



**NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES  
2019**

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certification programme for personal financial educators and the New Zealand Retirement Expenditure Report – a joint initiative between the centre and industry body Financial Services Council to establish guidelines for ‘modest’ and ‘comfortable’ retirement.

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The triennial review of retirement income policy is currently being undertaken by the Commission for Financial Capability, providing an opportunity for New Zealanders to offer their views on retirement income. This is a subject of increasing interest for New Zealanders, with continuing discussion of issues such as the age of eligibility for NZ Superannuation, the adequacy of NZ Superannuation, longevity concerns, and the potential use of means-testing to better direct NZ Superannuation to those who need it most. The level of interest is driven, at least in part, by the fact that the entire baby boomer generation will have reached the current age of eligibility for NZ Superannuation within ten years. The following generation, Generation X, is also increasingly concerned about their ability to adequately prepare for the retirement that they now see on the horizon. New Zealanders have expectations and aspirations about their future retirement, but this is accompanied by concerns due to the lack of certainty about how retirement will be experienced and the not-unrelated question of the financial resources needed to provide a person's desired sort of retirement.

The 2019 Retirement Expenditure Guidelines in this report are the eighth in a series that commenced in 2012<sup>1,2</sup>, to assist pre-retirement New Zealanders make financial plans for their retirement. Specifically, the Retirement Expenditure Guidelines provide information about actual levels of expenditure by New Zealanders who have already retired; however, this does not include an evaluation of the sufficiency of NZ Superannuation. Pre-retirees can use this information to plan budgets for their desired future retirement lifestyle, to provide a foundation from which to determine the savings they need to achieve their retirement objectives.

Expenditure patterns change over time due to societal changes and the effect of inflation. This report addresses these changes, adjusting for inflation to 30th June 2019. In addition, we explore the impact of the current low interest rate environment.

## KEY FINDINGS IN THIS REPORT:

The New Zealand Retirement Expenditure Guidelines as at 30th June 2019

|                          | ONE-PERSON HOUSEHOLDS |            | TWO-PERSON HOUSEHOLDS |            |
|--------------------------|-----------------------|------------|-----------------------|------------|
| WEEKLY NZ SUPER RATES    | \$411.15              |            | \$632.54              |            |
| After tax                |                       |            |                       |            |
| Total Weekly Expenditure | Metro                 | Provincial | Metro                 | Provincial |
| No Frills budget         | \$602.11              | \$574.35   | \$898.73              | \$639.90   |
| Choices budget           | \$1190.37             | \$830.54   | \$1436.00             | \$1135.70  |

- Most New Zealanders aspire to and achieve a better standard of living in retirement than can be supported by NZ Superannuation.

### Expenditure changes from 2018-2019

- The effect of inflation on expenditure for each of the household groups is in the range -0.45% to 1.57%, with all groups having an effective inflation rate below the CPI rate for the same period.
- The key inflationary drivers for superannuants for the twelve months ended 30th June 2019 were Grocery Food, Restaurant Meals and Ready-to-eat Food, Property Rates and Related Services, Private Transport Supplies and Services, Insurance and Accommodation Services.
- All household groups considered in this report are spending more than is received from NZ Superannuation.

1 Previous editions can be found on the Fin-Ed Centre website.

2 The basis for calculating the Retirement Expenditure Guidelines was changed with effect from the 2014 report. Details of the changes are provided in that report.

## Saving for retirement

- The earlier a person starts saving for retirement the better, but it is never too late to start unless they have retired.
- Other income, such as part-time employment, or delayed retirement are two ways to reduce the lump sum required.
- KiwiSaver offers the opportunity for a solid contribution towards the additional income required to provide the retirement lifestyle to which New Zealanders aspire.

## Low interest rate environment

- The current low interest rate environment is challenging for retirees.
- Careful consideration is needed to ensure retirement savings generate the level of income required to fund the intended lifestyle, without taking on a level of risk that is higher than appropriate.

## EXPENDITURE CHANGES IN 2019<sup>3</sup>

We begin by looking at how expenditure has been impacted by inflation for the twelve months ended 30th June 2019.

**TABLE 1: CHANGES IN TOTAL WEEKLY EXPENDITURE BY HOUSEHOLD GROUP 2018 - 2019**

|                       |                        | Total Weekly Expenditure |         | CHANGE 2018 – 2019 |        |
|-----------------------|------------------------|--------------------------|---------|--------------------|--------|
|                       |                        | 2018                     | 2019    | \$                 | %      |
| One-person households | No Frills – Metro      | 598.45                   | 602.11  | 3.66               | 0.61%  |
|                       | No Frills – Provincial | 569.43                   | 574.35  | 4.92               | 0.86%  |
|                       | Choices – Metro        | 1190.13                  | 1190.37 | 0.24               | 0.02%  |
|                       | Choices – Provincial   | 834.27                   | 830.54  | -3.73              | -0.45% |
| Two-person households | No Frills – Metro      | 885.31                   | 898.73  | 13.42              | 1.52%  |
|                       | No Frills – Provincial | 630.03                   | 639.90  | 9.87               | 1.57%  |
|                       | Choices – Metro        | 1417.85                  | 1436.00 | 18.15              | 1.28%  |
|                       | Choices – Provincial   | 1118.92                  | 1135.70 | 16.78              | 1.50%  |
|                       |                        |                          |         | CPI                | 1.70%  |

Table 1 above shows the change in total expenditure between 2018 and 2019 for each of our household groups. The change for all groups was less than the rate of inflation as measured by the CPI, with the Choices-Provincial One-Person Household having a small reduction in their expenditure. The different inflation rate for each household group results from the fact that the expenditure pattern differs for each group and does not exactly match the basket of goods used to calculate the CPI.

