



*A PROJECT REPORT*  
*ON*  
*RETIREMENT PLANNING FROM BANGLADESH PERSPECTIVE*

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**United International University**  
*QUEST FOR EXCELLENCE*

Project Report On-

**“RETIREMENT PLANNING FROM BANGLADESH PERSPECTIVE”**

Prepared For:

**Mosabbir Uddin Ahmad**

Assistant Professor

School of Business and Economics

United International University

Prepared By:

**Md. Newas Sarif Nasim**

ID: 111 141 131

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# Letter of Transmittal

July 24, 2018

Mosabbir Uddin Ahmad

Assistant Professor

School of business and economics

United International University

Subject: Submission of Project Report on “Retirement Planning from Bangladesh perspective”

Dear Sir,

With due respect, I would like to apprise someone that It is a great pleasure for me to submit the report on “Retirement Planning from Bangladesh perspective’ ’as it is a partial requirement to accomplish BBA degree. To prepare this report, I have studied several articles and gathered information on Retirement Planning in Bangladeshi perspective. I have tried my level best to make this report substantial and communicative. I hope that it will fulfill my degree requirement.

So, I therefore, request and hope that someone would be kind enough to accept my report and oblige thereby.

Sincerely yours,

.....

Md. Newas Sarif Nasim

ID: 111 141 131

BBA (Finance)

United International University

# Acknowledgement

First of all, I would like to express my gratitude to Almighty Allah to enabling me to complete this report on “Retirement Planning from Bangladesh perspective”.

I take this opportunity to disclose my insightful thankfulness and deepest honors to my guide Mosabbir Uddin Ahmad (Assistant Professor, School of business and economics) for his special guidance, monitoring, constant encourage, and thoughtful advice throughout the course of this project. Without his guidance and cooperation, it would be very hard for me to submit this report.

I am thankful for the other members who helped to complete this report by providing their valuable information in their respective fields. This report is not free from limitations and errors. There might still be some minor typing mistake, despite my utmost care. I do apologize for this

## Executive summary:

This project is done on retirement planning what gives an apparent notion about financing and investment in the perspective of Bangladesh. This report denotes the pros and cons about retirement planning. It gives a clear view about the proper timing to start planning for retirement. Through primary and secondary data, I tried my level best to give approximate view of expectation living standard of Bangladeshi citizen in the time of retirement. Average middle class has been chosen as sample for survey to collect primary data. An abstract budget has been given on perspective of Bangladeshi people for retirement. This budget showed minimum expense anyone has to bear who belongs to middle-class or lower middle-class in the time of retirement. Commencing retirement planning with diversifying investment has been included which showed how to start and diversify investment to get highest return. Saving analysis demonstrated present situation of risk in the market of Bangladesh and helped anyone find a better way of investment.

People find it difficult to save if there is no definite strategy. In Bangladesh, the older citizen has become an important social concern because, there is no such social security system. According to the size of the population, existing poverty, scarcity of resources, inadequate health facilities and lack of social security, the retired sector is going to be a major problem. To facilitate, the retirement benefit system in Bangladesh should be much more organized both in the public sector and also in the private sector. The government rules and regulations are not well organized to protect the employee benefit. Their employees are not aware of their retirement benefit. The regulatory body to protect the employee benefit is not taking the necessary steps to protect the employee right and benefit. The rules regarding the employer contribution are not up to date with the time. The nature of retirement benefit is not precisely defined or determined in the private sector whether the benefit will be the defined benefit contribution. There is no specified benefit plan in the most of the organization which can give the old age security to their employee.

A further attempts has been taken to establish some guidelines in the formulation of qualities to improve retirement planning sectors.

Diversifying investment policy, reconciliation of investment and lowering the risk of investment are the major issue that has been discussed in this study for a batter planning before retirement.

Some recommendations has been made for a better living for senior citizen:

1. A training course for retirement planning.
2. Free health care support.
3. Ameliorated old allowance.
4. Secured shelter and food.

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# Chapter 1

## Introduction

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## 1.1 RETIREMENT PLANNING:

This is the process to determine the status of retirement goals and the necessary actions to achieve those goals. The process includes estimating expense, income source and managing assets. Estimating future cash flows will help achieve the goals.

To be very precise, retirement planning is the planning that people do to be ready for the life when regular paid work ends, juts not only financially but also mentally. Here planning varies individual to individual. Current standard of living affects future living aspects of a person.

