



NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

AUGUST 2012

FIRST PUBLISHED AUGUST 2012



Workplace Savings NZ is a national, not-for-profit, apolitical membership organisation whose focus is on those issues that affect the entire workplace retirement savings industry.

Our membership, which includes corporate, public sector & industry superannuation funds, KiwiSaver schemes as well as individuals and service providers to workplace savings arrangements has over 90% of

the approximately 2.5 million New Zealanders with Workplace Superannuation and/or KiwiSaver membership. Workplace Savings NZ members manage or advise on the bulk of the \$25 billion in workplace retirement savings assets as at December 2011.

Fin-Ed Centre



The Financial Education and Research Centre was founded by Westpac New Zealand and Massey University to improve New Zealanders' knowledge, attitudes and behaviour towards money matters. Westpac and Massey University are committed to improving financial literacy for the benefit of the country and this specialist centre aims to improve the quality and access of education on personal finance and identify knowledge gaps and how they can be addressed. Key projects include a 20-year study that will follow up to 300 New Zealanders to understand their needs for financial knowledge at different life stages, a multi-level

certification programme for personal financial educators and the New Zealand Retirement Expenditure Survey – a joint initiative between the centre and savings industry body Workplace Savings NZ to establish guidelines for 'modest' and 'comfortable' retirement.

ABOUT THE AUTHOR

Dr Claire Matthews joined Massey University in late 1996 after nearly 12 years with Trust Bank in a variety of roles. Since January 2009, Claire has been Director, Financial Planning, with overall responsibility for the Personal Financial Planning endorsement of the Graduate Diploma of Business Studies. Claire's primary teaching responsibilities are in the university's financial advice and post-graduate banking programmes. Her research interests centre around consumer's financial behaviour, decisions and attitudes, with a particular interest in payment channels including internet banking, and KiwiSaver. Claire has a PhD in Banking on the subject of *Switching Costs in the New Zealand Banking Market*, and is a Fellow of the Financial Services Institute of Australasia.

ACKNOWLEDGEMENTS

- (1) This work is based on/includes Statistics New Zealand's data which are licensed by Statistics New Zealand for re-use under the Creative Commons Attribution-Noncommercial 3.0 New Zealand license.
- (2) The contribution of those who participated in the survey is acknowledged with appreciation.

DISCLAIMER

The views expressed in this report are those of the author and do not necessarily represent the views of Workplace Savings New Zealand or its members, the New Zealand Centre for Personal Financial Education, Massey University or Westpac New Zealand Limited. This document is a general guide to retirement expenditure, and should not be relied upon or used as a substitute for professional advice specific to individual circumstances. The author is not an authorised or registered financial adviser.

There has been increasing emphasis on the need for New Zealanders to make personal provision for their retirement, and not rely on New Zealand Superannuationⁱ. Successive governments have taken steps to encourage this, including the establishment of the Commission for Financial Literacy and Retirement Income (formerly the Retirement Commission) in 1993 and the introduction of the KiwiSaver scheme in 2007.

A key question that needs to be answered by someone seeking to make provision for their retirement is simply *How much will I need in retirement?* There are some guidelines to assist in answering this question. For example, in the section on retirement planning, the Sorted websiteⁱⁱ suggests that key elements of that calculation are:

- the length of time a person expects to be retired, which depends upon the age at which they retire and their expected longevity
- the type of retirement lifestyle a person wants to have
- whether a person will live in their own home

A rule of thumb that has developed is that a person needs 70-80% of their pre-retirement income after retiring, but that takes no account of the person's pre-retirement expenditure.

Every person's situation is different, and therefore there is no definitive answer to the question of how much an individual needs for his or her retirement. The answer will be different for each person. What a person needs to do is draw up a proposed budget, based on his or her expected expenditure patterns. However, even that is not straightforward because if you are not currently retired, how do you know what items you will need to spend money on and how much you will need to spend.

There is often a perception that older people have higher health costs, while another common perception is that older people do a lot of travelling because of their lack of work commitments. How accurate are these perceptions, and what does it mean for retirement expenditure? These guidelines will help address these questions, by providing information about how much current retirees spend and on what items. An individual can then use that information to feed into his or her own draft retirement budget, and therefore be in a better position to answer the question of how much s/he will need for his or her retirement.

DATA

The data used to prepare these budget guidelines are from Statistics New Zealand's triennial Household Economic Survey (HES)ⁱⁱⁱ. The most recent HES was for the year ended 30 June 2010. The HES does not include the entire New Zealand population; rather it targets the New Zealanders aged 15 years or older that are usually resident in New Zealand and that live in private homes. The HES includes two expenditure related components. There is one expenditure questionnaire for each household, which collects information about the larger irregular purchases and the regular payments that are made over a 12-month period. Each member of the household aged 15 years or older also completes an expenditure diary, recording all daily expenditure for a two-week period. The sample comprised approximately 5100 households, and a response rate of 68.8%^{iv} was achieved.