The inflation rate for each household group results from the interaction of many items, so it is very difficult to identify the reason for the differences between them. However, one factor that appears to help explain the difference for the two Choices One-Person Households relative to the other household groups appears to be their lower expenditure on Food, and the sub-group Grocery Food in particular – they spend 10.6% (Metro) and 10.8% (Provincial) on Food compared to more than 14.6% for the other household groups, and 5.0% (Metro) and 4.9% (Provincial) on the Grocery Food sub-group compared to at least 7.3% for most of the other household groups.

As we have noted previously, the overall CPI inflation rate can hide substantial differences in inflation between expenditure classes, and this remains true for the twelve months ended 30th June 2019. The total CPI inflation rate for that period was 1.7%, but included inflation rates ranging from 7.70% for Cigarettes and Tobacco to -23.80% for Telecommunication Equipment. Key expenditure groups for all our households are Food (with inflation of

<sup>3</sup> The detailed Retirement Expenditure Guidelines are in Appendix 1.

1.1%) and Housing and Household Utilities (2.8%). Transport (1.8%) and Recreation and Culture (1.8%) are also important expenditure groups for our Choices households.

There is also substantial variation of inflation rates between the sub-groups that comprise the expenditure groups. The key expenditure sub-groups driving the inflationary impact for superannuants for the twelve months ended 30th June 2019 were Grocery Food (with inflation of 2.7%), Restaurant Meals and Ready-to-eat Food (3.3%), Property Rates and Related Services (4.6%), Private Transport Supplies and Services (3.0%), and Accommodation Services (5.0%). These sub-groups had higher levels of inflation than the average and also represent a substantial portion of expenditure for our households.

On 1st April 2019, the two key rates of New Zealand Superannuation rates increased to<sup>4</sup>:

**TABLE 2: NZ SUPERANNUATION RATES FROM 1 APRIL 2019**

|                       |                   |                         |
|-----------------------|-------------------|-------------------------|
| Single, living alone  | \$411.15 per week | after tax at the M rate |
| Couples, both qualify | \$632.54 per week | after tax at the M rate |

The CPI rate for the year ended 31 March 2019 was 1.5%, while the increase in New Zealand Superannuation from 1 April was substantially greater at 2.56%. This reflects the legislated adjustment methodology, which uses the annual CPI for the year ended one quarter before the adjustment is made (1.90% to 31 December 2018), while also maintaining relativity with the net average wage. Wages grew at a faster rate than the CPI, hence the higher adjustment for NZ Superannuation.

**TABLE 3: THE DIFFERENCE BETWEEN TOTAL EXPENDITURE AND CURRENT RATES OF NZ SUPERANNUATION**

|                       |                        | TOTAL WEEKLY EXPENDITURE | NZ SUPER | DIFFERENCE IN 2019 | DIFFERENCE IN 2018 | CHANGE IN DIFFERENCE 2018 – 2019 |
|-----------------------|------------------------|--------------------------|----------|--------------------|--------------------|----------------------------------|
| One-person households | No Frills – Metro      | 602.11                   |          | -\$190.96          | -\$197.58          | (-3.47%)                         |
|                       | No Frills – Provincial | 574.35                   |          | -\$163.20          | -\$168.56          | (-3.28%)                         |
|                       | Choices – Metro        | 1190.37                  | \$411.15 | -\$779.22          | -\$789.26          | (-1.29%)                         |
|                       | Choices – Provincial   | 830.54                   |          | -\$419.39          | -\$433.40          | (-3.34%)                         |
| Two-person households | No Frills – Metro      | 898.73                   |          | -\$266.19          | -\$268.59          | (-0.90%)                         |
|                       | No Frills – Provincial | 639.90                   |          | -\$7.36            | -\$13.31           | (-80.84%)                        |
|                       | Choices – Metro        | 1436.00                  | \$632.54 | -\$803.46          | -\$801.13          | (0.29%)                          |
|                       | Choices – Provincial   | 1135.70                  |          | -\$503.16          | -\$502.20          | (0.19%)                          |

All households spend more than they receive from NZ Superannuation. As the table above shows, the difference has slightly decreased for most household groups, because the annual increase in NZ Superannuation was greater than the rate of inflation.

Table 4 shows an estimated lump sum required at retirement to fund the additional spending over NZ Superannuation for each group, assuming no other income. It also shows the weekly savings required to achieve that lump sum, depending on the age at which saving commences. Starting saving at a younger age means a much smaller regular amount of savings is required.