If someone doesn't go for planning in the early age of time, will find it difficult to maintain its regular life in the age of retirement.

## 1.2 OBJECTIVES OF THE STUDY:

The objectives of this study are-

- To improve the efficiency of saving for retirement age.
- To develop a successful planning methodology.
- To get a clear view of the importance to plan for retirement following working methodology

## 1.3 Goals:

Make retirement planning before retirement. Set a feasible goal that can be achieved. If earnings are 600,000 BTB yearly, it better looks forward to 80,000 per year savings for retirement. That yearly amount will produce a fixed amount of returns thorough interest.

## 1.4 METHODOLOGY OF THE STUDY:

The methodology of this study based on both primary and secondary sources of information. Secondary data were collected from articles, journal publications and relevant web sites. A survey has been run to collect primary data. Both Qualitative and Quantitative analysis are applied to analyze the data. Different literatures were collected and reviewed to develop a general idea on various aspects of retirement planning.

## 1.5 RECONNAISSANCE SURVEY:

To have an understanding of retirement thinking in perspective of Bangladesh primary ideas of the existing standard of living reconnaissance survey within the whole Dhaka city and its adjacent areas were carried out. Survey work included a bunch of questions to people to choose their standard of living and measure the expected status of financial in their retirement.

## 1.6 SECONDARY DATA COLLECTION:

Secondary data had been collected from the previous research works, reports and papers on the related topics and also from works of government offices regarding planning and development of retirement work.

## 1.7 SCOPE OF THE STUDY:

The study includes identification of the factors and growth of retirement policies in Bangladesh. The study analyses the historical background, industries and sectors. This study determines the limitation and constraints of the late retirement planning. The study further tries to establish some guideline in the formulation of qualities to improve retirement planning sectors.

## CHAPTER 2

### Determination of Retirement Planning

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## 2.1 How to start planning?

Areas that must consider while planning:

1. Financing and investment
2. Setting goals and objective
3. Expected age of retirement

Intrinsic values affect these areas. It depends on class, number of persons family demands.

## 2.2 Determining financial status on retirement:

Bangladesh government and private sectors provide pension skim for their employees. They just subtract a certain amount of money from monthly remuneration. Nevertheless, it provides its own financial security through wise financing and a successful investment for retirement. First it defines its current financial status and then fix a goal to secure expected financial position in the age of retirement.

As a part of this planning, someone needs to define his/ her needs in the time of retirement having consider of standard of living and habits.

## 2.3 Budget of retired people:

We give a glance of a middle-class single person's yearly budget.

Expenditure items	Amount in BTB for 1 person (per year) approx.	Percentage of total
Accommodation	120,000	55.81%
Apparels	12,000	6%
foods	36,000	16.74%
Education	5,000	2.31%
entertainment	5,000	2.31%
Medical care	10,000	4.65%
Household expenditure	5,000	2.31%
transportation	15,000	7%
Social contribution	7,000	3%
Total expenditure	215,000 BTB	100%

Source: primary data through survey.

## 2.4 Inflation:

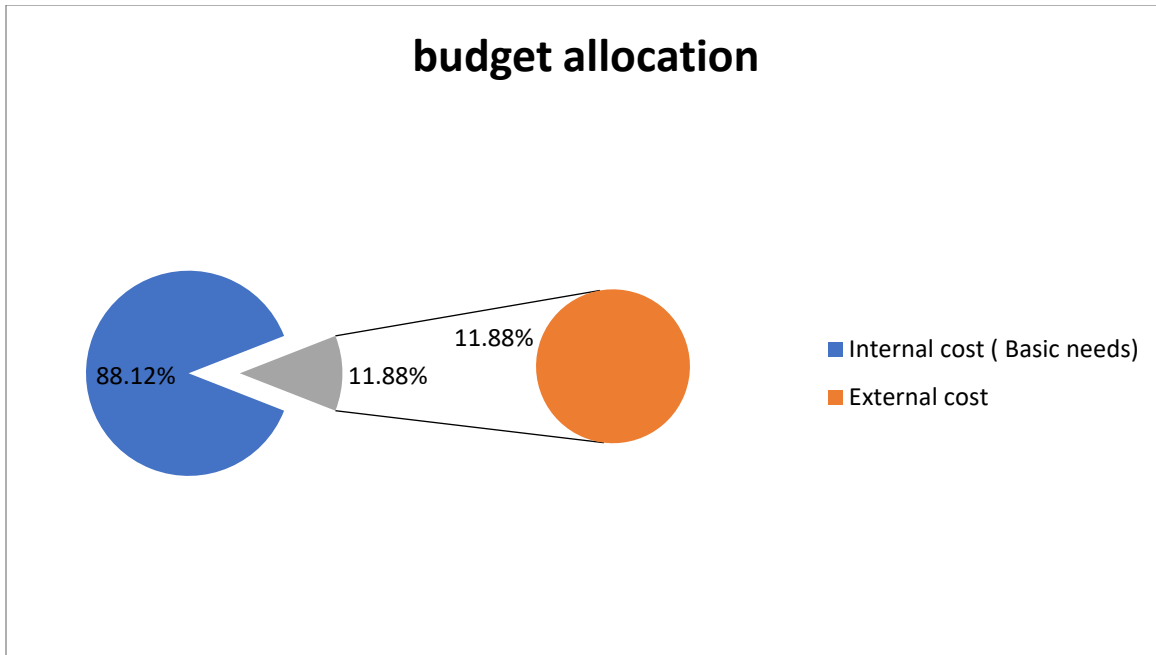
Inflation affects purchasing capabilities over the time.