The data from the HES is published on the Statistics New Zealand website, but not in a form considered helpful to a person interested in retirement expenditure. To enable these budget guidelines to be prepared, Statistics New Zealand has extracted data from the HES, using specifications supplied for that purpose. Those specifications include geographic region and number of people in the household, for households where the main form of income is New Zealand Superannuation. Notes related to the use of the HES data are located in Appendix 1, and a full breakdown of the groups, subgroups and classes used for the HES is included as Appendix 2.

In addition to the HES data, a survey has been undertaken of retirees to obtain information to better understand retirees' expenditure patterns beyond the numbers provided by the HES. The online survey was conducted in August 2012. The sample for the survey was drawn from Westpac's CustomerVoice market research panel^v, and Camorra Research's panel^{vi}. A total of 517 responses were received. A demographic breakdown of the respondents is available in Appendix 3.

ABOUT THE EXPENDITURE GUIDELINES

A set of eight expenditure guidelines has been produced, to reflect different groups of retirees. The groupings are based on geographic location, household size and budget type. It is important to note that these guidelines do not represent suggested or recommended levels of expenditure – they reflect the actual levels of expenditure of retirees.

The guidelines have been produced for two geographic-related groupings. The first is the **Metro** budget, based on data for the Auckland and Wellington Regional Council areas. The second is the **Provincial** budget for the rest of New Zealand excluding Canterbury Regional Council. The data is reported by Statistics New Zealand by regional council area. The data for Canterbury Regional Council has been excluded because it includes both Christchurch and provincial Canterbury, which should be included as part of the Metro and Provincial groupings respectively.

Two types of households have been included in the guidelines: the first is the **one-person household**; and, the other is a **two-person household**. While retired households can comprise a range of living arrangements, including households of three or more people, these guidelines cannot cater for every situation. One and two person households represent approximately 96% of all retired households.

Finally, two levels of expenditure have been included in the guidelines. The **No Frills** guidelines reflect a basic standard of living that includes few, if any, luxuries. The **Choices** guidelines represent a better standard of living that includes some luxuries or treats. The No Frills budget is based on the 25th percentile of the HES for retired households, while the Choices budget is based on the 75th percentile of the HES for retired households.

Data for the HES is collected over a 12-month period and can include expenditure for a two-year period (for the information collected in the expenditure questionnaire). Statistics New Zealand does not make any adjustment for that difference in coverage. However, a related issue is the effect of inflation since the data was collected. This issue has been addressed by adjusting the HES data for the effect of inflation since the June 2010 quarter, up to the June 2012 quarter. An overall CPI figure is calculated by Statistics New Zealand, as well as CPIs for the constituent groups and subgroups^{vii}. The HES data have been adjusted for the effect of inflation using the group and subgroup CPIs.

Housing-related expenditure has been omitted from the guidelines because it is particularly variable. It depends upon whether a person is in a rental property or an owner-occupied home, and the size of any loan on an owner-occupied home. These costs are not directly comparable, and there is some ability to directly control them, for example by ensuring any home loan is fully repaid prior to retirement. There is some discussion about housing-related expenditure later in this report.

THE RETIREMENT EXPENDITURE GUIDELINES

ONE PERSON HOUSEHOLD – NO FRILLS

	METRO		PROVINCIAL	
FOOD	55.95 ^{viii}		52.43	
Fruit and vegetables	5.81		4.82	
Meat, poultry and fish	5.84		3.72	
Grocery food	18.42		23.74	
Non-alcoholic beverages	0.00		0.00	
Restaurant meals and ready-to-eat food	0.00		0.00	
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	0.00		0.00	
CLOTHING AND FOOTWEAR	0.00		0.00	
Clothing				
Footwear				
HOUSEHOLD ENERGY	17.87		17.65	
HOUSEHOLD CONTENTS AND SERVICES	1.00		2.40	
Furniture, furnishings and floor coverings				
Household textiles				
Household appliances				
Glassware, tableware and household utensils				
Small tools & accessories for the house & garden				
Other household supplies and services				
HEALTH	0.00		0.00	
Medical products, appliances and equipment				
Out-patient services				
TRANSPORT	4.70		5.49	
Private transport supplies and services	0.00		4.75	
Passenger transport services	0.00		0.00	
COMMUNICATION (TELECOMMUNICATION)	9.55		10.63	
RECREATION AND CULTURE	8.59		8.68	
Audio-visual and computing equipment	0.00		0.00	
Other recreational equipment and supplies	0.00		0.00	
Recreational and cultural services	0.00		0.00	
Newspapers, books and stationery	0.00		0.00	
Accommodation services	..S ^{ix}		0.00	
Miscellaneous domestic holiday costs	0.00		0.00	
MISCELLANEOUS GOODS AND SERVICES	15.72		15.93	
Personal care	0.00		0.00	
Personal effects nec	0.00		0.00	
Insurance	8.84		9.07	
Credit services	0.00		0.00	
Other miscellaneous services	0.00		0.00	
OTHER EXPENDITURE	0.00		0.00	
Interest payments				
Contributions to savings				
Expenditure incurred whilst overseas				
TOTAL		113.38		113.22

