

# UNVEILING THE RISKS THAT LURK WITHIN



## Introduction

**D**ifferent people envision their retirement era in many different ways. Some people view it as the time to travel, relax, spend time with loved ones, farming, focus on hobbies, etc. While many individuals have different perspectives on the retirement era, it is clear that there is a common base, financial stability. What can possibly go wrong?

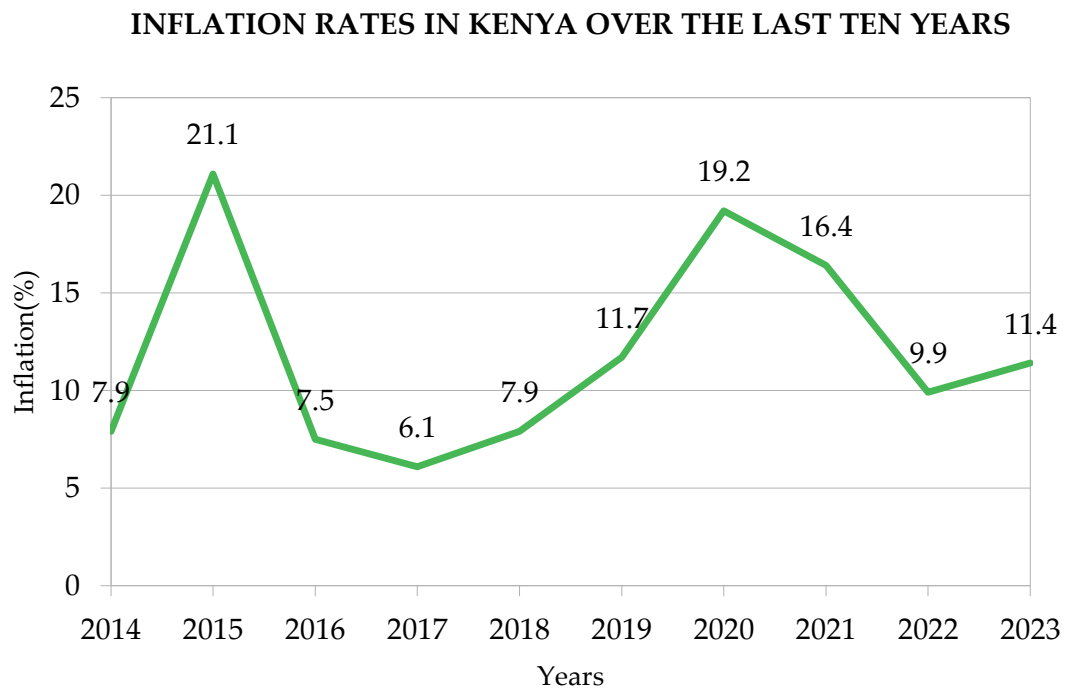
A risk is defined as the possibility of unexpected result. In this context, we will examine the risks that can occur during the retirement era. The first technique of risk management is risk identification. This article outlines the risks to expect during retirement and also provides possible ways to mitigate them.

## RISKS

### Inflation

Inflation is the increase in the prices of goods and services over time leading to decrease in the purchasing power of money with time. This can affect retirement benefits in that it corrodes the purchasing power of the savings over time which may lead to depletion of the savings before the anticipated time.

The graph below with data from the International Monetary Fund(IMF) shows the inflation rate of Kenya in the last 10 years.



From the graph above, we can see that inflation is unpredictable and dynamic. Several factors lead to its fluctuation such as; Government policies, Environmental factors, etc. Therefore, it is essential for people to stay alert and flexible in addressing the risks and variations associated with inflation which include depletion of the pension pot.

### Mortality Risk

Mortality risk is the risk of dying before your expected lifetime. One works hard and saves for retirement so that they may be able to enjoy their benefits to the fullest in the golden era. Therefore death before the anticipated enjoyment can be such a disadvantage.

### Morbidity Risk

Age-related changes in physiology for people in their retirement era make them susceptible to different diseases such as, impaired eyesight. Therefore, healthcare expenses represent a significant portion of retirement spending.

### Longevity Risk

Longevity risk is the possibility of depleting one's retirement funds due to living longer than anticipated. This risk emerges when individuals miscalculate their life expectancy or do not sufficiently prepare for the financial challenges associated with a prolonged lifespan. While living longer than you expected is not a negative thing, not having sufficient funds to maintain you during that period can be hazardous.

## MITIGATING THE RISKS

The different ways of mitigating this risks is as stated below;

### a.) Early Saving

One should start saving as soon as possible for retirement in order to take advantage of compound interest. With time, your pension pot will expand exponentially as a result of interest growth.

### b.) Healthy Lifestyle

While death is indeed a part of the human experience, adopting a healthy lifestyle can significantly enhance the quality and duration of our lives.

The choices we make in terms of nutrition, physical activity, and overall well-being play a profound role in determining our longevity. Examples of healthy activities include: Engaging in regular exercise, maintaining a balanced diet, getting sufficient sleep, managing stress, etc.

### c.) Ensure Maximum service

Ensuring that you work for the maximum time possible helps to increase your accumulated retirement benefits.

Additionally, retirement is sometimes associated with decreased social interaction, potentially leading to feelings of loneliness. However, extending one's working years can contribute to a longer lifespan due to increased social connection.

### d.) Education

This can include the following aspects:

**Financial Literacy** helps individuals to be able to understand the different retirement saving methods at their disposal and hence help them choose the plan that best suites their lifestyles and needs.

**Health Literacy** helps individuals to know the healthy ways of living, the diets that reduce or increase their lifetime and hence increase life expectancy.

**Risk Awareness:** As mentioned earlier understanding potential retirement risks allows you to plan accordingly and you can educate yourself about strategies to mitigate these risks as we are doing in this article.

There are so many articles and other reading materials available online on the topics outlined. People have ample opportunities to educate themselves about these crucial issues and thereafter plan for their retirement.

### e.) Saving for Post Retirement Medical Needs

Saving for post retirement medical bills lower the risk of health-related financial problems during retirement by providing access to excellent medical care, treatment options, financial security and long-term care planning. This method addresses a major financial problem associated with aging and healthcare demands, helping to provide a stable and carefree retirement.

### f.) Diversified saving

This leads to an increased return in your investments and is a way of mitigating investment risks.

## CONCLUSION

In conclusion, managing the risks associated with retirement necessitates a thorough knowledge of the risks and the proactive measures to mitigate them. Retirees are faced with a variety of risks that might affect their financial stability and well-being, from the inflation to the uncertain healthcare expenditures and the other risks mentioned above. However, people may empower themselves to make informed decisions and protect them in retirement by adopting varied saving techniques and remaining knowledgeable about financial literacy, health considerations and retirement planning options.

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