



NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES  
JUNE 2014

## FIRST PUBLISHED SEPTEMBER 2015



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

This work is based on/includes customised Statistics New Zealand's data which are licensed by Statistics New Zealand for re-use under the Creative Commons Attribution 3.0 New Zealand licence.

Our thanks to Dr Malcolm Menzies for peer reviewing the report, and providing useful feedback.

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## PREVIOUS EDITION

August 2012: available at <http://bit.ly/retirement-expenditure-guidelines-2012>

<http://www.workplacesavings.org.nz/assets/Downloads/NZRetirementExpenditureGuidelinesAug2012.pdf>

August 2013: available at <http://bit.ly/retirement-expenditure-aug-2013>

<http://www.workplacesavings.org.nz/assets/Downloads/NZREG2013Final.pdf>

There is continuing emphasis on retirement planning in New Zealand, in response to concerns about the affordability and adequacy of NZ Superannuation<sup>1</sup> and a desire for New Zealanders to have a comfortable retirement. To assist in this process, the first New Zealand Retirement Expenditure Guidelines report was produced in 2012<sup>2</sup> to provide information to assist with retirement planning, with an inflation-adjusted update produced in 2013. Specifically, the New Zealand Retirement Expenditure Guidelines provide information on levels of expenditure to assist budget planning for retirees.

However, expenditures change over time due to the effect of inflation and varying expenditure patterns. This report addresses both the effect of inflation and alterations to expenditure patterns with a change to the source of the data. The earlier reports used data from the Household Economic Survey for the year ended 30 June 2010, but this report uses the subsequent iteration of the Household Economic Survey for the year ended 30 June 2013, with an update for the effect of inflation for the year ended 30 June 2014.

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**“assist budget  
planning for  
retirees”**

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

As noted above, the data used to prepare these budget guidelines are from Statistics New Zealand’s triennial Household Economic Survey<sup>4</sup>. The most recent HES was for the year ended 30 June 2013. 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 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 one form of income is New Zealand Superannuation, a war pension or other government pension.

### ABOUT THE EXPENDITURE GUIDELINES

The New Zealand Retirement Expenditure Guidelines comprise a set of eight expenditure guidelines, to reflect different groups of retirees. The groupings are split by 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 determined from the HES. A household has been defined as a retired household where one of the forms of income received is New Zealand Superannuation, a war pension or other government pension.

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**“eight  
expenditure  
guidelines”**

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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 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>5</sup>.

1 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.

2 The 2012 report is available online from the Fin-Ed Centre (available at <http://bit.ly/retirement-expenditure-guidelines-2012>) or Workplace Savings NZ (<http://www.workplacesavings.org.nz/assets/Downloads/NZRetirementExpenditureGuidelinesAug2012.pdf>).

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

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, which includes some luxuries or treats. The No Frills budget is based on the average of the second quintile of the HES for retired households, while the Choices budget is based on the average 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 are shown in the following table:

## “No Frills or Choices”

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 across two calendar years – no adjustment is made for that difference in coverage. This report adjusts the HES data for the effect of inflation<sup>6</sup> between the June 2013 quarter and the June 2014 quarter.

## CHANGES

In this iteration of the guidelines there have been three changes made to the way in which the guidelines are calculated, relative to the reports in 2012 and 2013.

The first change relates to the definition of the Metro and Provincial geographic area. In the earlier reports, the Canterbury Regional Council area was excluded, due to difficulties with separating out Christchurch City (which needed to be included with the Metro area) from the rest of the Canterbury region (which needed to be included with the Provincial area). In this latest report, the split has been possible.

In the second change, the definition of retired households has been amended. In the earlier reports a retired household was one where the MAIN source of income was New Zealand Superannuation. However, that definition was considered too limiting, because a person may be retired but have other substantial sources of income. In addition, it is considered that these guidelines are more useful as a tool in retirement planning if they include households where someone has reached the age of eligibility for New Zealand Superannuation, even if that person has not retired in practice.