ONE PERSON HOUSEHOLD – CHOICES

	METRO		PROVINCIAL	
FOOD	107.52		96.23	
Fruit and vegetables	19.83		17.96	
Meat, poultry and fish	27.49		14.65	
Grocery food	42.91		47.06	
Non-alcoholic beverages	6.15		5.30	
Restaurant meals and ready-to-eat food	11.43		11.53	
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	6.82		10.80	
CLOTHING AND FOOTWEAR	14.77		8.86	
Clothing		14.74		2.95
Footwear		..S		0.00
HOUSEHOLD ENERGY	33.30		41.17	
HOUSEHOLD CONTENTS AND SERVICES	16.43		18.44	
Furniture, furnishings and floor coverings	0.00		0.00	
Household textiles	..S		0.00	
Household appliances	0.00		0.00	
Glassware, tableware and household utensils	..S		0.00	
Small tools & accessories for the house & garden	0.00		0.59	
Other household supplies and services	5.55		5.24	
HEALTH	20.14		21.44	
Medical products, appliances and equipment	4.84		6.49	
Out-patient services	10.20		14.86	
TRANSPORT	41.32		33.71	
Private transport supplies and services	39.59		33.69	
Passenger transport services	2.90		1.08	
COMMUNICATION (TELECOMMUNICATION)	24.15		21.09	
RECREATION AND CULTURE	37.21		44.81	
Audio-visual and computing equipment	0.00		0.00	
Other recreational equipment and supplies	7.38		10.87	
Recreational and cultural services	22.12		26.71	
Newspapers, books and stationery	5.02		6.92	
Accommodation services	..S		0.00	
Miscellaneous domestic holiday costs	0.00		0.00	
MISCELLANEOUS GOODS AND SERVICES	45.23		53.56	
Personal care	8.52		12.16	
Personal effects nec	0.00		1.64	
Insurance	25.98		29.63	
Credit services	1.08		0.43	
Other miscellaneous services	0.00		0.00	
OTHER EXPENDITURE	2.90		0.80	
Interest payments	0.60		0.00	
Contributions to savings	..S		..S	
Expenditure incurred whilst overseas	..S		..S	
TOTAL		349.78		350.91

TWO PERSON HOUSEHOLD – NO FRILLS

	METRO		PROVINCIAL	
FOOD	93.67		96.34	
Fruit and vegetables	8.22		12.27	
Meat, poultry and fish	11.04		11.15	
Grocery food	39.93		45.25	
Non-alcoholic beverages	1.91		2.86	
Restaurant meals and ready-to-eat food	4.13		0.00	
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	0.00		0.00	
CLOTHING AND FOOTWEAR	0.00		0.00	
Clothing				
Footwear				
HOUSEHOLD ENERGY	30.41		34.52	
HOUSEHOLD CONTENTS AND SERVICES	6.71		6.91	
Furniture, furnishings and floor coverings	0.00		0.00	
Household textiles	0.00		0.00	
Household appliances	0.00		0.00	
Glassware, tableware and household utensils	0.00		0.00	
Small tools & accessories for the house & garden	0.00		0.00	
Other household supplies and services	1.03		1.54	
HEALTH	3.59		5.77	
Medical products, appliances and equipment	0.00		0.00	
Out-patient services	0.00		0.00	
TRANSPORT	27.89		28.78	
Purchase of vehicles	0.00		0.00	
Private transport supplies and services	19.14		24.41	
Passenger transport services	0.00		0.00	
COMMUNICATION (TELECOMMUNICATION)	15.20		16.40	
RECREATION AND CULTURE	35.19		22.57	
Audio-visual and computing equipment	0.00		0.00	
Other recreational equipment and supplies	0.00		0.00	
Recreational and cultural services	6.02		9.33	
Newspapers, books and stationery	0.96		1.91	
Accommodation services	0.00		0.00	
Miscellaneous domestic holiday costs	0.00		0.00	
MISCELLANEOUS GOODS AND SERVICES	28.69		32.95	
Personal care	2.51		2.84	
Personal effects nec	0.00		0.00	
Insurance	13.48		21.14	
Credit services	0.00		0.00	
Other miscellaneous services	0.00		0.00	
OTHER EXPENDITURE	0.00		0.00	
Interest payments	0.00		0.00	
Contributions to savings	..S		0.00	
Expenditure incurred whilst overseas	0.00		0.00	
TOTAL	241.35		244.24	