4 Source: <https://www.workandincome.govt.nz/eligibility/seniors/superannuation/paymentrates.html>

**TABLE 4: ESTIMATED SAVINGS REQUIREMENT TO FUND THE DIFFERENCES BETWEEN EXPENDITURE AND NZ SUPERANNUATION<sup>5</sup>**

|                       |                        | WEEKLY DIFFERENCE | LUMP SUM REQUIRED <sup>6</sup> | WEEKLY SAVINGS FROM AGE 50 <sup>7</sup> | WEEKLY SAVINGS FROM AGE 25 <sup>8</sup> |
|-----------------------|------------------------|-------------------|--------------------------------|-----------------------------------------|-----------------------------------------|
| One-person households | No Frills – Metro      | \$190.96          | \$187,000                      | \$230                                   | \$74                                    |
|                       | No Frills – Provincial | \$163.20          | \$160,000                      | \$196                                   | \$64                                    |
|                       | Choices – Metro        | \$779.22          | \$764,000                      | \$937                                   | \$304                                   |
|                       | Choices – Provincial   | \$419.39          | \$411,000                      | \$504                                   | \$163                                   |
| Two-person households | No Frills – Metro      | \$266.19          | \$261,000                      | \$320                                   | \$104                                   |
|                       | No Frills – Provincial | \$7.36            | \$7,000                        | \$8                                     | \$3                                     |
|                       | Choices – Metro        | \$803.46          | \$787,000                      | \$966                                   | \$313                                   |
|                       | Choices – Provincial   | \$503.16          | \$493,000                      | \$605                                   | \$196                                   |

These lump sums, and the associated savings to achieve them, can be reduced in a number of ways. For example, we have assumed that the household has no income other than NZ Superannuation, but we know many New Zealanders continue to work beyond the age of 65 when they become eligible for NZ Superannuation. In Table 5, we consider the impact on the lump sum and savings required in two different scenarios.

**Scenario 1:** We assume that the household has ongoing additional income of \$5,000 net per annum, perhaps from part-time work. This has the effect of reducing the difference by \$96 per week.

**Scenario 2A:** We assume that the household member(s) delays retirement until the age of 67. This allows an additional two years of savings, and also reduces the retirement period that needs to be funded by the same two years.

**Scenario 2B:** We make the additional assumption that the household member(s) receives NZ Superannuation from the age of 65 and saves the full amount, which is \$42,759 for the one-person household and \$65,784 for the two-person household for the two years (excluding any interest or other return on these funds).

**TABLE 5: ESTIMATED SAVINGS REQUIREMENT UNDER DIFFERENT SCENARIOS**

|                       |                        | SCENARIO 1 |                | SCENARIO 2A |                | SCENARIO 2B    |
|-----------------------|------------------------|------------|----------------|-------------|----------------|----------------|
|                       |                        | LUMP SUM   | WEEKLY SAVINGS | LUMP SUM    | WEEKLY SAVINGS | WEEKLY SAVINGS |
| One-person households | No Frills – Metro      | \$93,000   | \$114          | \$167,000   | \$189          | \$143          |
|                       | No Frills – Provincial | \$66,000   | \$81           | \$148,000   | \$161          | \$115          |
|                       | Choices – Metro        | \$670,000  | \$822          | \$718,000   | \$771          | \$725          |
|                       | Choices – Provincial   | \$317,000  | \$389          | \$386,000   | \$414          | \$369          |
| Two-person households | No Frills – Metro      | \$167,000  | \$204          | \$245,000   | \$263          | \$193          |
|                       | No Frills – Provincial | N/A        | N/A            | \$6,000     | \$7            | N/A            |
|                       | Choices – Metro        | \$693,000  | \$850          | \$740,000   | \$794          | \$724          |
|                       | Choices – Provincial   | \$399,000  | \$490          | \$464,000   | \$498          | \$427          |

<sup>5</sup> The lump sums in Tables 4 and 5 were calculated using the Sorted calculator available at <https://sorted.org.nz/tools/retirement-planner>. The actual length of retirement to be planned for will vary for each person, depending on the age of retirement and life expectancy. To help work this out, use the retirement planner at sorted.org.nz. We assumed retirement at age 65 with a life expectancy of 90 (for both in couples).

<sup>6</sup> The Total Savings Required is rounded to the nearest \$000

<sup>7</sup> For a 50-year old individual/couple.

<sup>8</sup> For a 25-year old individual/couple.

KiwiSaver can help meet these savings requirements. In Table 6 we consider how much a person might have in their KiwiSaver account at age 65. The first two columns consider two different contribution rates, and assume the person is joining KiwiSaver today at the age of 50. The average KiwiSaver balance as at 30th June 2019 was \$20,084. In the final column we have retained the assumption that the person is aged 50 but added an assumption that they joined KiwiSaver at inception in 2007 and now has the average KiwiSaver balance of \$20,000 in their account.