## “three changes made”

The third change is to the way in which the levels of expenditure have been calculated. The earlier reports used the 25th percentile of the HES for retired households for the No Frills budget guidelines, while the Choices budget guidelines were based on the 75th percentile of the HES for retired households. As noted above we are now using the average of the second quintile of the HES for retired households for the No Frills budget guidelines, and the average of the fourth quintile of the HES for retired households for the Choices budget guidelines. This is considered to offer a better picture of actual budgets than relying on a single data point, and has allowed the inclusion of housing expenditure.

[mary-reports/quickstats-65-plus.aspx](http://www.stats.govt.nz/quickstats/quickstats-65-plus.aspx)

<sup>6</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 groups and subgroups. The HES data have been adjusted for the effect of inflation using the appropriate group and subgroup CPIs.



## 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.

# THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

## ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS BUDGET		CHOICES BUDGET	
	METRO	PROVINCIAL	METRO	PROVINCIAL
<b>FOOD</b>	76.85	72.58	133.10	108.73
Fruit and vegetables	12.65	13.44	22.09	17.29
Meat, poultry and fish	14.51	12.73	27.95	19.23
Grocery food	30.57	32.35	52.10	47.59
Non-alcoholic beverages	3.92	3.74	10.77	4.19
Restaurant meals & ready-to-eat food	15.12	10.18	20.03	20.27
<b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b>	9.51	4.72	33.22	18.71
Alcoholic beverages	8.56	3.86	30.54	17.95
Cigarettes & tobacco	..S <sup>7</sup>	..S	..S	..S
<b>CLOTHING AND FOOTWEAR</b>	24.19	5.09	..S	37.48
Clothing	17.29	4.42	..S	30.37
<b>HOUSING AND HOUSEHOLD UTILITIES</b>	133.20	119.26	194.67	200.72
Actual rentals for housing	..S	18.64	..S	..S
Home ownership	5.94	13.70	..S	60.18 <sup>8</sup>
Property rates & related services	37.91	38.53	73.01	37.73
Household energy	37.85	30.71	38.59	40.55
<b>HOUSEHOLD CONTENTS AND SERVICES</b>	37.32	20.01	55.80	48.90
Furniture, furnishings & floor coverings	14.00	8.69	31.29	13.21
Household textiles	..S	..S	..S	7.55
Household appliances	9.61	4.48	..S	15.68
Glassware, tableware & household utensils	2.41	..S	..S	..S
Other household supplies & services	5.19	4.73	6.69	6.30
<b>HEALTH</b>	36.34	21.24	40.37	22.72
Medical products, appliances & equipment	5.04	4.03	..S	8.84
Out-patient services	31.36	17.20	14.38	10.84
<b>TRANSPORT</b>	36.17	47.21	117.26	96.61
Purchase of vehicles	..S	..S	..S	..S
Private transport supplies & services	25.66	26.11	44.26	44.89
Passenger transport services	9.12	5.40	28.88	2.75
<b>COMMUNICATION (TELECOMMUNICATION)</b>	23.78	19.72	26.55	24.63
Telecommunication services	23.24	19.00	26.34	24.64
<b>RECREATION AND CULTURE</b>	54.81	45.20	42.38	92.59
Audio-visual & computing equipment	5.15	9.45	..S	2.84
Other recreational equipment & supplies	6.41	6.73	9.43	11.35
Recreational & cultural services	16.91	19.80	17.01	51.89
Newspapers, books & stationery	8.83	6.68	10.22	8.59
Accommodation services	4.63	..S	..S	..S
Miscellaneous domestic holiday costs	0.86	0.56	..S	1.32

<sup>7</sup> ..S indicates that too few households reported spending in that category to permit reliable estimation

<sup>8</sup> The figure for Home Ownership for the Choices budget for Provincial One-Person Households has been adjusted, because the original figure of \$334.06pw 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.