TWO PERSON HOUSEHOLD – CHOICES

	METRO		PROVINCIAL	
FOOD	216.75		170.51	
Fruit and vegetables	34.29		28.37	
Meat, poultry and fish	30.46		33.12	
Grocery food	92.74		73.68	
Non-alcoholic beverages	11.24		9.22	
Restaurant meals and ready-to-eat food	34.81		26.45	
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	18.19		26.38	
CLOTHING AND FOOTWEAR	24.61		12.31	
Clothing	11.79		11.30	
Footwear	0.00		0.00	
HOUSEHOLD ENERGY	51.05		51.94	
HOUSEHOLD CONTENTS AND SERVICES	46.39		46.99	
Furniture, furnishings and floor coverings	0.00		7.68	
Household textiles	0.00		0.00	
Household appliances	8.76		6.52	
Glassware, tableware and household utensils	0.00		0.00	
Small tools & accessories for the house & garden	2.27		0.49	
Other household supplies and services	8.53		9.35	
HEALTH	41.58		48.32	
Medical products, appliances and equipment	11.64		18.03	
Out-patient services	29.83		29.83	
TRANSPORT	103.59		137.30	
Purchase of vehicles	0.00		0.00	
Private transport supplies and services	75.72		95.40	
Passenger transport services	15.10		8.20	
COMMUNICATION (TELECOMMUNICATION)	42.20		28.50	
RECREATION AND CULTURE	104.39		89.82	
Audio-visual and computing equipment	9.97		10.17	
Other recreational equipment and supplies	25.00		23.19	
Recreational and cultural services	44.45		49.97	
Newspapers, books and stationery	21.38		13.08	
Accommodation services	1.90		4.60	
Miscellaneous domestic holiday costs	5.80		4.80	
MISCELLANEOUS GOODS AND SERVICES	102.80		70.27	
Personal care	26.09		17.47	
Personal effects nec	6.63		8.29	
Insurance	64.51		43.69	
Credit services	2.44		2.44	
Other miscellaneous services	0.00		0.00	
OTHER EXPENDITURE	10.00		11.50	
Interest payments	0.00		4.20	
Contributions to savings	..S		0.00	
Expenditure incurred whilst overseas	1.90		0.00	
TOTAL	761.56		693.83	

WHAT DO THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES MEAN IN PRACTICE?

This table summarises the eight expenditure guidelines, showing the total amount of expenditure for each, as well as the relevant amount of New Zealand Superannuation. It is important to remember that the guidelines exclude housing costs.

		ONE-PERSON HOUSEHOLD	TWO-PERSON HOUSEHOLD
NO FRILLS	METRO	\$113.38	\$241.35
	PROVINCIAL	\$113.22	\$244.24
CHOICES	METRO	\$349.78	\$761.56
	PROVINCIAL	\$349.76	\$693.83
		SINGLE LIVING ALONE	MARRIED ETC, BOTH QUALIFY
NEW ZEALAND SUPERANNUATION (NET) ^x		\$348.92	\$536.80

Clearly at the No Frills level of expenditure, there is little difference in expenditure by location, and for both household groupings New Zealand Superannuation covers the level of expenditure. However, the apparent surplus of New Zealand Superannuation could easily be absorbed by housing costs, as discussed below. At the Choices level of expenditure, there is no real difference by location for the one-person household, but there is an approximately 10% difference for the two-person household. For the one-person household, New Zealand Superannuation is almost sufficient to meet non-housing expenses, but there is a substantial shortfall for the two-person household.

HOUSING

In preparing a budget for retirement, it is important to include housing costs. However, as noted above, housing costs have been excluded from the guidelines due to their more extreme variability depending on a person's individual circumstances. Some retirees will rent, while others will own their own home, with or without a mortgage.

Some retirees will rent their housing, usually because they were renting prior to retirement. Rents vary between geographic location and between property types. In May 2012, the median weekly rent varied from \$350 to \$440 for Auckland and Wellington, and from \$200 to \$335 for the rest of New Zealand^{xi}. With a surplus of around \$235 for the one-person household at the No Frills expenditure level, rent could easily absorb that surplus.

For a retiree who owns his or her own home, the costs will depend on the size of any remaining home loan, rates, and the level of repairs and maintenance required on the home. Ideally, the home loan would be fully repaid prior to retirement, and repairs and maintenance would also be undertaken prior to retirement to limit the expenditure required post-retirement. Unfortunately that is not always possible. A home loan of \$50,000 outstanding at retirement, with a remaining term of 5 years, would cost around \$220 per week at current floating rates. However, it is important to note that interest rates are currently at historically low levels, so someone planning for future retirement should factor in higher interest rates on any expected loans. In addition to any loan there are local authority rates; while these vary by local authority and property, \$40 is a reasonably conservative estimate of the weekly cost to a homeowner.

HOW MUCH CAN I BUY^{xii}?

The key question associated with these guides is what do the amounts actually mean in practical terms. While this report will not discuss each expenditure item for each budget, it will look at some items to help put the numbers into perspective. The focus will be on the No Frills expenditure levels, because of the greater limitations imposed.

Expenditure on fruit and vegetables ranges from \$4.82 per week for the Provincial, No Frills, One-person Household to \$34.29 per week for the Metro, Choices, Two-person Household. In mid-June, New World^{xiii} was selling two packs of bananas for \$5, a 1.5kg bag of apples and a 1.5kg bag of pears together for \$6, and a pumpkin and a leek together for \$4. At the lowest level of expenditure, the retiree would be only be able to take advantage of one of these offers (the pumpkin/leek combo), with a limited amount left to buy an apple or two, for example.