**TABLE 6: ESTIMATED KIWISAVER BALANCE<sup>9</sup>**

| <b>ANNUAL INCOME</b>   | <b>JOINING TODAY<br/>(3% CONTRIBUTION)</b> | <b>JOINING TODAY<br/>(4% CONTRIBUTION)</b> | <b>EXISTING MEMBER<br/>(3% CONTRIBUTION)</b> |
|------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------------|
| \$52,832 <sup>10</sup> | \$60,644                                   | \$70,378                                   | \$85,573                                     |
| \$75,000               | \$77,787                                   | \$91,577                                   | \$102,732                                    |
| \$100,000              | \$99,531                                   | \$117,817                                  | \$124,424                                    |

These calculations are for an individual, so the balances should be increased for couples to reflect their individual incomes and contribution rates. For example, a couple where one person is earning \$75,000 and contributing 4% and the other person is on the median wage and contributing 3% would have \$152,221 in total savings at age 65, assuming both join KiwiSaver today.

The benefit of a higher contribution rate is illustrated by the difference between columns one and two. The minimum contribution rate is 3%, but as a result of recent legislative changes, KiwiSaver members can now choose to contribute at higher rates of 4%, 6%, 8% or 10%. A KiwiSaver member can choose to amend their contribution rate once every three months, and it would be useful for members to regularly consider whether a higher contribution rate is possible. However, KiwiSaver is not the only option for retirement savings, so if an increase in savings is possible, consideration should also be given to the best place for those savings to go.

Accessing the capital in the family home is another option available to some home owners to help provide this lump sum. This option will not suit everyone and relies on the ability to sell the home and buy a replacement at a lower price, either by downsizing or by moving to a less expensive area.

<sup>9</sup> The KiwiSaver balances in Table 6 were calculated using the Sorted calculator available at <https://sorted.org.nz/tools/kiwisaversavings-calculator>. We have assumed investment in a balanced fund with fortnightly contributions.

<sup>10</sup> \$52,832 is the median annual income for the year ended 30th June 2019. Source: <https://www.stats.govt.nz/information-releases/labour-market-statistics-income-june-2019-quarter>.

## THE LOW INTEREST ENVIRONMENT

We have now been experiencing a low interest rate environment in New Zealand for ten years, so younger people may see the current rates as normal. Older New Zealanders, however, can recall the higher rates we have had historically. Figure 1 uses the six-month term deposit rate to illustrate how interest rates have changed since 1965.

FIGURE 1: SIX-MONTH TERM DEPOSIT RATE<sup>11</sup>



While the current low rates are good news for borrowers, they create challenges for savers, particularly those relying on investment returns to provide income. This becomes clearer if put into dollar terms. At a rate of 2.79% pa (the six-month term deposit rate in September 2019), a term deposit of \$100,000 will generate income of \$2790, or \$53 per week. This compares to \$7560, or \$145 per week, at an interest rate of 7.56% pa, which would have been generated in September 2008 or \$17,300 (\$333 per week), at an interest rate of 17.30%, in September 1987.

TABLE 7: REAL INTEREST RATES

|                | NOMINAL INTEREST RATE | INFLATION RATE | REAL INTEREST RATE |
|----------------|-----------------------|----------------|--------------------|
| September 1987 | 17.30%                | 16.90%         | 0.40%              |
| September 2008 | 7.56%                 | 5.10%          | 2.56%              |
| September 2019 | 2.79%                 | 1.70%          | 1.09%              |

It is important to remember these numbers represent nominal returns, before considering the effect of inflation. Assuming an inflation rate of 1.7%, being the rate for the year ended June 2019, the six-month interest rate of 2.79% in September 2019 represents a real interest rate before tax of 1.09%. As we see in Table 7, when we take account of the effect of the higher inflation rates historically, it offers a different perspective of the apparently higher returns being received. In addition, we can see that the real return has been worse than what is currently being experienced. It is important to remember that these rates are before taxes, which further reduce the return to the investor.

<sup>11</sup> Source: RBNZ Statistics B3 - Retail interest rates on lending and deposits.



Prospects of further interest rate cuts suggest the real interest rate may fall further, and could even fall below zero.

The lump sums calculated in Tables 4 and 5 assume the funds are invested in balanced managed funds before and after retirement, earning assumed net returns in excess of those that are expected to be achieved in term deposits. This means if you intend to withdraw your KiwiSaver balance at age 65 to place the funds on term deposit, the lump sum required would be greater.

The current low interest rates can encourage investors to seek out higher rates. On 11th October 2019, interest rates for six-month investments of \$10,000 ranged from 1% pa at the Public Trust to 4% pa for a Secured First Ranking Debenture with FE Investments according to Good Returns<sup>12</sup>, with rates of up to 6.3% pa available for a three-year term. However, the risks of such investments are greater, which is reflected in the Public Trust having a long-term credit rating of AA from Fitch, compared to a “B” long-term issuer credit rating from Standard & Poor’s for FE Investments. The consequences of chasing higher returns without full consideration of the risks were seen in the finance company collapses of 2008/2009.