<b>EDUCATION</b>	..S	..S	..S	..S
<b>MISCELLANEOUS GOODS &amp; SERVICES</b>	48.85	43.23	108.69*	85.33
Personal care	9.98	6.68	19.46	16.77
Personal effects nec	4.88	1.10	..S	6.53
Insurance	32.43	28.77	75.18	46.19
Credit services	0.42	0.23	1.40	1.78
<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>487.68</b>	<b>417.82</b>	<b>752.05</b>	<b>780.16</b>

\*The figure for Miscellaneous Goods & Services for the Choices budget for Metro One-Person Households has been adjusted, because the original figure of \$235.09 was clearly an outlier relative to figures for this class for other categories and the total of the sub-classes, 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 BUDGET		CHOICES BUDGET	
	METRO	PROVINCIAL	METRO	PROVINCIAL
<b>FOOD</b>	119.48	137.25	187.39	173.22
Fruit and vegetables	20.11	21.97	29.06	23.86
Meat, poultry and fish	26.62	21.75	35.02	34.96
Grocery food	48.73	62.35	62.12	68.80
Non-alcoholic beverages	7.22	8.39	10.69	11.02
Restaurant meals & ready-to-eat food	16.62	22.56	50.42	34.40
<b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b>	5.78	17.06	27.70	31.63
Alcoholic beverages	5.54	13.86	25.30	25.71
Cigarettes & tobacco	..S	2.81	..S	5.18
<b>CLOTHING AND FOOTWEAR</b>	4.84	13.80	31.51	18.26
Clothing	4.84	9.13	27.49	15.78
<b>HOUSING AND HOUSEHOLD UTILITIES</b>	159.81	140.73	248.53	162.51
Actual rentals for housing	71.54	..S	..S	..S
Home ownership	..S	29.95	69.99	31.01
Property rates & related services	23.14	35.54	58.50	44.28
Household energy	37.75	43.60	46.58	57.26
<b>HOUSEHOLD CONTENTS AND SERVICES</b>	33.14	40.30	44.05	50.57
Furniture, furnishings & floor coverings	..S	14.46	14.54	14.58
Household textiles	..S	5.42	1.92	2.70
Household appliances	..S	6.59	3.40	7.67
Glassware, tableware & household utensils	..S	1.73	1.95	2.29
Other household supplies & services	5.27	6.50	13.48	9.92
<b>HEALTH</b>	13.26	47.14	71.46	59.84
Medical products, appliances & equipment	5.87	20.82	15.43	10.66
Out-patient services	7.25	25.33	55.64	48.64
<b>TRANSPORT</b>	44.92	88.80	135.21	173.43
Purchase of vehicles	..S	..S	30.35	48.06
Private transport supplies & services	30.49	54.78	73.83	75.04
Passenger transport services	7.09	7.26	31.01	49.90
<b>COMMUNICATION (TELECOMMUNICATION)</b>	23.58	21.31	35.27	29.61
Telecommunication services	22.60	19.35	32.58	28.22
<b>RECREATION AND CULTURE</b>	53.01	73.61	141.81	151.62
Audio-visual & computing equipment	..S	3.10	11.68	8.39
Other recreational equipment & supplies	8.66	14.48	17.58	27.74
Recreational & cultural services	25.60	30.45	67.28	48.30
Newspapers, books & stationery	5.17	10.89	13.50	19.52
Accommodation services	..S	10.79	9.65	17.25
Miscellaneous domestic holiday costs	..S	1.48	3.55	6.56
<b>EDUCATION</b>	..S	..S	..S	1.23



<b>MISCELLANEOUS GOODS &amp; SERVICES</b>	41.52	75.59	127.34	119.27
Personal care	9.71	15.48	24.33	22.90
Personal effects nec	2.37	6.02	7.63	7.01
Insurance	28.37	48.16	90.72	82.00
Credit services	0.48	3.53	2.28	3.45
<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>	521.15	676.62	1088.67	1012.94

## WHAT DO THE FIGURES TELL US?

Due to the change in underlying methodology for calculating the guidelines, it is not possible to undertake a meaningful comparison of the 2014 figures with the earlier reports. The following table makes this clear, showing the total expenditure levels for both 2013 and 2014 for each of the guidelines, with the difference particularly marked in the Single Household and No Frills budget guidelines. Some of the difference is due to the inclusion of housing, but even when this is removed the difference is marked.