Income	Amount required over time		
	Year 1 (@ 5%)	Year10 (@ 5%)	Year25 (@ 5%)
10,000 BTD	10500	16,288.94	33,863.55

## 2.5 Yearly budget of two persons (husband and wife):

Expenditure items	Amount in BTD for 2 people (per year) approx.	Percentage of total
Accommodation	200,000	52.63%
Apparels	30,000	7.89%
foods	80,000	21.05%
Education	7,000	1.82%
entertainment	8,000	2.15%
Medical care	18,000	4.73%
Household expenditure	9,000	2.36%
transportation	18,000	4.73%
Social contribution	10,000	2.63%
<b>Total expenditure</b>	<b>380,000 BTD</b>	<b>100%</b>

Source: primary data through survey.



## 2.6 Budget allocation

Internal cost includes the basic needs like, accommodation, apparels, foods, education, and medical care. The chart shows that, almost 88.12 % of money will be spent on fulfilling the basic needs. On the other hand, external cost includes social contribution, transportation, household expenditure, entertainment. It consumes the remaining 11.88% of budget.

CHAPTER: 3  
INVESTMENT OF RETIREMENT PLANNING

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## 3.1 Investment:

A good planning for investment to make profit that helps to provide sufficient amount of money in the time of retirement. Make an objective which is feasible.

Some ways to make decisions about successful investment:

### 1. Diversifying investment:

Make sure it's been split the amount to different types of investment. In terms of fixed deposit, the bank assures to make a fixed amount of money through interest. they can buy bonds which also return fixed amount of money. Invest to a risk-free rate provided by government of Bangladesh. Mutual fund is the best way to diversify the investment.

### 2. Reconciliation investment:

Rate of interest fluctuates over time. Make sure that deposits mature in different time. So that someone can make privileges from fluctuations and reduce risks.

### 3. High risk to low risk:

Start planning for retirement when age is 30 or near. So usually anyone gets 25 to 30 years to make savings for retirement. Start investing in portfolios. Certainly, that brings risks as well. When it is close to its retirement age, transfer investment from high risk to low risk.

## 3.2 Strategies to save for retirement:

People find it difficult to save if there is no definite strategy. Make strategy according to the budget. Of course, those strategies should be feasible otherwise the retirement planning will be worthless eventually.

1. Channel those idle funds to fixed deposit account to make fixed amount of money through interest yearly. Anyone can have more than risk free rate of interest from bank and different financial institution like IDLC, IPDC and mutual funds.
2. Channel the money that won't instantly be needed to high rate of return savings account. In this term, just need to match maturity dates of those savings with needs.

## 3.3 Tax Efficiency:

When it's time to enter into the life of retirement, the biggest problem it will be facing is paying tax. All of the saving accounts will be considered as ordinary taxable income. It needs to pay taxes according to the income range from different accounts through interest.