For meat, poultry and fish, the expenditure ranges from \$3.72 per week for the Provincial, No Frills, One-person Household to \$33.12 per week for the Provincial, Choices, Two-person Household. At the lowest level, this is very restrictive. In mid-June, New World's meat specials included one kilogram of sausages for \$5, chicken thigh cutlets at \$8.99 per kilogram, pork chop or roast at \$7.99 per kilogram, and beef schnitzel at \$8.99 per kilogram. For the Provincial, No Frills, One-person Household none of these specials would enable the purchase of much meat, less than half a kilogram of beef schnitzel or about the same quantity of pork. By comparison, the Provincial, Choices, Two-person Household could purchase a kilogram of each of beef schnitzel, pork, and chicken thighs and sausages for a total of \$31.87.

Takeaway and restaurant meals are limited for those spending at the No Frills level, with only the Metro Two-Person Household having these specifically included. By contrast, households spending at the Choices level are likely to be having takeaways or restaurant meals on a regular basis, with spending for these households ranging from \$11.43 to \$34.81 per week.

The No Frills guidelines do not include any expenditure on clothing and footwear, whereas the Choices guidelines include \$8.86 to \$24.61 per week on these items. That might allow the purchase of one, or possibly two, items of clothing at The Warehouse, which had men's long-sleeved shirts for \$10 in mid-June or women's winter flannelette pyjamas available for \$14.90, or one could save for a pair of parallel imported Levi's women's jeans at \$59^{xiv}.

Moving on to energy use, the No Frills guidelines reflect use at a level equivalent to less than 8000kWh per annum, which would qualify for low use plans which have a lower daily fixed rate. A daily charge of 34.5c per day (which includes GST and is after a 10% prompt payment discount), equates to a fixed weekly cost of \$2.41. For the Metro, No Frills, One-person Household this leaves \$15.46 for variable power use, which allows 57kWh per week at an average of 27c per kWh or 3000 kWh per annum, which is a low level of usage^{xv}. Rough estimates suggest that would allow for a hot water cylinder and small television to operate for around 2 hours per day, a refrigerator to be running all day, and an oven and kettle to operate for about one hour per day, plus limited lighting and washing machine use^{xvi}. By contrast, the daily charge for a 'normal' use plan, would be \$90.05 (including GST and after the prompt payment discount) or \$6.30 fixed per week. For the Provincial, Choices, One-person household this leaves \$34.87 per week for variable power use, which equates to approximately 140kWh at an average of 25c per kWh or 7280 kWh per annum, which is still described as low usage in electricity terms. Clearly that allows for much greater usage of electrical appliances.

Expenditure on health-related items is very low for the No-Frills households, with a maximum of \$5.77 per week compared to a range of \$20.14 to \$46.99 per week for the Choices households.

One thing all retirees should have plenty of is time, and it is often a focus of retirement plans for workers who talk about the things they will have time to do after they have retired and have the time to do them. However, in the No Frills households spending on recreation and culture is limited, at \$8 per week for the One-person Households and \$22-\$35 for the Two Person Households. This suggests a focus on low cost recreational activities. For the Choices households, spending ranges from \$37 for the One-person Households to \$104 for the Two-person Households, which clearly allows for a greater range of activities that require payment.

WHAT IS PEOPLE'S ACTUAL EXPERIENCE OF RETIREMENT?^{xvii}

To understand what these numbers mean in terms of retirees' actual experience of retirement, a survey was distributed to people over the age of 65, which is often seen as being the retirement age because it is the age of entitlement for New Zealand Superannuation. Respondents were asked whether they considered themselves to be retired, and only 86%^{xviii} of them did so. Not surprisingly, this changed with age with 73% of the 65-69 age group describing themselves as retired while 96% of the 75+ age group did so.

Most (64%) retirees have a comfortable standard of living but a small proportion (6%) are finding it a struggle to manage financially. Surprisingly, there is a higher proportion (11%) of 65-69 year olds who are struggling financially compared to the 75+ age group (2%). However, only a small proportion (5%) of the 75+ age group have no financial concerns. In the survey, respondents were presented with four statements and asked which best described their current financial situation.

I struggle to find sufficient income to meet my basic living requirements	6%
I have enough to provide a basic standard of living, with few, if any, treats or luxuries	30%
I have a comfortable standard of living, that includes some treats or luxuries	54%
I have a very comfortable standard of living and don't have any concerns about my financial situation	10%

While more than two thirds of retirees are satisfied with their lifestyle, over one quarter have concerns about the level of resources available to meet their retirement needs. These concerns about the extent of their financial resources were reflected in respondents' comments, such as "Hope we don't live past 80 or we will run out of money" from someone aged 70-74. Another respondent commented that "At 65 we were comfortably off and had many luxuries, but increases like rates, health insurance and household living have increased dramatically, till now at 76 we have to be very cautious".

