

How much can I spend a year if I retire tomorrow?



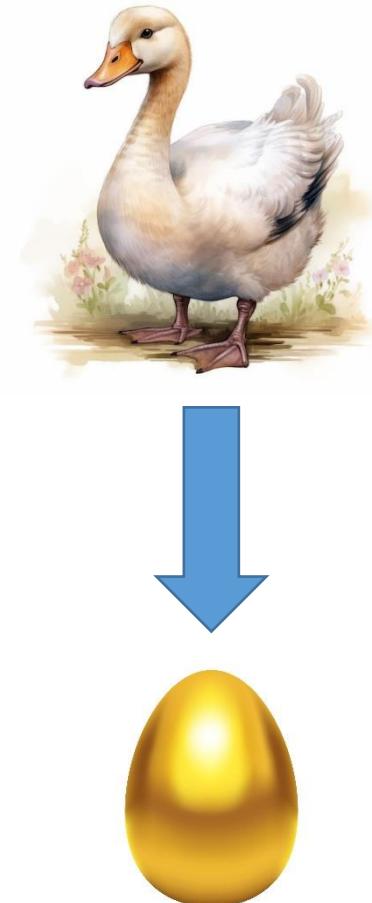
Two simple method to calculate

- 1) Inflation Adjusted Capital Preservation Method :
Networth x normalised inflation adjusted returns

- 2) Capital Liquidation Method :
Networth / Remaining years

Inflation Adjusted Capital Preservation Method :

- Networth x normalised inflation adjusted returns
- Networth = What you have (not counting your house)
less what you owe



Example 1: Inflation Adjusted Capital Preservation Method

	Amount you have	Annual Returns	Annual Interest Earned
PPF	RM 1 Million	12%	RM 120,000
EPF	RM 1 Million	6%	RM 60,000
Total	RM 2 Million	9%	RM 180,000

And you estimate Inflation Rate to be 6%, thus your excess return = **3%**

Amount you can spend a year = RM 2 Million x 3% = RM 60,000.

Next year, as your capital grows, you can spend more \$.

Capital Liquidation Method :

- Networth / Remaining years
- Networth = What you have (not counting your house) less what you owe
- Remaining years = Estimated mortality age + 10 years (or take age 90 or 100), then minus your age.

Example 2: Capital Liquidation Method

	Amount you have
PPF	RM 1,000,000
EPF	RM 1,000,000
Total	RM 2 Million

You want to plan until age 90, while you're currently 50 years old.
Thus, remaining years = 40 years.

Amount you can spend a year = RM 2 Million / 40 = RM 50,000.

Next year, your remaining years would be left with 39.
If your capital remains the same, then amount you can spend increases.