In general, KiwiSaver members are not required to withdraw their funds in full at the Qualifying Age of 65. Most KiwiSaver providers will allow a gradual drawdown of the KiwiSaver balance, although there may be some constraints such as withdrawal frequency and minimum withdrawals. An annuity is another option to consider, as it offers a regular income throughout retirement. Currently there is only one provider of annuity-type products in New Zealand, Lifetime (<https://www.lifetimeincome.co.nz/>).

Those saving for retirement and those in retirement need to think very carefully about where they put their savings, particularly in the decumulation stage in retirement. The rate of return will have an impact on the level of income generated but consideration also needs to be given to what is an acceptable level of risk for the individual(s).

## SUMMARY AND CONCLUSIONS

All households in this survey continue to spend at levels in excess of New Zealand Superannuation. The difference has slightly decreased for most household groups and increased slightly for the Choice-Metro One-person household group. To achieve their desired standard of living in retirement, as reflected in these levels of expenditure, most New Zealanders will still need to make provision for supplementary retirement income in addition to what NZ Superannuation can provide.

Costs continue to rise for retirees, with the main contributors to increasing costs being related to food, including Grocery Food (with inflation of 2.7%), Restaurant Meals and Ready-to-eat Food (3.3%), Property Rates and Related Services (4.6%), Private Transport Supplies and Services (3.0%), and Accommodation Services (5.0%).

While the lump sum required to fund the difference in spending over NZ Superannuation for retired households can seem daunting, there are ways in which it can be reduced. These include other income, delayed retirement, and accessing value in the family home. In addition, KiwiSaver membership provides a useful start to providing the savings needed to achieve these lump sums.

The continued low interest rate environment provides challenges for retired New Zealanders. It highlights the needs for careful consideration of the decumulation stage of retirement savings, when the funds are accessed to contribute towards expenditure in retirement. The need to achieve an appropriate return without taking undue risk must be paramount.

<sup>12</sup> Source: [depositrates.co.nz](https://www.depositrates.co.nz)

The guidelines contained in the report can be used as input to planning for retirement income. For example, the size of the weekly difference between NZ Superannuation and a particular level of expenditure might be multiplied to calculate a “ball park” savings target for a given length of retirement. Targets derived this way can range from zero to several hundred thousand dollars. However, this crude method does not consider individual factors such as existing savings, time to retirement and life expectancy, nor inflation, fees and interest.

A more sophisticated approach is to feed desired retirement expenditure levels into a retirement planning calculator such as the one found at <https://sorted.org.nz/tools/retirement-planner>.

The lump sum calculations and discussion of interest rates in this report assumes the savings will be fully consumed over retirement. The New Zealand Society of Actuaries has prepared some useful rules of thumb for spending down savings: see <https://actuaries.org.nz/new-rules-of-thumb-to-help-kiwis-spend-their-retirement-savings/>.

Alternatively, those planning their retirement income can consult an Authorised Financial Advisor (see <http://fma.govt.nz/consumers/getting-financial-advice/>).

KiwiSaver provides a simple means of achieving a lump sum that can provide that investment income, with help from your employer, via the compulsory employer contribution, and the Government, via the annual Member Tax Credit.

Whatever path is taken, we hope that the guidelines contained in this report will be of assistance to New Zealanders as they plan for their retirements.

