

How Is Your Pension Calculated

The Social Security Board uses your **3 best Contribution years out of your last 15** working years. The 3 best years do not have to be 3 consecutive years.

If your record shows Contribution years with less than 52 weeks, the first preference will be for those with 52 or 53 contribution weeks.

Year 1	$ 12,500
Year 2	$ 17,000
Year 3	$ 18,000
Year 4	$ 28,000
Year 5	$ 29,000
Year 6	$ 26,000
Year 7	$ 28,000
Year 8	$ 27,500
Year 9	$ 22,000
Year 10	$ 30,000
Year 11	$ 24,500
Year 12	$ 29,500
Year 13	$ 35,000
Year 14	$ 40,000
Year 15	$ 28,950

(This chart assumes that each of the years consisted of 52 Contribution Weeks)

In the example above, the best 3 contribution years for this person are Year 10, 13 and 14. Social Security then takes an average of your annual wages for your best 3 contribution years. In this case, The Social Security Board would add up these best 3 years and divide that total by 3. The Average Annual Wages for this persons is $35,000.

The most you would receive if you were to retire this year (2005), given you have 24 years into the fund, would be 53%.

For this example 53% of this persons wages is 18,550. Because pensions are paid monthly, this person would receive a monthly pension in the amount of $1,545.83.

Planning for Retirement

To help you better prepare for retirement, given that Social Security may not be able to provide you with the full amount you will need after retirement to maintain your current standard of living, here is a simple process to help guide you provide for your Retirement.

1. **Add all income sources that you live on today and deduct all the items that you wont have to pay when you are retired (e.g. pension contributions, Social Security, etc)**

   Give serious thought to how you will spend your retirement years. Do you want to travel a lot? Will you remain at your current home or move away? Do you want to retire totally or work part-time? Depending on your plans, you may need anywhere from 70% to 80% of your current income in retirement. If you're retirement is so far away that you're not sure what you want to do, you may want to use a range of retirement income assumptions, such 70% at the low end, 90% in the middle and 110% at the high end.

2. **Estimate what your monthly retirement income will be. This should include your monthly pension, your spouse's monthly pension (if this applies) and other sources, not including investments.**

   Assess how much you are likely to receive from Social Security and your company pension, if a group pension is offered. Over the years, these benefits have been providing a smaller percentage of retirement income and are likely to continue to decrease in the future.

   The difference between what you need and what you expect to have must be adjusted by inflation.