## 3.4 Retirement planning stages

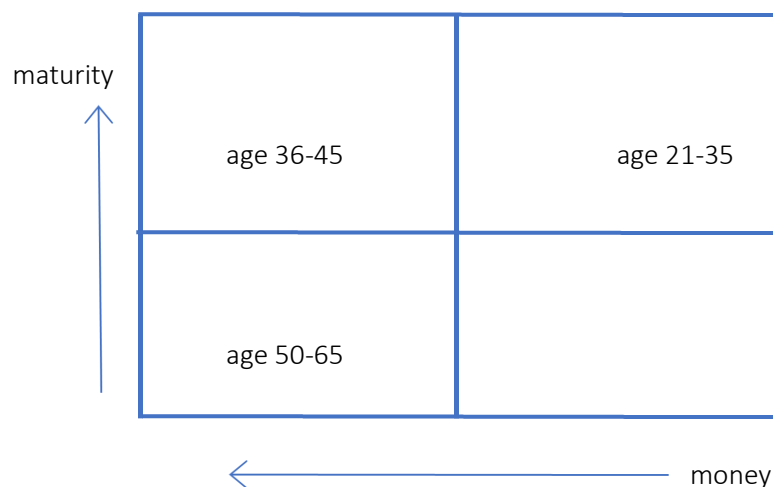
### Ages 21-35

Though adulthood does not provide a lot of money to invest, it gives the opportunity to let investment mature. This is the reason ages 21-35 is important for planning retirement policy. Principle of compound interest works here profoundly. This principle allows to earn more interest as the time passes. Saving 3000 BTB per month at the age of 25 is way better than start saving at the age of 40. He or she might be able to save more and more in future, but never gets back lost time if it starts saving at middle age.

## Ages 36-45

Passing a middle life for a person is most critical time in his life. Middle life crisis is common for everyone. However, one must continue saving for retirement at this stage. It brings an aggressive amount in the age of retirement. This middle life brings financial stress, including premiums of insurance, different types of loans.

### 3.5 Illustration of retirement timing:



There are two axes: axis X and axis y represent respectively stand for maturity and money.

**Age 36-45:** At the age of 36-45, there is a good possibility that may have savings account matured perfectly. In the meantime, he or she may have plenty of money to channel into savings accounts.

**Age 50-65:** At the age of 50-65, someone has the least time of maturity of investments and he or she may have enough money to invest. This phase of time makes to think of taking retirement and of course this is not the right time to start planning or start saving for retirement at all. So, he or she should take this phase in consideration very carefully when it is time to decide about retirement timing.

**Age 21-35:** this is the high time to start saving for retirement. This table shows that will not have plenty of resource or money to save but if start, it will definitely match its maturity time perfectly.

## CHAPTER 4:

### BENEFICIARY DESIGNATION FOR RETIREMENT

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## 4.1 Beneficiary Designation for Retirement

Building assets is challenging enough for retirement but designating beneficiaries can bring an entirely new set of considerations into the mix. Using first name on beneficiary designation form spouse or child comes into mind. Ramification is first thing should be known.

Some guidelines about what to involve:

## 4.2 Basics of Beneficiary Designation

Usually different plans and policies let someone decide what should be done in the time of demise.

Policy makers do ask designate of beneficiaries. Inherit comes first in terms of primary beneficiary. If primary beneficiaries are dead or if they die with, secondary beneficiaries will receive the assets that have designated. These secondary beneficiaries are often channeled to contingent beneficiaries account forms.

For designating, he or she need to mention the names wanted as beneficiaries with proper distribution about what percentages of assets will receive each beneficiary.

Children, spouses, charities and institutions, friends can be included as Beneficiaries. Beneficiary designations get active when he or she is dead. That means assets won't go through any probate. But it also means that it needs to be assured that beneficiaries reflect of most recent wishes. Reviewing about beneficiary designations information every year is the best idea. As life changes with major important events, just update the designations. Major changes can be divorce, marriage, or the birth of a child.

### 4.3 Consideration of this process:

Wife can inherit assets from husband without generating estate taxes or, in the case of retirement accounts, being forced into taking mandatory taxable pay outs.

Having too many assets on same beneficiary can make that beneficiary's assets liable to pay federal estate. Keep potential beneficiary informed of intentions allows them to plan accordingly.

Different types of retirement policy will force beneficiaries to take the amount now in a lump sum payment and pay income taxes on the full amount or take required taxable distributions every year in amounts that are based on Internal Revenue Service life expectancy tables.

To avoid taxes on inheritance altogether it can designate a charity or a non-profit group, such as a charity foundation, as it heirs. If he or she does that, there's no tax on the transfer or on the future use of money.