# APPENDIX 1: THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

## ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

|                                                       | NO FRILLS     |               | CHOICES        |               |
|-------------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                       | METRO         | PROVINCIAL    | METRO          | PROVINCIAL    |
| <b>FOOD</b>                                           | 107.79        | 84.11         | 125.75         | 89.51         |
| Fruit and vegetables                                  | 21.22         | 12.12         | 18.09          | 11.54         |
| Meat, poultry and fish                                | 18.32         | 12.42         | 15.53          | 8.90          |
| Grocery food                                          | 40.15         | 41.39         | 50.32          | 38.80         |
| Non-alcoholic beverages                               | 6.65          | 4.81          | 5.83           | 3.78          |
| Restaurant meals and ready-to-eat food                | 20.82         | 13.01         | 36.10          | 26.89         |
| <b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b> | 14.51         | 10.88         | 20.51          | 8.27          |
| Alcoholic beverages                                   | 10.96         | 6.62          | 18.72          | 7.55          |
| Cigarettes & tobacco                                  | ..S           | ..S           | ..S            | ..S           |
| <b>CLOTHING AND FOOTWEAR</b>                          | 7.73          | 18.33         | 55.40          | 51.33         |
| Clothing                                              | 6.30          | 13.09         | ..S            | 43.40         |
| Footwear                                              | ..S           | 5.26          | 0.00           | ..S           |
| <b>HOUSING AND HOUSEHOLD UTILITIES</b>                | 129.27        | 166.97        | 185.44         | 180.19        |
| Actual rentals for housing                            | ..S           | 40.76         | 0.00           | ..S           |
| Home ownership                                        | 33.07         | 7.09          | 14.42          | ..S           |
| Property maintenance                                  | 3.17          | 33.36         | 7.66           | 43.53         |
| Property rates and related services                   | 54.65         | 44.29         | 69.67          | 51.53         |
| Household energy                                      | 31.37         | 37.75         | 39.87          | 40.51         |
| <b>HOUSEHOLD CONTENTS AND SERVICES</b>                | 26.47         | 20.54         | 55.09          | 64.19         |
| Furniture, furnishings and floor coverings            | ..S           | 5.29          | ..S            | 15.27         |
| Household textiles                                    | 2.28          | 0.69          | 0.00           | ..S           |
| Household appliances                                  | ..S           | 5.96          | 14.08          | 23.33         |
| Glassware, tableware and household utensils           | ..S           | ..S           | 13.14          | ..S           |
| Tools and equipment for house and garden              | 7.87          | 1.89          | 2.69           | 11.15         |
| Other household supplies and services                 | 7.18          | 6.03          | 15.50          | 8.64          |
| <b>HEALTH</b>                                         | 86.18         | 22.25         | 31.28          | 82.71         |
| Medical products, appliances & equipment              | 70.43         | 6.93          | 7.54           | 5.33          |
| Out-patient services                                  | 12.68         | 15.11         | 23.57          | 77.69         |
| <b>TRANSPORT</b>                                      | 62.33         | 77.75         | 284.30         | 124.97        |
| Purchase of vehicles                                  | ..S           | 39.42         | ..S            | 62.55         |
| Private transport supplies & services                 | 24.18         | 29.45         | 55.31          | 34.37         |
| Passenger transport services                          | ..S           | 7.95          | 147.66         | 24.52         |
| <b>COMMUNICATION (TELECOMMUNICATION)</b>              | 21.56         | 20.68         | 24.20          | 19.10         |
| Postal services                                       | ..S           | 1.37          | ..S            | ..S           |
| Telecommunications equipment                          | 0.00          | ..S           | 0.00           | ..S           |
| Telecommunications services                           | 22.52         | 20.00         | 25.61          | 19.81         |
| <b>RECREATION AND CULTURE</b>                         | 53.22         | 69.98         | 235.30         | 104.52        |
| Audio-visual and computing equipment                  | 3.03          | 2.54          | 4.54           | 3.51          |
| Other recreational equipment and supplies             | 8.40          | 11.13         | 19.73          | 23.67         |
| Recreational and cultural services                    | 19.61         | 26.49         | 75.67          | 39.53         |
| Newspapers, books and stationery                      | 13.39         | 6.43          | 11.89          | 4.50          |
| Accommodation services                                | ..S           | 26.79         | 142.51         | 37.95         |
| <b>EDUCATION</b>                                      | ..S           | ..S           | 0.00           | ..S           |
| <b>MISCELLANEOUS GOODS &amp; SERVICES</b>             | 93.06         | 82.84         | 173.09         | 105.75        |
| Personal care                                         | 10.74         | 11.64         | 13.35          | 25.70         |
| Personal effects nec                                  | ..S           | 7.84          | 24.58          | 7.10          |
| Insurance                                             | 53.66         | 50.84         | 82.36          | 71.06         |
| Credit services                                       | 0.52          | 0.26          | 1.74           | 0.78          |
| Other miscellaneous services                          | ..S           | 14.31         | 55.33          | ..S           |
| <b>OTHER EXPENDITURE</b>                              | 6.20          | 4.50          | 92.40          | 16.50         |
| Interest payments                                     | 6.10          | ..S           | ..S            | ..S           |
| Contributions to savings                              | ..S           | ..S           | ..S            | 13.10         |
| Money given to others (excluding donations)           | 11.40         | ..S           | ..S            | ..S           |
| <b>TOTAL</b>                                          | <b>602.11</b> | <b>574.35</b> | <b>1190.37</b> | <b>830.54</b> |

## TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

|                                                       | NO FRILLS     |               | CHOICES        |                |
|-------------------------------------------------------|---------------|---------------|----------------|----------------|
|                                                       | METRO         | PROVINCIAL    | METRO          | PROVINCIAL     |
| <b>FOOD</b>                                           | 148.70        | 126.07        | 213.61         | 188.27         |
| Fruit and vegetables                                  | 20.24         | 19.85         | 23.96          | 24.93          |
| Meat, poultry and fish                                | 24.43         | 22.26         | 28.78          | 30.95          |
| Grocery food                                          | 65.36         | 54.57         | 76.98          | 78.95          |
| Non-alcoholic beverages                               | 7.57          | 7.77          | 9.92           | 9.71           |
| Restaurant meals and ready-to-eat food                | 31.01         | 21.14         | 75.35          | 43.69          |
| <b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b> | 21.65         | 21.08         | 41.82          | 35.93          |
| Alcoholic beverages                                   | 15.41         | 16.03         | 30.61          | 24.41          |
| Cigarettes & tobacco                                  | ..S           | ..S           | ..S            | ..S            |
| <b>CLOTHING AND FOOTWEAR</b>                          | 14.67         | 14.57         | 29.53          | 27.25          |
| Clothing                                              | 10.82         | 9.35          | ..S            | 21.85          |
| Footwear                                              | 4.03          | 5.37          | 2.89           | 5.37           |
| <b>HOUSING AND HOUSEHOLD UTILITIES</b>                | 235.26        | 161.50        | 210.13         | 196.80         |
| Actual rentals for housing                            | 28.32         | 26.82         | ..S            | ..S            |
| Home ownership                                        | 45.88         | 33.75         | 59.96          | 49.77          |
| Property maintenance                                  | 57.31         | 11.37         | 29.53          | 31.39          |
| Property rates and related services                   | 46.52         | 44.74         | 68.78          | 55.42          |
| Household energy                                      | 43.81         | 45.40         | 51.78          | 51.14          |
| <b>HOUSEHOLD CONTENTS AND SERVICES</b>                | 39.76         | 31.58         | 64.80          | 52.94          |
| Furniture, furnishings and floor coverings            | 11.60         | 3.56          | 14.35          | 9.36           |
| Household textiles                                    | 4.36          | 1.98          | 2.28           | 2.87           |
| Household appliances                                  | 8.94          | 8.53          | 12.23          | 9.15           |
| Glassware, tableware and household utensils           | 2.33          | 0.85          | 3.92           | 4.88           |
| Tools and equipment for house and garden              | 6.57          | 4.68          | 8.56           | 8.76           |
| Other household supplies and services                 | 5.83          | 12.17         | 23.82          | 18.21          |
| <b>HEALTH</b>                                         | 43.25         | 35.48         | 70.75          | 98.14          |
| Medical products, appliances & equipment              | 11.45         | 14.67         | 22.21          | 43.51          |
| Out-patient services                                  | 23.89         | 20.29         | 47.88          | 53.06          |
| <b>TRANSPORT</b>                                      | 190.40        | 87.28         | 384.63         | 189.67         |
| Purchase of vehicles                                  | 118.17        | 27.23         | 225.22         | 46.55          |
| Private transport supplies & services                 | 50.49         | 48.37         | 71.21          | 79.94          |
| Passenger transport services                          | 16.85         | 12.49         | 72.98          | 60.67          |
| <b>COMMUNICATION (TELECOMMUNICATION)</b>              | 26.14         | 21.82         | 36.26          | 29.31          |
| Postal services                                       | 2.96          | 1.14          | 1.82           | 1.60           |
| Telecommunications equipment                          | 0.96          | ..S           | ..S            | ..S            |
| Telecommunications services                           | 23.64         | 21.59         | 30.65          | 29.63          |
| <b>RECREATION AND CULTURE</b>                         | 90.69         | 59.78         | 178.95         | 153.30         |
| Audio-visual and computing equipment                  | 3.92          | 2.54          | 9.97           | 6.81           |
| Other recreational equipment and supplies             | 14.67         | 7.69          | 27.62          | 17.60          |
| Recreational and cultural services                    | 33.37         | 20.12         | 58.22          | 65.92          |
| Newspapers, books and stationery                      | 8.36          | 7.71          | 13.61          | 12.00          |
| Accommodation services                                | 24.44         | 9.05          | 74.01          | 16.10          |
| <b>EDUCATION</b>                                      | ..S           | 3.45          | ..S            | ..S            |
| <b>MISCELLANEOUS GOODS &amp; SERVICES</b>             | 76.92         | 63.69         | 131.03         | 131.78         |
| Personal care                                         | 15.76         | 14.96         | 23.99          | 28.91          |
| Personal effects nec                                  | 8.48          | 3.81          | 8.37           | 7.73           |
| Insurance                                             | 51.40         | 44.17         | 96.14          | 92.75          |
| Credit services                                       | 0.87          | 1.04          | 1.91           | 1.39           |
| Other miscellaneous services                          | ..S           | 0.45          | ..S            | 3.02           |
| <b>OTHER EXPENDITURE</b>                              | 11.30         | 13.60         | 74.50          | 32.30          |
| Interest payments                                     | 9.80          | 7.20          | 42.20          | 20.80          |
| Contributions to savings                              | ..S           | 1.30          | 31.10          | 7.40           |
| Money given to others (excluding donations)           | 0.50          | 5.00          | ..S            | ..S            |
| <b>TOTAL</b>                                          | <b>898.73</b> | <b>639.90</b> | <b>1436.00</b> | <b>1135.70</b> |

## APPENDIX 2: ABOUT THE RETIREMENT EXPENDITURE GUIDELINES

### THE DATA

The data used to prepare the 2019 Retirement Expenditure Guidelines are from the Statistics New Zealand's triennial 2015/16 HES<sup>13</sup> for the year ended 30 June 2016. The HES does not include the entire New Zealand population; rather it targets New Zealanders aged 15 years or older that are usually resident in New Zealand and that live in private homes. The sample for the HES comprised approximately 5000 households, and a response rate of 78.1%<sup>14</sup> was achieved. HES expenditure data was collected in different ways dependent on the nature of the expenditure: large or irregular expenditure types (eg health) were collected on the basis of three-month recall; twelve-month recall was used for housing-related costs and recreation and culture; regular commitments such as electricity, telephone and rates were collected via the latest payment; and a fourteen-day diary was used for smaller, more regular expenditure types.