		TOTAL WEEKLY EXPENDITURE		
		2013	2014 (EXCL HOUSING)	2014 (INCL HOUSING)
One-person households	No Frills – Metro	113.62	392.33	487.68
	No Frills – Provincial	113.35	329.27	417.82
	Choices - Metro	356.37	722.37	752.05
	Choices - Provincial	359.10	619.99	780.16
Two-person households	No Frills – Metro	249.61	399.09	521.15
	No Frills – Provincial	249.72	579.49	676.62
	Choices - Metro	786.70	886.72	1088.67
	Choices - Provincial	715.77	907.69	1012.94

It is helpful to compare these totals with the rates of NZ Superannuation. On 1st April 2014, New Zealand Superannuation rates increased by 2.66%<sup>9</sup>, and the two key rates increased to<sup>10</sup>:

Single, living alone	\$366.94 per week	after tax at the M rate
Couples, both qualify	\$564.52 per week	after tax at the M rate

What quickly becomes apparent is the need for additional income, which could include government allowances such as the accommodation supplement, in order to provide for these levels of expenditure. Only for the two-person Metro household on the No Frills budget does the 'standard' rate of NZ Superannuation cover the expenditure level.

The Sorted website has a Retirement Planner calculator<sup>11</sup> that helps to calculate what sort of a lump sum is required to provide the difference between NZ Superannuation and a person's desired level of expenditure. For example, it shows that a single person living in a Metro area who wants to live a No Frills lifestyle (who needs \$488 per week based on the guidelines) needs to save a lump sum of \$111,255 to provide the additional \$113 dollars required. A 50-year old starting today would need to save \$137 per week until retirement to achieve this, while a 25-year old starting today would only need to save \$44 per week due to the power of compounding interest.<sup>12</sup>

A similar calculation for a couple living in a provincial area wanting a No Frills lifestyle (who needs \$677 per week based on the guidelines) needs to save a lump sum of \$98,832 to provide the additional \$101 dollars required. A couple, both aged 50, starting today would need to save \$122 per week until retirement to achieve this, while if both were aged 25 and starting today they would only need to save \$39 per week due to the power of compounding interest.<sup>13</sup>

The lump sums required are greater for those wanting a Choices lifestyle. Individuals can use Sorted's Retirement Planner calculator to personalise this calculation for themselves.

<sup>9</sup> Source: <http://www.workandincome.govt.nz/about-work-and-income/news/2014/benefit-rates-changes.html>

<sup>10</sup> Source: <http://www.workandincome.govt.nz/individuals/brochures/benefit-rates-april-2014.html#NZSuperannuationandVeteransPension11>

<sup>11</sup> <https://www.sorted.org.nz/calculators/retirement>

<sup>12</sup> These calculations are simple, for a female planning on retiring at age 65 with a life expectancy of 90.

<sup>13</sup> The figure for Home Ownership for the Choices budget for Provincial One-Person Households has been adjusted, because the original figure of \$334.06pw 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.

## HOME OWNERSHIP – A CROSS-COUNTRY COMPARISON<sup>14</sup>

The revised guidelines calculation used in this report allows the inclusion of housing-related expenditure. We can see how important housing-related expenditure is, as it accounts for 11-24 per cent of household expenditure across the guidelines. It is recognised that New Zealanders who enter retirement in their own debt-free home will generally enjoy a better standard of living than those in rental accommodation<sup>15</sup>. There is also widespread acknowledgement of New Zealanders' affinity with home ownership, which is attributed to ownership being equated to independence, and status. The status associated with home ownership may stem from an increased sense of pride and success, and a sense of belonging to a community. In this section, we compare home ownership and private rental options in New Zealand with those in the UK, the United States, Germany and the Netherlands.