	AGREE ^{xix}	NEUTRAL	DISAGREE
I am satisfied with my current lifestyle	68%	17%	16%
I believe I have adequate financial resources to meet my retirement needs	52%	20%	27%
Retirement is meeting my expectations	54%	27%	19%

A relatively small proportion (26%) of retirees have some form of paid employment, but for about two-thirds of these it is for no more than 20 hours per week. Most are working for non-financial reasons, such as they enjoy their job (36%) or they like to keep busy (21%), but the income is important to a substantial minority (38%). Income from employment is important for some retirees to afford the extras they would like, with one respondent commenting that "Having employment after retirement age allows me freedom to save for major expenditures such as bathroom renovation without taking away from life savings or day to day living which NZ Superannuation income covers". However, it can also be important just to get by, with one respondent saying "Only concern is how I would cope if I was to become ill and unable to work in my part-time job".

Although 65 years of age is the age of entitlement for New Zealand Superannuation, not all those over 65 are eligible to receive New Zealand Superannuation, with time spent overseas a key reason for delayed eligibility or even non-entitlement. Most retirees (79%) have some source of income in addition to New Zealand Superannuation. Many have more than one source of additional income, with 25% having two sources of additional income, 15% having three, and 7% having four or more. The Other sources of income included family trusts and employment-related pensions.

New Zealand Superannuation	97%
Interest of more than \$500 per annum	46%
My paid employment	25%
My life partner's paid employment	11%
Financial support from family members (other than a life partner)	1%
An overseas pension	5%
Dividends from share investments	28%
Rental income from investment properties	9%
Earnings from managed funds	15%
Other	17%

Most retirees have some form of life partner (72%), and in most cases the life partner is also retired (81%). However, nearly half (43%) of the life partners work, although more than half of those working (53%) earn no more than \$30,000. Another means used by some to supplement their income has been through borrowing, with one respondent saying simply "Borrowing against the house pays for some extras". Another respondent had taken out a reverse mortgage to finance his/her share of subsidised surgery, but reported the expense was "worth every cent, as it has given me a new lease on life".

Basic living costs account for a substantial proportion of many retirees' income, and for more than half (57%) at least 60% of their annual after tax income is spent on basic living costs. One respondent noted "Approximately 55% of my pension goes to pay rent, with power using another big chunk of my income". When most of your income goes on basic living costs, it doesn't leave much for luxuries or treats to make life better. One form of treat is having takeaways or going to a restaurant for a meal. Most retirees have takeaways or restaurant meals no more than a few times a year (64% and 67% respectively).

What represents a basic standard of living changes over time, and today many technological devices are considered part of a No Frills lifestyle. Most retirees have a mobile phone, with prepaid accounts preferred (57%) over on-account arrangements (33%). The proportion of retirees with the various devices and services that are increasingly seen as part of basic living is shown below, and interesting all retirees had at least one of those items.

Desktop computer	75%
Laptop computer	49%
iPad or other tablet computer	13%
Smartphone, such as an iPhone	16%
Flat screen television	82%
Sky television or cable television subscription	55%

The main fire and general types of insurance are widely held, with 93% of retirees having contents and car insurance and 86% having house insurance, suggesting these insurances are seen as a basic cost of living. The life related insurances are less widely held, with 35% having medical/health insurance and 27% having life insurance. Life insurance would generally be seen as less important for this age group, and therefore the low rate of insurance is not surprising. However, it appears that medical/health insurance is seen as something that is nice to have if you can afford it, with the cost of health insurance being commented on by several respondents. Some respondents reported having cancelled this insurance due to the steep increase in premiums from around age 65. Southern Cross Healthcare Group explains the need for the increase in premiums: "Health insurance premiums generally increase with age because older people tend to require more healthcare and therefore claim more. For example, those aged over 65 make up 11.6% of the Southern Cross membership, but accounted for 33% of claims for the 2011 financial year."^{xx}

How important is it to have medical/health insurance? Retirement is often seen as being a time of increasing health issues, but most retirees are in reasonable health, although their doctor isn't a stranger.

I'm in excellent health and only rarely visit my doctor	8%
I'm in good health but have occasional visits to my doctor	35%
My health is okay, but I visit my doctor several times a year	50%
My health is poor, and I have to visit my doctor at least once a month	7%

However, more than half (58%) of retirees have had some form of surgery since the age of 65, ranging from minor surgery not requiring an overnight stay in hospital (15%) to major surgery, such as a heart bypass (8%). Not having health insurance can mean delays in getting necessary surgery undertaken, with one respondent commenting that "Have had to cancel medical insurance and now am waiting, in pain, for knee replacements".

