



**NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES  
2016**

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### Workplace Savings NZ

Te māngai penapena ā-mahi

Workplace Savings NZ is the peak retirement savings industry body, focused on advancing the sustainable, effective and efficient delivery of workplace savings outcomes for all involved. We are a national, not-for-profit, apolitical membership organization. Our membership, which includes corporate, public sector &, industry superannuation funds, KiwiSaver schemes

as well as individuals and service providers to workplace savings arrangements, represents over 90% of the approximately 2.7 million New Zealanders with workplace super and/or KiwiSaver membership. Workplace Savings NZ members manage or advise on the bulk of the \$42 billion (as at June 2014) in workplace retirement savings assets.

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The Fin-Ed Centre is a joint initiative between Westpac and Massey University. The Centre aims to empower New Zealanders to make more financially savvy decisions – to give people the tools they need for the life-long process of managing their finances. Key projects include a 20-year longitudinal study that follows 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 Report – a joint initiative between the centre and savings industry body Workplace Savings NZ to establish guidelines for ‘modest’ and ‘comfortable’ retirement.

## ACKNOWLEDGEMENTS

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NZ Superannuation<sup>1</sup> (NZS) promises to feature in the 2017 general election in New Zealand following the Government's announcement of planned changes to the age of eligibility. Discussions about the age of eligibility are likely to segue into wider discussions about NZS, including its adequacy for meeting costs of living in retirement. Most New Zealanders have expectations of a long and comfortable retirement, and NZS will remain an essential component of their retirement income. However, many will also need to top up their NZS if they are to enjoy the lifestyle to which they aspire. A question for each individual is, how much will that top-up need to be?

This set of Retirement Expenditure Guidelines sets out to help answer that question. It is the fifth in a series that commenced in 2012<sup>2</sup> to assist pre-retirement New Zealanders to make financial plans for their retirement. Specifically, the Guidelines provide information about actual levels of expenditure by retired New Zealanders. Pre-retirees can use this information to plan budgets for their desired future retirement lifestyle, and as a basis for working out the savings they'll need if that lifestyle is to be achieved.

### DATA<sup>3</sup>

The data used to prepare the 2016 Retirement Expenditure Guidelines are from the Statistics New Zealand's triennial Household Economic Survey (HES)<sup>4</sup> for the year ended 30 June 2013. The HES does not include the entire New Zealand population; rather it targets those aged 15 years or older who are usually resident in New Zealand and live in private homes.

Although data from the HES is published on the Statistics New Zealand website, it is not in a form that can easily be used by a person interested in estimating their expenditure in retirement. Statistics New Zealand extracted expenditure data from the HES using specifications supplied for that purpose, which have then been adjusted for inflation – initially for the 12 months to 30<sup>th</sup> June 2014<sup>5</sup>, subsequently for the 12 months to 30<sup>th</sup> June 2015 and now for the 12 months to 30<sup>th</sup> June 2016. The data extracted are only for retired households, defined as being where one form of income is New Zealand Superannuation, a war pension or other government pension, and are grouped according to the number of people in the household and the geographic region in which the household resides.

### ABOUT THE RETIREMENT EXPENDITURE GUIDELINES<sup>6</sup>

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, and as determined from the HES.*

The guidelines have been produced for two geographically-related groupings. 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>7</sup>.

1 NZ Superannuation is the universal public pension provided by the government to New Zealanders who attain the age of eligibility, currently 65, and meet residency criteria.

2 Previous editions can be found on the Fin-Ed Centre and Workplace Savings NZ websites.

3 Additional detail on the data used is available in the 2012 report

4 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\\_HOTPYejun13.aspx](http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdEconomicSurvey_HOTPYejun13.aspx)

5 See the June 2014 Retirement Expenditure Guidelines Report

6 The basis for calculating the Retirement Expenditure Guidelines was changed with effect from the 2014 report, to include housing costs. Details of the changes are provided in that report.

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

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 2013 figures, are shown below:

QUINTILE	INCOME RANGE METRO	INCOME RANGE PROVINCIAL	RETIREMENT EXPENDITURE GUIDELINES
First	Under \$22400	Under \$24200	
Second	\$22400 to under \$32700	\$24200 to under \$34300	No Frills
Third	\$32700 to under \$56900	\$34300 to under \$49600	
Fourth	\$56900 to under \$101800	\$49600 to under \$79000	Choices
Fifth	\$101800 and over	\$79000 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<sup>8</sup> between the June 2013 quarter and the June 2016 quarter.