By 2013, fewer than 65 per cent<sup>16</sup> of New Zealanders were homeowners, compared to a home ownership rate of around 73 per cent in the early 1990s. The lower figure saw New Zealand ranked 35th in the world, behind Australia, the UK and the United States. This steady decline represents a fundamental change, and while there are complex reasons for this change, Flint-Hartle and Stangl (2014) identify the underlying cause as the increasing unaffordability of residential property, particularly for first home buyers, in areas where the vast majority of the population live.

The 2015 International Housing Affordability Survey (Demographia, 2015)<sup>17</sup> examined the major housing markets of nine developed economies (Australia, Canada, Hong Kong, Ireland, Japan, New Zealand, Singapore, the United Kingdom, and the United States), and only Hong Kong was ranked as less affordable than New Zealand. The social ramifications of this are clear as housing "is a fundamental determinant of wellbeing, health, family stability and social cohesion, and is a crucial part of the national economy" (Flint-Hartle & Stangl, 2014). Affordability reflects the relationship between income and house prices, and median house prices have traditionally been in the range of 2-3 times median household incomes. However, Demographia (2015) reports three of New Zealand's markets are seriously unaffordable (4.1-5.0) and five are severely unaffordable (5.1 and over), with Auckland rated at 8.2.

Key findings from the survey of 796 New Zealanders aged 18-45 years reported in Flint-Hartle & Stangl (2014) were:

- More than half of respondents (56.8%) were currently renting
- About one third (33.1%) of the renters were currently looking to purchase a home
- The main reasons given for remaining in rental accommodation were financial, including lack of deposit and the costs of home ownership
- While there are advantages to renting, the disadvantages outweigh the advantages

A comparative study of private renting in London, New York, Berlin, and the Randstad reveals different reasons behind renting; however, the reasons are all primarily economic (Scanlon, Fernandez & Whitehead, 2014). The study revealed that tenants cannot afford to buy in the neighbourhood where they rent, a fact that has also been revealed in New Zealand. Berlin has the highest rental tenancy at 90 per cent, followed by New York at 56 per cent, London 27 per cent and the Randstad at 8 per cent. Private renting is seen as inferior tenure in London and the Randstad, an idea shared with New Zealanders.

Scanlan et al (2014) report Germans do not perceive renting as an inferior housing option, with 56.8 per cent of the population renting although rental tenancy varies widely across the country.

<sup>14</sup> This section draws heavily on Flint-Hartle & Stangl (2014) and Scanlon et al (2014)

<sup>15</sup> See the New Zealand Retirement Expenditure Guidelines 2013 for a discussion of the impact of housing costs in retirement.

<sup>16</sup> The percentage rate is the ratio of owner occupied units to total residential units

<sup>17</sup> Data is for the 3rd quarter, 2014

In Germany, the rental market is strictly controlled by the government and rent increases are overseen. The German standard of housing is considered high, the security of tenancy is considered very high and turnover appears low.

In major cities, Germans may live in the same apartment their entire lives and pay rent that is significantly lower than market rates; this is very dissimilar to tenants residing in London or New York. The most common type of lease in Germany is one of unlimited duration, whereas leases in the US and the UK, like New Zealand, are likely to be fixed, have a limited duration, and are often unrenewable. Unlike the US, fiscal policies in Germany do not favour homeowners, and Germans do not see home ownership as a 'cultural must'. Scanlan et al (2014) found that buying a house is generally something Germans do once in their lifetime. It is also worth noting that 40 per cent of all rental property in Germany is owned by pensioners, as their pension provision.