Retirement is often seen as providing opportunities for travelling because retirees are no longer tied to employment and have the time to do so. Domestic travel is common, with most (79%) retirees travelling within New Zealand at least once a year, and many (46%) doing so at least every six months. Overseas travel is less common, with only half (51%) travelling at least once every two years. Travelling within the island in which one lives is most common (64%), while Australia is the most popular (49%) destination of choice for overseas travellers. Simply having a holiday is the most frequent reason for travelling within New Zealand (49%) and overseas (61%). Visiting the children and grandchildren is a close second (45%) for travelling within New Zealand, but also a popular reason (36%) for overseas travel. Some retirees are able to live the dream in terms of travel with one respondent explaining "In retirement, we now travel overseas for up to 3 months each year, and can quickly head off to events such as the last space shuttle launch".

Time to participate more in recreational activities is also often seen as one of the benefits of retirement. While the survey results indicate large numbers of retirees don't participate in each of the activities enquired about, only a relatively small proportion (13%) don't participate in any of the activities. Several respondents commented that their time is spent on voluntary activities, but this was not included as an activity in the survey because it does not involve expenditure.

	I AM A MEMBER OR HAVE A SEASON PASS	FREQUENTLY (AT LEAST MONTHLY)	OCCASIONALLY (2-11 TIMES PER YEAR)	RARELY (NO MORE THAN ONCE A YEAR)	I DON'T PARTICIPATE IN THIS TYPE OF ACTIVITY
Play sports, eg golf	13%	7%	5%	6%	69%
Take part in recreational activity club, eg bridge	13%	16%	7%	6%	58%
Attendance at sporting fixtures	2%	3%	18%	24%	51%
Attendance at arts/cultural events, such as the NZSO	2%	5%	24%	28%	41%
Social club	11%	18%	15%	8%	48%
Service club, eg Rotary or Lions	9%	8%	3%	4%	76%

Overall, the survey results indicate that most retirees have an adequate standard of living and they are managing, but New Zealand Superannuation alone is not sufficient for most of them. Employment of one or both life partners is common, but retirement savings and debt are also used to supplement income.

ⁱ New Zealand Superannuation is the universal public pension provided by the government to New Zealanders who attain the age of eligibility, which is currently 65.

ⁱⁱ <https://www.sorted.org.nz/a-z-guides/retirement-planning>

ⁱⁱⁱ The information about the triennial Household Economic Survey is from the Statistics New Zealand website, and further information is available at http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdEconomicSurvey_HOTPYeJun10/Technical%20Notes.aspx

^{iv} The final sample size and the response rate reflect steps taken to boost the response rate, including the use of imputation. Details are on the Statistics New Zealand website.

^v More information about Westpac's CustomerVoice panel is available at <http://www.westpac.co.nz/who-we-are/have-your-say/join-customer-voice/>

^{vi} Camorra Research Limited is a specialist in personalised research – see <http://www.camorresearch.co.nz>

^{vii} CPI information and data was sourced from http://www.stats.govt.nz/browse_for_stats/economic_indicators/CPI_inflation.aspx

^{viii} Where there is a conflict between the total for the subgroups and the amount for the related group, the larger number has been used at the group level

^{ix} „S indicates that too few households reported spending in that category to permit reliable estimation by Statistics New Zealand in the HES

^x Source: Work and Income New Zealand at http://www.workandincome.govt.nz/manuals-and-procedures/deskfile/nz_superannuation_and_veterans_pension_tables/new_zealand_superannuation_tables.htm

^{xi} Hargreaves, B. (2012, June). New Zealand Residential Rental Market, 15(2) available from economics-finance.massey.ac.nz/publications/property/June2012rental.pdf

^{xii} The organisations used for these illustrative examples have been chosen primarily for convenience, related to access to information, and no view is expressed or implied about the suitability of their products and services.

^{xiii} Source: New World weekly mailer for week of 11-17 June 2012.

^{xiv} Source: The Warehouse mailer for 6-12 June 2012.

^{xv} For simplicity, the energy comparison is based purely on electricity. Energy costs are based on figures for new customers of Genesis Energy from 4 March 2012, available at [http://www.genesisenergy.co.nz/genesis/for-home/pricing-plans/see-our-electricity-and-gas-pricing-plans\\$.cfm](http://www.genesisenergy.co.nz/genesis/for-home/pricing-plans/see-our-electricity-and-gas-pricing-plans$.cfm). The Metro, No Frills, One-person Household is based on prices for Auckland and Manukau cities, while the Provincial, Choices, One-person Household is based on prices for Wairarapa.

^{xvi} Calculations of electricity use were made using a calculator at <http://michaelbluejay.com/electricity/>. It is important to note that these are estimates only, as energy use varies between appliance models.

^{xvii} The data has been weighted to reflect population based on census

^{xviii} The maximum margin of error at the 95% confidence level is +/- 4.2%.

^{xix} Respondents had five response options ranging from Strongly Agree to Strongly Disagree. The Agree and Strongly Agree responses and the Disagree and Strongly Disagree responses have been combined.