### 4.4 Creating a Trust for Minors or Others

Minor children, a group that may include below 18 ages, cannot directly inherit assets from an annuity from a retirement plan or a life insurance policy. Examples: two types of trusts created for minors or others include a testamentary trust and a revocable living trust. Consult with a power of attorney, if necessary, to set up trusts for them. The trustworthy anyone creates then can be named in beneficiary list.

He or she may also want to create trusts for beneficiaries with mental disabilities, if they are unable to handle their own affairs.

Many important considerations that need to be in consideration are to make when choosing beneficiaries for a retirement account, annuity, or life insurance policy. Make sure that the time to review selections very carefully making sure that beneficiaries are up to date and to help his loved ones avoid future problems.

## 4.4 Retirement Consideration

When it comes the question that to how much savings he or she will need at the time of retirement, there are several key questions it needs to answer and considerations it needs to verify its contemplation of retirement, either with or without the help of a planner:

### **Savings Consideration - 1-** vision of retirement?

Will retirement life match present life style? Or would anyone like to have a step it up a notch? There is no definite answer of it. He or she pre-determined retirement life style may lead to wealthy retirement savings consideration.

### **Savings Consideration - 2-** What's current situation?

current income statement is a useful keeping point to calculate retirement savings needs. Hard truth is that the more earn today, the more savings it'll need in retirement.

### **Savings Consideration - 3-**what is pension benefits during retirement?

Plan retirement savings planning considering retirement pension, if secure those benefits. Having a good estimate is invaluable as plan retirement and determine savings need.

#### **Savings Consideration – 4:** Time of retirement.

Retirement timing is the most important consideration when it is going to save money. If retire at younger age, will need more money to spend in retirement age. Early retirement causes less time to save more. On the other hand, late retirement will give the benefit to save more.

#### **Savings Consideration – 5:** expected living years of retirement?

This is just a simple question that how long to do plan to live. Based on present health condition and expectation of longevity, could anyone live more than 25 years or more in the time of retirement? Figure out this consideration. It will help to match for savings for retirement.

#### **Savings Consideration – 6:** amount want to invest:

Aggressive investment will give someone highest return, but aggressive investment comes with higher risk. Aggressive investment is meant to be saved less what other people do. Someone need to invest on share market, bond, or mutual fund. Before someone go for this might be able to have a good knowledge about investment market.

## CHAPTER 5

### AN OVERVIEW OF SAVINGS ANALYSIS

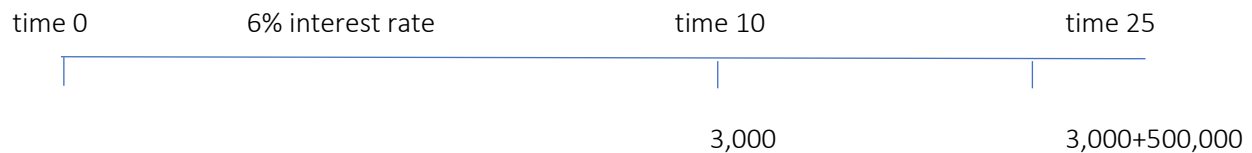
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## 5.1 An overview of savings analysis in terms of return:

We will analyze that which way returns most of investments in Bangladesh as of now. We are going to consider government banks, private banks, risk free rate.

Retirement policy usually is considered as a long-term planning. So, we are going to interest rate of fixed deposit savings which is more than 3 years to retirement age.

Banks (government): among all government banks, BASIC bank and RUPALI bank give someone highest rate of return. It's 6% annually. Suppose someone put of 500,000 BTB. Let us consider it to retire in 25 years. So after 25 years someone will have:



formula:

**Semi Annual**

$$B_0 = \frac{C}{2} \left[ \frac{1 - \left[1 + \frac{r}{2}\right]^{-2t}}{\frac{r}{2}} \right] + \frac{F}{\left[1 + \frac{r}{2}\right]^{-2t}}$$

**Annual**

$$B_0 = C \left[ \frac{1 - [1 + r]^{-t}}{r} \right] + \frac{F}{[1 + r]^{-t}}$$

Where

B<sub>0</sub> - Bond Price  
C - Coupon Payment  
r - Interest Rate  
F - Face Value  
t - Years/Periods