Most US markets have no rent controls or durations of tenure, and only one-third of all households rent, according to Scanlan et al (2014). However, unlike New Zealand, the US has many incentives for first time home buyers, and some government backed loans will allow qualified home buyers to make little or no down payment. Furthermore, the initial deposit is not fixed at 20%, as it currently is in New Zealand; the federal tax system favours owner occupation; and while the cost of real estate varies widely upon location, home ownership is not as out of reach in the US as it is for many New Zealanders. Of the nine nations surveyed for the 2015 International Housing Affordability Survey, the US had the most affordable housing, being only moderately unaffordable with a median market affordability rating of 3.6. New York City is an outlier, relative to the rest of the US, with its own renting policies of 'rent control' and 'rent stabilisation' with 56 per cent of all dwellings rented privately, including 66 per cent in Manhattan. Constrained by geography, New York has always had high housing costs and tenants are evenly distributed by income; consequently renting is not seen as an inferior choice, and it is generally recognised and accepted that there is often no other choice. Some New Zealanders also believe that renting is their only choice.

Of the four cities considered by Scanlan et al (2014), the Randstad in the Netherlands had the lowest private rental sector, at 8 per cent. As in Germany, rent is strictly controlled and leases are indefinite in the Randstad. Owner occupation is highly tax favoured, as it is in the US, and, unlike New Zealand, family households that can afford to pay rent in the decontrolled range, can also afford to buy a home. Dutch mortgage lenders routinely lend 100 per cent of the value of the house; therefore buyers are not constrained by the need for a large down payment as they would be in the UK and New Zealand. Furthermore, in the Randstad social renting (known as council housing in the UK and New Zealand) is of good quality, readily available, and strictly regulated making it an affordable alternative for middle income families.

New Zealand renters are at a disadvantage on almost all fronts. Unlike private renters in Germany and the Netherlands, where rent is strictly regulated by the government, many New Zealanders cannot afford to buy a house, and often have little security toward tenure or cost. New Zealanders share the same rental uncertainties as those living in London and New York, where housing costs are prohibitive. Continental cities have indefinite leases that allow for stability; an important consideration for those with families. The sheer affordability of home ownership in the Netherlands is the single driver behind these differences, and social renting is not looked down upon, as it would be in the US, the UK or New Zealand.

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**“New Zealand renters are at a disadvantage on almost all fronts”**

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The study by Scanlan et al (2014) revealed that Germans have a positive attitude toward renting, and do not perceive or receive a benefit to owning their own home, or if they do, they buy just once, and do not speculate in real estate as New Zealanders and Americans might (a notable exception are the German pensioners who own rental housing to supplement their income). Two out of three Americans own their homes outside of prohibitively expensive urban areas like New York, LA, and

San Francisco. As with New Zealanders, pride in ownership, independence, and financial security underpin the American desire to buy a house. However, unlike many New Zealanders and the British, Americans can afford to do so.

Renting is perceived negatively in New Zealand with a strong preference toward home ownership. Ironically, the survey by Flint-Hartle & Stangl (2014) shows that while many renters would like to own a home, few of them are actively looking. The tenants in New York and London did not see renting in a negative light, realizing they had little choice, but found the insecurity of tenure and cost to be significant drawbacks. Renting has a positive perception in Germany, no doubt because it is secure, controlled and affordable. Renting is atypical in the Randstad, and given the ease and affordability of home ownership, most Dutch opt to buy; why rent when one can just as easily buy for the same amount of money in the Netherlands?

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**“New Zealand with a strong preference toward home ownership”**

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New Zealanders, like people living in New York City or London, do not have a choice: they cannot afford to buy where they would like to live. Given the severe unaffordability of housing in urban centres, some New Zealanders feel they may be forced to rent long term even though they do not wish to do so. Moreover, there are no moderately affordable or affordable housing markets in the entire country (Demographia, 2015) What these comparative studies reveal is that people do live with the tenure that reflects their financial opportunities and constraints. For example, strict rental regulation in Germany and the Netherlands leads to both happy renters and happy home owners respectively. Generous Dutch lending practices, and the interest paid on home loans being tax deductible, leads to high home ownership in the Netherlands (with the US a close second in this respect). Many New Zealanders who rent would like to own their own home, but they are constrained by both the sheer unaffordability of housing and a lack of support from financial institutions, and the government, to make homeownership a reality.