## 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 higher-level class estimation, which include a greater number of 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>8</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 sub-classes. The HES data have been adjusted for the effect of inflation using the appropriate class and sub-class CPIs.

# THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

## ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
<b>FOOD</b>	77.00	72.73	133.37	108.94
Fruit and vegetables	13.50	14.35	23.58	18.46
Meat, poultry and fish	14.27	12.52	27.47	18.90
Grocery food	29.48	31.19	50.25	45.89
Non-alcoholic beverages	3.95	3.77	10.85	4.23
Restaurant meals & ready-to-eat food	15.65	10.54	20.74	20.98
<b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b>	10.34	5.13	36.10	20.34
Alcoholic beverages	8.62	3.89	30.75	18.07
Cigarettes & tobacco	..S <sup>9</sup>	..S	..S	..S
<b>CLOTHING AND FOOTWEAR</b>	24.41	5.14	..S	37.82
Clothing	17.52	4.48	..S	30.76
<b>HOUSING AND HOUSEHOLD UTILITIES</b>	141.03	126.27	206.12	212.53
Actual rentals for housing	..S	19.51	..S	..S
Home ownership	6.60	15.24	..S	<sup>10</sup> 66.92
Property rates & related services	41.44	42.11	79.80	41.24
Household energy	38.65	31.35	39.40	41.40
<b>HOUSEHOLD CONTENTS AND SERVICES</b>	37.31	20.00	55.79	48.88
Furniture, furnishings & floor coverings	14.53	9.02	32.46	13.70
Household textiles	..S	..S	..S	7.71
Household appliances	9.54	4.45	..S	15.57
Glassware, tableware & household utensils	2.24	..S	..S	..S
Other household supplies & services	5.06	4.60	6.51	6.13
<b>HEALTH</b>	36.99	21.62	41.10	23.13
Medical products, appliances & equipment	5.01	4.02	..S	8.80
Out-patient services	32.15	17.63	14.74	11.11
<b>TRANSPORT</b>	32.78	42.78	106.27	87.56
Purchase of vehicles	..S	..S	..S	..S
Private transport supplies & services	22.40	22.80	38.64	39.19
Passenger transport services	8.45	5.01	26.75	2.55
<b>COMMUNICATION (TELECOMMUNICATION)</b>	22.21	18.41	24.79	23.00
Telecommunication services	22.06	18.03	25.00	23.39
<b>RECREATION AND CULTURE</b>	54.37	44.83	42.04	91.85
Audio-visual & computing equipment	4.07	7.46	..S	2.24
Other recreational equipment & supplies	6.49	6.82	9.55	11.50
Recreational & cultural services	17.39	20.35	17.49	53.35
Newspapers, books & stationery	9.56	7.24	11.07	9.30
Accommodation services	4.80	..S	..S	..S
Miscellaneous domestic holiday costs	0.86	0.56	..S	1.32
<b>EDUCATION</b>	..S	..S	..S	..S
<b>MISCELLANEOUS GOODS &amp; SERVICES</b>	50.28	44.49	111.86	87.82
Personal care	9.97	6.67	19.44	16.76
Personal effects nec	4.84	1.09	..S	6.47
Insurance	33.37	29.61	77.38	47.54
Credit services	0.42	0.23	1.39	1.77
<b>OTHER EXPENDITURE</b>	6.65	19.58	..S	43.73
Interest payments	..S	12.54	..S	23.59
Contributions to savings	..S	..S	..S	..S
Expenditure incurred whilst overseas	..S	2.05	..S	3.78
<b>TOTAL</b>	<b>493.38</b>	<b>420.99</b>	<b>757.45</b>	<b>785.60</b>

<sup>9</sup> ..S indicates that too few households reported spending in that category to permit reliable estimation

<sup>10</sup> The figure for Home Ownership for the Choices budget for Provincial One-Person Households has been adjusted, because the original figure of \$371.47pw was clearly an outlier relative to figures for this class for other categories, and appears to have been distorted by very high expenditure levels for a small number of respondents.





## TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
<b>FOOD</b>	119.72	137.53	187.76	173.57
Fruit and vegetables	21.47	23.46	31.03	25.47
Meat, poultry and fish	26.17	21.38	34.42	34.36
Grocery food	47.00	60.13	59.90	66.35
Non-alcoholic beverages	7.27	8.45	10.77	11.11
Restaurant meals & ready-to-eat food	17.21	23.35	52.20	35.62
<b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b>	6.28	18.54	30.10	34.37
Alcoholic beverages	5.58	13.95	25.48	25.89
Cigarettes & tobacco	..S	3.51	..S	6.46
<b>CLOTHING AND FOOTWEAR</b>	4.89	13.93	31.80	18.43
Clothing	4.91	9.25	27.85	15.99
<b>HOUSING AND HOUSEHOLD UTILITIES</b>	169.21	149.01	263.15	172.07
Actual rentals for housing	74.87	..S	..S	..S
Home ownership	..S	33.30	77.83	34.49
Property rates & related services	25.29	38.84	63.93	48.40
Household energy	38.55	44.52	47.56	58.46
<b>HOUSEHOLD CONTENTS AND SERVICES</b>	33.13	40.29	44.04	50.56
Furniture, furnishings & floor coverings	..S	15.01	15.09	15.13
Household textiles	..S	5.54	1.96	2.76
Household appliances	..S	6.54	3.37	7.62
Glassware, tableware & household utensils	..S	1.60	1.81	2.12
Other household supplies & services	5.13	6.32	13.12	9.66
<b>HEALTH</b>	13.50	47.99	72.75	60.92
Medical products, appliances & equipment	5.84	20.74	15.36	10.61
Out-patient services	7.43	25.97	57.03	49.86
<b>TRANSPORT</b>	40.71	80.48	122.54	157.17
Purchase of vehicles	..S	..S	29.58	46.84
Private transport supplies & services	26.61	47.82	64.45	65.51
Passenger transport services	6.56	6.73	28.73	46.22
<b>COMMUNICATION (TELECOMMUNICATION)</b>	22.02	19.90	32.94	27.65
Telecommunication services	21.46	18.37	30.93	26.79
<b>RECREATION AND CULTURE</b>	52.59	73.02	140.68	150.41
Audio-visual & computing equipment	..S	2.45	9.23	6.63
Other recreational equipment & supplies	8.77	14.67	17.81	28.10
Recreational & cultural services	26.33	31.31	69.18	49.66
Newspapers, books & stationery	5.60	11.79	14.62	21.13
Accommodation services	..S	11.20	10.02	17.91
Miscellaneous domestic holiday costs	..S	1.48	3.55	6.56
<b>EDUCATION</b>	..S	..S	..S	1.31
<b>MISCELLANEOUS GOODS &amp; SERVICES</b>	42.73	77.80	131.06	122.75
Personal care	9.70	15.46	24.30	22.88
Personal effects nec	2.36	5.97	7.57	6.96
Insurance	29.20	49.57	93.37	84.39
Credit services	0.48	3.50	2.26	3.42
<b>OTHER EXPENDITURE</b>	21.81	21.02	38.39	41.75
Interest payments	19.08	6.87	10.93	21.31
Contributions to savings	..S	7.75	15.17	11.76
Expenditure incurred whilst overseas	..S	4.78	11.47	7.50
<b>TOTAL</b>	<b>526.58</b>	<b>679.50</b>	<b>1095.20</b>	<b>1010.95</b>

## WHAT CAN WE LEARN FROM THE 2016 RETIREMENT EXPENDITURE GUIDELINES?

It is useful to consider how the total level of expenditure has changed since 2013<sup>11</sup> for each of the guideline groups.

### TOTAL WEEKLY EXPENDITURE

			2013	2014	2015	2016	CHANGE 2015-2016	CHANGE 2013-2016
One-person households		No Frills – Metro	480.99	487.68	489.77	493.38	0.74%	2.58%
		No Frills – Provincial	411.75	417.82	418.91	420.99	0.50%	2.24%
		Choices – Metro	739.81	752.05	754.03	757.45	0.45%	2.38%
		Choices – Provincial	769.58	780.16	782.02	785.60	0.46%	2.08%
Two-person households		No Frills – Metro	513.26	521.15	522.93	526.58	0.70%	2.60%
		No Frills – Provincial	667.19	676.62	677.83	679.50	0.25%	1.85%
		Choices – Metro	1073.55	1088.67	1091.77	1095.20	0.31%	2.02%
		Choices – Provincial	1000.27	1012.94	1012.32	1010.95	-0.14%	1.07%
<b>CPI</b>							<b>0.40%</b>	<b>2.41%</b>

We can see that in the twelve months to 30<sup>th</sup> June 2016 the increase in total expenditure has been greater for five of the groups than the rate of increase in the Consumer Price Index over that same period. However, the same is true for only two groups for the period 2013-2016. Generally, the provincial groups have had lower increases than the metro groups, with the sole exception being the Choices expenditure level for One-person households, where the increase for the Provincial group is marginally higher than the Metro group. A driver for this difference may be health costs, which represent a lower proportion of expenditure for most of the provincial groups, with a CPI figure for the Health class of 0.0%.

