

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



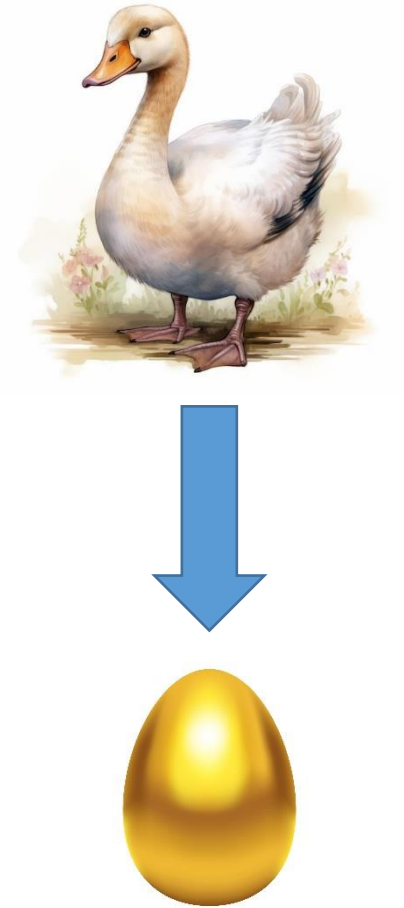
Two simple method to calculate

- 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 2Million

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 = $\text{RM 2 Million} / 40 = \text{RM 50,000}$.

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