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**“implications for public policy in relation to retirement income”**

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The unaffordability of home ownership in New Zealand and the increasing level of renting has implications for public policy in relation to retirement income. It is argued that neither the use of rental accommodation nor home ownership should have implications for living standards in retirement. However, this argument is predicated on the assumption that the lower cost of renting during one’s working life should result in increased savings for retirement, which can then be used to offset the increased cost of renting in retirement relative to the cost of mortgage-free home ownership. However, it is unclear that those spending their working life in rental accommodation are in fact making the required additional savings, and may therefore enter retirement with a similar level of savings to a home owner but facing increased costs. This may necessitate additional support from the Government. Action is needed now to help renters recognise the need for, and to make, the additional savings, and this is particularly important for those who are within 10-15 years of retirement.

## REFERENCES

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## APPENDIX 1: THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES FOR 2013 (REVISED)

To enable comparison between years, the 2013 New Zealand Retirement Expenditure Guidelines have been revised using the new calculation method as discussed on page 4.

### ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS BUDGET		CHOICES BUDGET	
	METRO	PROVINCIAL	METRO	PROVINCIAL
<b>FOOD</b>	75.64	71.44	131.01	107.01
Fruit and vegetables	12.48	13.27	21.81	17.07
Meat, poultry and fish	14.23	12.48	27.41	18.85
Grocery food	30.26	32.03	51.59	47.12
Non-alcoholic beverages	3.85	3.68	10.59	4.12
Restaurant meals & ready-to-eat food	14.81	9.97	19.62	19.85
<b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b>	9.28	4.60	32.41	18.26
Alcoholic beverages	8.71	3.93	31.07	18.26
Cigarettes & tobacco	..S <sup>1</sup>	..S	..S	..S
<b>CLOTHING AND FOOTWEAR</b>	24.34	5.12	..S	37.70
Clothing	17.39	4.45	..S	30.55
<b>HOUSING AND HOUSEHOLD UTILITIES</b>	128.82	115.34	188.27	194.12
Actual rentals for housing	..S	18.24	..S	..S
Home ownership	5.68	13.10	..S	<sup>2</sup> 57.53
Property rates & related services	36.42	37.01	70.13	36.25
Household energy	36.36	29.50	37.07	38.95
<b>HOUSEHOLD CONTENTS AND SERVICES</b>	37.21	19.95	55.64	48.75
Furniture, furnishings & floor coverings	13.90	8.63	31.07	13.12
Household textiles	..S	..S	..S	7.77
Household appliances	9.70	4.53	..S	15.84
Glassware, tableware & household utensils	2.30	..S	..S	..S
Other household supplies & services	5.12	4.66	6.60	6.21
<b>HEALTH</b>	35.73	20.88	39.70	22.34
Medical products, appliances & equipment	5.10	4.08	..S	8.96
Out-patient services	30.63	16.80	14.04	10.59
<b>TRANSPORT</b>	35.71	46.60	115.76	95.37
Purchase of vehicles	..S	..S	..S	..S
Private transport supplies & services	25.08	25.53	43.27	43.88
Passenger transport services	8.84	5.24	27.98	2.67
<b>COMMUNICATION (TELECOMMUNICATION)</b>	24.57	20.37	27.42	25.45
Telecommunication services	23.86	19.50	27.04	25.30

<sup>1</sup> ..S indicates that too few households reported spending in that category to permit reliable estimation

<sup>2</sup> The figure for Home Ownership for the Choices budget for Provincial One-Person Households has been adjusted, because the original figure of \$319.37 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.