For the second year in a row, the total expenditure for the Choices – Provincial Two-person Household group has decreased, and once again it appears to be due to the higher relative proportion of their expenditure on transport-related items. In the twelve months to 30<sup>th</sup> June 2016, the CPI inflation figure for the transport class was -5.3% whereas the overall CPI figure was 0.4%.

As noted in the 2015 report, the overall CPI inflation rate hides substantial differences in inflation between expenditure classes. For example, while the total CPI inflation rate for the twelve months to 30<sup>th</sup> June 2016 was 0.4%, for the Housing and Household Utilities expenditure class it was 3.3%, while for the Communications expenditure class it was -1.5%. Combined with the different proportion of expenditure between expenditure groups, these differences result in different outcomes for each of the Retirement Expenditure Guidelines. Similarly, households with the same level of total expenditure may be impacted differently by inflation due to the different composition of their expenditure.

<sup>11</sup> Due to the change in methodology, we are unable to take the comparison back to the first report in 2012.

COMPARISON OF PROPORTIONATE SPENDING BY EXPENDITURE GROUP





CPI CHANGE	EXPENDITURE GROUP	% OF CPI	ONE PERSON HOUSEHOLDS				TWO PERSON HOUSEHOLDS			
			NO FRILLS		CHOICES		NO FRILLS		CHOICES	
			METRO	PROV	METRO	PROV	METRO	PROV	METRO	PROV
0.0%	Food	18.8%	15.7%	17.4%	17.7%	13.9%	22.9%	20.3%	17.2%	17.1%
3.2%	Alcoholic beverages & tobacco	7.0%	2.0%	1.2%	4.6%	2.5%	1.2%	2.7%	2.7%	3.3%
0.7%	Clothing & footwear	4.2%	4.9%	1.2%	0.0%	4.8%	0.9%	2.0%	2.9%	1.8%
3.3%	Housing & household utilities	24.2%	27.9%	29.2%	26.5%	26.3%	31.3%	21.3%	23.3%	16.5%
1.6%	Household contents & services	4.7%	7.5%	4.7%	7.3%	6.2%	6.2%	5.9%	4.0%	4.9%
0.0%	Health	3.9%	7.6%	5.2%	5.5%	3.0%	2.6%	7.1%	6.7%	6.0%
-5.3%	Transport	15.0%	7.1%	10.8%	14.9%	11.8%	8.2%	12.5%	11.9%	16.4%
-1.5%	Communication	3.6%	4.6%	4.5%	3.3%	3.0%	4.3%	3.0%	3.1%	2.8%
-0.9%	Recreation & culture	9.4%	11.2%	10.8%	5.6%	11.9%	10.1%	10.9%	13.0%	15.0%
2.6%	Education	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
1.4%	Miscellaneous goods & services	7.3%	10.1%	10.5%	14.6%	11.1%	8.1%	11.3%	11.8%	12.0%
	Other		1.4%	4.7%	0.0%	5.6%	4.2%	3.1%	3.5%	4.1%

It is important to understand how these expenditure totals compare to the rates of NZ Superannuation that are paid. On 1<sup>st</sup> April 2016, New Zealand Superannuation rates increased by 2.73%<sup>12</sup>, and the two key rates increased to <sup>13</sup>:

Single, living alone	\$384.76 per week	after tax at the M rate
Couples, both qualify	\$591.94 per week	after tax at the M rate

The higher rate of increase for NZ Superannuation relative to the change in the CPI (0.4%) has seen the gap between NZ Superannuation and the Retirement Expenditure Guidelines continue to shrink.

GAP BETWEEN RETIREMENT EXPENDITURE GUIDELINES AND NZ SUPERANNUATION

		2016	NZ SUPER	GAP	GAP IN 2015
One-person households	 No Frills – Metro	493.38		-108.62	(-115.24)
	No Frills – Provincial	420.99	384.76	-36.23	(-44.38)
	 Choices – Metro	757.45		-372.69	(-379.50)
	Choices – Provincial	785.60		-400.84	(-407.49)
Two-person households	 No Frills – Metro	526.58		65.36*	(53.27*)
	No Frills – Provincial	679.50	591.94	-87.56	(-101.63)
	 Choices – Metro	1095.20		-503.26	(-515.57)
	Choices – Provincial	1010.95		-419.01	(-436.12)

\*No gap

The gap is shrinking, but there is still a need for retired households to receive income in addition to NZ Superannuation, if the identified levels of expenditure are to be achieved. The sole exception remains the No Frills – Metro Two-person Household group, where the total expenditure is less than NZ Superannuation for a couple where both qualify. The required additional income received may include government allowances such as the accommodation supplement. However, it is likely to also require personal savings to provide on-going income and/or continued wages from employment.