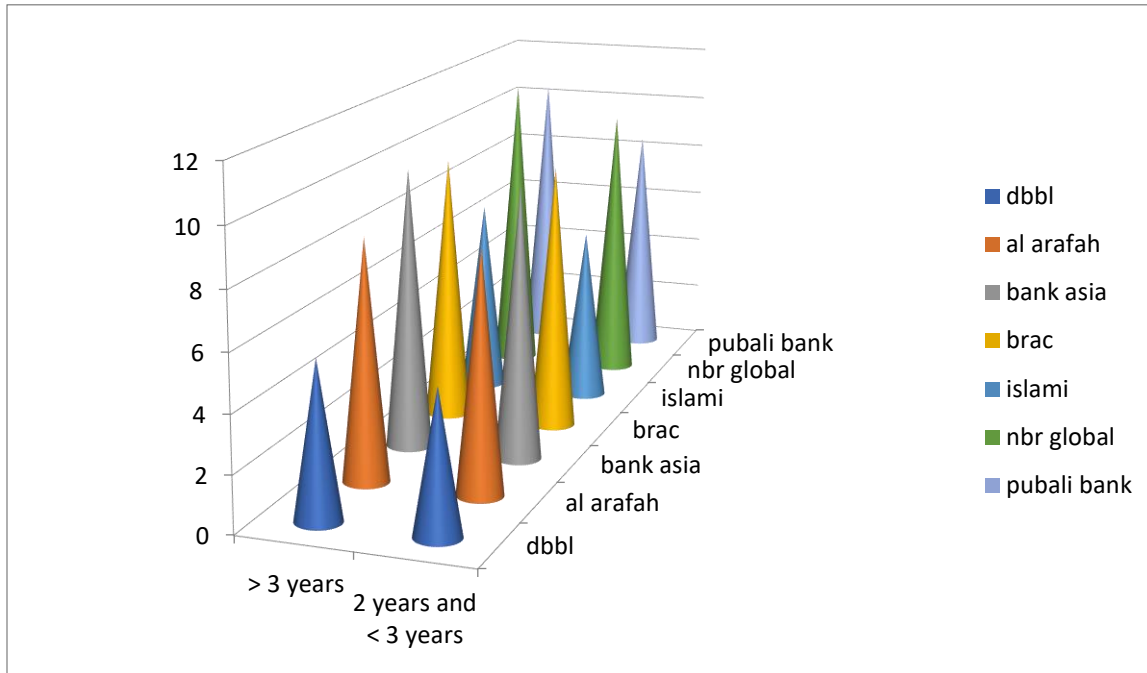
@easycalculation.com

Return of fixed account and bond both will be figured out by the same formula as it stands same. Here we fixed bond price formula to figure out the value of fixed account after 25 years.

After 25 years, someone will have  $154,848.6(1.06^{25})$  or 664,590.172 BDT. Assume 6% is the risk-free rate. As interest rate of return is higher in private banks, someone can have more on saving there.

### Private Banks:

Interests of private banks are usually higher than government banks.



Source: Bangladesh bank.

It is highly recommended to create fixed account to have more return with less risk. NBR global bank gives someone highest rate of return among private banks as well as government bank in Bangladesh. Bangladesh bank offers a risk-free rate of return. Someone can get a minimum return without having any risk on investment. If someone is capable of maintaining risk and portfolio, someone should definitely go for share market investment. Investing all money to one company will bring someone a top level of risk. If that company collapse, someone is gone. Portfolio does that opposite to someone. Someone makes a portfolio of different shares from different companies. If one company collapses, other will compensate. Literally someone will be in a safe investment.

## 5.2 Recommendation:

Bangladesh is a small country with a huge percentage of senior citizens. Mass poverty, rapid socio economic and traditional wave affect family system and norms. Joint family turns into split one and they are less likely to care about older members of family. Still in our country people are depending on pension skim without a proper planning. Government is providing a huge amount of money from their budget for paying pension, though it is not sufficient. Private sector is walking forward to this system. Some steps should be taken to ease the living standard to senior citizens in retirement.

These are:

5. Providing a training course to educate people about retirement planning.
6. Free health care for them who are in retirement.
7. Improve policy for old allowance.
8. Provide shelter and food too, if they don't have.

## 5.3 Conclusion

A proper retirement planning is vital for every person who is above minor. Economic growth is not steady in Bangladesh. Living cost is so vulnerable. Insufficient support and fastest migration of a family cause too much difficulty for elder members of that family. Although the government is working on various retirement policy and skim, all we need to be so concern about a rethinking of retirement planning. The existing system of retirement is so poor and has limited coverage. A proper planning makes someone feel safe for rest of someone life.

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