Although data from the HES is published on the Statistics New Zealand website, it is not in a form that is helpful to a person interested in retirement expenditure. For this report, Statistics New Zealand extracted expenditure data from the HES using specifications we supplied, which we have then adjusted for inflation for the 12 months to 30th June 2017, and subsequently for the 12 months to 30th June 2018 and then to 30th June 2019. The data extracted are only for retired households, defined as being where one form of income received in the household is New Zealand Superannuation, a war pension or other government pension, and grouped according to the number of people in the household and geographic region.

### THE RETIREMENT EXPENDITURE GUIDELINES

The New Zealand Retirement Expenditure Guidelines comprise a set of eight expenditure guidelines, with each guideline reflecting a different group of retirees. The retirement groups represent specific combinations of geographic location, household size and budget type. It is important to note that the guidelines do not represent suggested or recommended levels of expenditure – they reflect actual levels of expenditure in retired households, as defined above, as determined from the HES.

The guidelines have been produced for two geographic-related groupings based on a household's location. The first is the **Metro** budget, based on data for the Auckland and Wellington Regional Council areas and Christchurch City. The second is the **Provincial** budget for the rest of New Zealand.

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 it is true that retired households can comprise a range of living arrangements, including households of three or more people, these guidelines cannot cater for every situation. Approximately 80% of all people aged 65+ live in households of one and two persons according to data from the 2013 census.<sup>15</sup>

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 more comfortable standard of living, which includes some luxuries or treats. The No Frills Guidelines are based on the average expenditure of the second quintile of the HES for retired households, while the Choices Guidelines are based on the average expenditure of the fourth quintile of the HES for retired households. The second quintile comprises households in the 21st to 40th percentile for household income, while the fourth quintile comprises households in the 61st to 80th percentiles for household income. The income ranges for the five quintiles, in 2016 figures, are shown below:

<sup>13</sup> The description of the HES in this section is adapted from information on the Statistics New Zealand website. Detailed information about the triennial Household Economic Survey can be found at [http://archive.stats.govt.nz/browse\\_for\\_stats/people\\_and\\_communities/Households/HouseholdExpenditureStatistics\\_HOPEJun16](http://archive.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdExpenditureStatistics_HOPEJun16)

<sup>14</sup> 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.

<sup>15</sup> Source: 2013 Census QuickStats about people aged 65 and over. Statistics NZ (available from <http://archive.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats65-plus.aspx>)

**TABLE 8: QUINTILE INCOME RANGES**

| QUINTILE | INCOME RANGE METRO        | INCOME RANGE PROVINCIAL  | RETIREMENT EXPENDITURE GUIDELINES |
|----------|---------------------------|--------------------------|-----------------------------------|
| First    | Under \$33400             | Under \$26000            |                                   |
| Second   | \$33400 to under \$47200  | \$26000 to under \$37100 | No Frills                         |
| Third    | \$47200 to under \$78200  | \$37100 to under \$54100 |                                   |
| Fourth   | \$78200 to under \$122100 | \$54100 to under \$86900 | Choices                           |
| Fifth    | \$122100 and over         | \$86900 and over         |                                   |

Data for the HES is collected over a 12-month period and can include expenditure that overlaps two calendar years – no adjustment is made for that difference in coverage. For this report the HES data have been adjusted for the effect of inflation between the June 2016 quarter and the June 2019 quarter.<sup>16</sup>

### EXPLANATORY NOTES

- These guidelines do not represent recommended levels of expenditure.
- The levels of expenditure shown in the guidelines may be used to assist in the development of projected retirement budgets, by providing information about actual levels of expenditure in retired households in standard expenditure categories.
- The guidelines are based on averages for quintiles.
- There are too few responses for spending in some expenditure sub-classes to permit reliable estimation; however, these responses can be included in the class estimation where there are more responses. As a result the classes are not always the totals of the sub-classes.
- The HES, on which the guidelines are based, relies on participants to accurately record their expenditure, and is only for a two-week period, which may not represent a typical fortnight for that household.
- The guidelines should not be used as a substitute for professional advice specific to individual circumstances.
- There is no retirement age in New Zealand, but the age of eligibility for NZ Superannuation (currently 65) is commonly used as a proxy for this. The definition of a retired household follows from this, as being a household where one form of income is New Zealand Superannuation, a war pension or other government pension. However, it is recognised that a retired household may include one or more persons who are still working part-time or even full-time.

<sup>16</sup> CPI information and data was sourced from [http://www.stats.govt.nz/browse\\_for\\_stats/economic\\_indicators/CPI\\_inflation.aspx](http://www.stats.govt.nz/browse_for_stats/economic_indicators/CPI_inflation.aspx)

An overall CPI figure is calculated by Statistics New Zealand, as well as CPIs for the constituent classes and subclasses. The HES data have been adjusted for the effect of inflation using the appropriate class and subclass CPIs.