12 Source: <http://www.workandincome.govt.nz/about-work-and-income/news/2016/benefit-rates-changes.html>

13 Source: <https://www.workandincome.govt.nz/eligibility/seniors/superannuation/payment-rates.html#null>



If the intention is to rely solely on savings to fund the gap, the lump sum that needs to be saved is estimated as shown in the following table<sup>14</sup>. Also shown are the weekly savings required for an individual starting to save at age 50. Starting earlier substantially assists the level of savings required. For example, if a couple starts to save at age 40 the weekly savings required to achieve the lump sum of \$402,682 for a Choices – Provincial Two-person Household reduces to \$286 per week. For an individual starting to save at age 40 to achieve the lump sum of \$101,774 for a No Frills – Metro One-person Household the savings required reduces to \$72 per week.

**ESTIMATED SAVINGS REQUIREMENT TO FUND GAP BETWEEN EXPENDITURE AND NZ SUPERANNUATION<sup>15</sup>**

		WEEKLY GAP	SAVINGS REQUIRED	WEEKLY SAVINGS <sup>16</sup>
One-person households	 No Frills – Metro	\$108.62	\$101,774	\$127
	No Frills – Provincial	\$36.23	\$30,199	\$38
	 Choices – Metro	\$372.69	\$360,620	\$451
	Choices – Provincial	\$400.84	\$388,073	\$486
Two-person households	 No Frills – Metro	N/A	Nil	Nil
	No Frills – Provincial	\$87.56	\$78,144	\$98
	 Choices – Metro	\$503.26	\$486,023	\$608
	Choices – Provincial	\$419.01	\$402,682	\$504

KiwiSaver can be a great help. A person earning the median weekly wage of \$937 in 2016<sup>17</sup> and making the minimum contribution of 3%, and receiving the employer contribution of 3%, could expect to save \$58,974 if starting at age 50<sup>18</sup>. Starting at age 40, the expected KiwiSaver savings would be \$117,500.

The life expectancy for men and women differs and this impacts on the total savings required. For a No Frills – Metro One-person Household where the person is a man, the lump sum required given his life expectancy of 91 would be \$104,721. However, if the person is a woman, her greater life expectancy of 94 means she would require a lump sum of \$113,156. Saving these amounts would require weekly contributions of \$131 and \$142 respectively. For the Choices – Provincial One-person Household, a man would require a lump sum of \$399,312 (from savings of \$500 per week) while a woman would require \$431,475 (from savings of \$540 per week). This issue is compounded by the lower average income of women. For the twelve months ended 30 June 2016 the median weekly wage for men was \$1069, while for women it was \$800. So, on average, women need to save more from less.

14 The lump sum required was calculated by using the Sorted calculator available at <https://sorted.org.nz/tools/retirement-planner>

15 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](https://sorted.org.nz)

16 The weekly savings figure is for a 50-year old individual/couple retiring at age 65 with a life expectancy of 90.

17 For the twelve months to 30 June 2016

18 The estimated KiwiSaver savings were calculated by using the Sorted calculator available at <https://sorted.org.nz/tools/kiwisaver-savings-calculator>

## SUMMARY AND CONCLUSIONS

This report assumes that most New Zealanders aspire to, and are able to achieve, a better standard of living in retirement than can be supported by New Zealand Superannuation alone. In the low inflation environment that we have enjoyed recently, the financial position of retired households has improved slightly in terms of the gap between NZS and the expenditure levels reflected in the Retirement Expenditure Guidelines. However, there is a continuing need for many retired households to have access to additional income, via savings /investment or employment, to fund expenditure in excess of what NZS provides. Therefore, most New Zealanders should be planning to save throughout their working lives in order to achieve their desired retirement lifestyle.

The good news is that starting to save for retirement earlier means a reduction in the regular contributions required. Joining KiwiSaver is a simple way of saving a substantial portion of the required lump sum, with help from your employer via the compulsory employer contribution, and the Government via the annual Member Tax Credit.

*The guidelines contained in the report can be used as input to planning for retirement income. For example, the size of the weekly gap 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 take into account 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>.*

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

*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.*