^{xx} Source: <https://www.southerncross.co.nz/AboutTheGroup/MediaReleases/2011/tabid/413/vw/1/ItemID/409/Premium-relief-a-focus-at-Southern-Cross-AGM.aspx>. More information about increasing health insurance premiums at age 65 is available at <http://www.southerncross.co.nz/society/for-members/faqs/premiums.aspx#65>

APPENDIX 1: EXPLANATORY NOTES REGARDING THE HES GROUPS AND SUBGROUPS

Alcoholic beverages, tobacco and illicit drugs – This is broken down into two categories of Alcoholic beverages and Cigarettes & tobacco in the HES. However, the data indicated the amount spent on Cigarettes & tobacco was \$0 in all household groups of interest, so any expenditure in this category was almost exclusively on alcoholic beverages.

Education – This is a category included in the HES, but for all the households of interest, there were insufficient households reporting expenditure to get a reliable estimate, and it has been omitted from budget guidelines.

Purchase of vehicles – This is a subcategory of the Transport category in the HES. There were insufficient households reporting expenditure to get a reliable estimate, and it has been omitted from budget guidelines.

Recreation and culture – The amount spent in this category is small, and no breakdown into its component parts is possible in the No Frills budget.

Household contents and services – The amount spent in this category is small, and no breakdown into its component parts is possible in the No Frills budget.

APPENDIX 2: HES EXPENDITURE CATEGORIES

GROUP	SUBGROUP	CLASS
FOOD	Fruit & vegetables	Fruit
		Vegetables
	Meat, poultry & fish	Meat & poultry
		Fish & other seafood
	Grocery food	Bread & cereals
		Milk, cheese & eggs
		Oils & fats
		Food additives & condiments
		Confectionery, nuts & snacks
		Other grocery food
	Non-alcoholic beverages	Coffee, tea & other hot drinks
		Soft drinks, waters & juices
	Restaurant meals & ready-to-eat food	Restaurant meals
		Ready-to-eat food
ALCOHOLIC BEVERAGES, TOBACCO & ILLICIT DRUGS	Alcoholic beverages	Beer
		Wine
		Alcoholic beverages nec
	Cigarettes & tobacco	Cigarettes & tobacco
CLOTHING & FOOTWEAR	Clothing	Clothing nfd
		Womens clothing
	Footwear	
HOUSING & HOUSEHOLD UTILITIES	Household energy	Electricity
		Gas
		Solid fuels
HOUSEHOLD CONTENTS & SERVICES		Small tools & accessories for the house & garden
	Furniture, furnishings & floor coverings	Furniture & furnishings
	Household textiles	Household textiles
	Household appliances	Major household appliances
	Glassware, tableware & household utensils	Glassware, tableware & household utensils
	Other household supplies & services	Cleaning products & other household supplies
HEALTH	Medical products, appliances & equipment	Pharmaceutical products
		Therapeutic appliances & equipment
	Out-patient services	Medical services
		Dental services

GROUP	SUBGROUP	CLASS
TRANSPORT	Purchase of vehicles	Purchase of second-hand motor cars
	Private transport supplies & services	Vehicle parts & accessories
		Petrol
		Other vehicle fuels & lubricants
		Vehicle servicing & repairs
		Other private transport services
	Passenger transport services	Road passenger transport
		Domestic air transport
		International air transport
COMMUNICATION	Telecommunication services	Telecommunication services
RECREATION & CULTURE	Audio-visual & computing equipment	Audio-visual equipment
		Computing equipment
		Recording media
	Other recreational equipment & supplies	Games, toys & hobbies
		Equipment for sport, camping & outdoor recreation
		Plants, flowers & gardening supplies
		Pets & pet-related products
	Recreational & cultural services	Recreational & sporting services
		Cultural services
		Games of chance
	Newspapers, books & stationery	Books
		Newspapers & magazines
		Miscellaneous printed matter
		Stationery & drawing materials
	Accommodation services	Accommodation services
	Miscellaneous domestic holiday costs	Miscellaneous domestic holiday costs
EDUCATION		
MISCELLANEOUS GOODS & SERVICES	Personal care	Hairdressing & personal grooming services
		Other appliances, articles & products for personal care
	Personal effects nec	Other personal effects
	Insurance	Life insurance
		Dwelling insurance
		Contents insurance
		Health insurance
		Vehicle insurance
		Combinations of insurance nec
	Credit services	Direct credit service charges
	Other miscellaneous services	Vocational services
OTHER EXPENDITURE	Interest payments	Mortgage interest payments
		Other interest payments
	Contributions to savings	Contributions to savings
	Expenditure incurred whilst overseas	Expenditure incurred whilst overseas

APPENDIX 3: RESPONDENT DEMOGRAPHICS

	WESTPAC CONSUMER VOICE PANEL	CAMORRA RESEARCH PANEL	TOTAL
RESPONSES	309	208	517
	(%)	(%)	(%)
AGE			
65-69 years	42	33	38
70-75 years	35	25	31
Over 75 years	23	42	31
GENDER			
Male	64	46	57
Female	36	54	44
LOCATION			
Auckland region	14	26	19
Wellington region	13	13	13
Rest of North Island	37	34	36
Canterbury region	20	15	17
Rest of South Island	17	12	15