<b>RECREATION AND CULTURE</b>	54.87	45.24	42.42	92.69
Audio-visual & computing equipment	5.72	10.47	..S	3.15
Other recreational equipment & supplies	6.39	6.71	9.40	11.32
Recreational & cultural services	16.65	19.48	16.74	51.07
Newspapers, books & stationery	8.61	6.52	9.97	8.38
Accommodation services	4.51	..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>	48.18	42.63	<sup>3</sup> 107.19	84.15
Personal care	10.03	6.71	19.56	16.86
Personal effects nec	5.01	1.13	..S	6.69
Insurance	31.30	27.77	72.57	44.59
Credit services	0.42	0.23	1.40	1.78
<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>	480.99	411.75	739.81	769.58

<sup>3</sup> The figure for Miscellaneous Goods & Services for the Choices budget for Metro One-Person Households has been adjusted, because the original figure of \$235.09 was clearly an outlier relative to figures for this class for other categories and the total of the sub-classes, 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 BUDGET		CHOICES BUDGET	
	METRO	PROVINCIAL	METRO	PROVINCIAL
<b>FOOD</b>	117.60	135.09	184.44	170.49
Fruit and vegetables	19.85	21.69	28.69	23.55
Meat, poultry and fish	26.10	21.33	34.33	34.27
Grocery food	48.25	61.73	61.50	68.12
Non-alcoholic beverages	7.10	8.25	10.51	10.84
Restaurant meals & ready-to-eat food	16.28	22.09	49.38	33.70
<b>ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS</b>	5.64	16.65	27.02	30.86
Alcoholic beverages	5.64	14.10	25.74	26.16
Cigarettes & tobacco	..S	2.55	..S	4.70
<b>CLOTHING AND FOOTWEAR</b>	4.87	13.88	31.70	18.37
Clothing	4.87	9.19	27.65	15.88
<b>HOUSING AND HOUSEHOLD UTILITIES</b>	154.56	136.11	240.36	157.16
Actual rentals for housing	70.00	..S	..S	..S
Home ownership	..S	28.63	66.91	29.65
Property rates & related services	22.23	34.14	56.19	42.54
Household energy	36.27	41.88	44.74	55.00
<b>HOUSEHOLD CONTENTS AND SERVICES</b>	33.04	40.18	43.92	50.42
Furniture, furnishings & floor coverings	..S	14.36	14.44	14.48
Household textiles	..S	5.58	1.98	2.78
Household appliances	..S	6.65	3.43	7.75
Glassware, tableware & household utensils	..S	1.65	1.86	2.19
Other household supplies & services	5.20	6.41	13.29	9.78
<b>HEALTH</b>	13.04	46.35	70.27	58.84
Medical products, appliances & equipment	5.95	21.10	15.63	10.80
Out-patient services	7.08	24.74	54.33	47.50
<b>TRANSPORT</b>	44.34	87.66	133.48	171.20
Purchase of vehicles	..S	..S	31.26	49.50
Private transport supplies & services	29.80	53.55	72.17	73.36
Passenger transport services	6.87	7.04	30.05	48.35
<b>COMMUNICATION (TELECOMMUNICATION)</b>	24.36	22.02	36.44	30.59
Telecommunication services	23.21	19.87	33.45	28.98
<b>RECREATION AND CULTURE</b>	53.07	73.68	141.96	151.78
Audio-visual & computing equipment	..S	3.43	12.95	9.30
Other recreational equipment & supplies	8.63	14.44	17.53	27.65
Recreational & cultural services	25.20	29.98	66.22	47.54
Newspapers, books & stationery	5.04	10.62	13.18	19.04
Accommodation services	..S	10.51	9.40	16.80
Miscellaneous domestic holiday costs	..S	1.48	3.55	6.56

<b>EDUCATION</b>	..S	..S	..S	1.19
<b>MISCELLANEOUS GOODS &amp; SERVICES</b>	40.95	74.55	125.58	117.62
Personal care	9.76	15.55	24.45	23.01
Personal effects nec	2.44	6.18	7.82	7.19
Insurance	27.39	46.49	87.57	79.15
Credit services	0.48	3.53	2.28	3.45
<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>	513.26	667.19	1073.55	1000.27