



**NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES
2018**

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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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DISCLAIMER

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AUTHOR

Dr Claire Matthews - Director, Academic Quality, Massey Business School

Despite political reticence, retirement issues, including the age of eligibility for NZ Superannuation, continue to receive widespread interest in New Zealand. No doubt this 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 in a little over a decade. In addition, Generation X is becoming more aware that retirement is also on their horizon. The interest in retirement and retirement preparation is also driven by the lack of certainty about how it will be experienced, and the extent of financial resources required to provide the retirement a person aspires to.

These 2018 Retirement Expenditure Guidelines are the seventh in a series that commenced in 2012^{1,2} to assist pre-retirement New Zealanders in making 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 evaluating 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 2018. In addition, we explore data from a recent study that provides information about the retirement experience in New Zealand today.

KEY FINDINGS IN THIS REPORT:

The New Zealand Retirement Expenditure Guidelines as at 30th June 2018

	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
WEEKLY NZ SUPER RATES	\$400.87		\$616.72	
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills budget	\$598.45	\$569.43	\$885.31	\$630.03
Choices budget	\$1190.13	\$834.27	\$1417.85	\$1118.92

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

Expenditure changes from 2017-2018

- The effect of inflation on expenditure for each of the household groups is in the range 1.23% to 1.50%, with all groups having an effective inflation rate at or below the CPI rate for the same period.
- The key inflationary drivers for superannuants for the twelve months ended 30th June 2018 were Fruit and vegetables (with a CPI of -5.6%), Housing and household utilities (3.1%), Recreational and cultural services (-1.7%) and Insurance (5.7%).
- All household groups considered in this report are spending more than is received from NZ Superannuation.

Retirement in New Zealand today

- Most retirees have their own mortgage-free home, and were able to repay their home loan prior to retirement.
- Retirees tend to work full-time (30+ hours per week) or limited hours (<15 hours per week).
- Working retirees plan to retire fully sometime after the age of 70, but some expect to still be working after the age of 80.

¹ Previous editions can be found on the Fin-Ed Centre and Workplace Savings NZ websites.

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.

- Pre-retirees have greater expectations of working than is reported by retirees, but have lower expectations of full-time employment.
- Most retirees³ considered they were well-prepared before their retirement, and most rated their current level of retirement income as adequate to fund their desired retirement lifestyle.
- Fewer than half of pre-retirees believed they were well-prepared for retirement, and many considered retirement to be a concern.
- Both retirees and pre-retirees considered NZ Superannuation insufficient on its own to fund their retirement.

³ As noted later in the report, we have used a simple age-based definition of a person being retired from the age of 65.

THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	106.62	83.20	124.39	88.54
Fruit and vegetables	22.29	12.74	19.00	12.12
Meat, poultry and fish	17.84	12.10	15.12	8.67
Grocery food	39.52	40.74	49.52	38.19
Non-alcoholic beverages	6.65	4.81	5.83	3.78
Restaurant meals and ready-to-eat food	20.15	12.59	34.95	26.03
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	14.02	10.51	19.82	7.99
Alcoholic beverages	10.89	6.57	18.59	7.50
Cigarettes & tobacco	.. ⁴	..	33.82	0.00
CLOTHING AND FOOTWEAR	7.75	18.39	55.56	51.49
Clothing	6.32	13.13	..	43.53
Footwear	..	5.27	0.00	..
HOUSING AND HOUSEHOLD UTILITIES	125.75	162.42	180.38	175.28
Actual rentals for housing	..	39.77	0.00	..
Home ownership	31.95	6.85	13.93	..
Property maintenance	3.10	32.58	7.48	42.51
Property rates and related services	52.24	42.35	66.61	49.26
Household energy	30.87	37.15	39.24	39.87
HOUSEHOLD CONTENTS AND SERVICES	26.03	20.20	54.17	63.11
Furniture, furnishings and floor coverings	..	5.21	..	15.04
Household textiles	2.25	0.69	0.00	..
Household appliances	..	5.76	13.60	22.54
Glassware, tableware and household utensils	..	..	12.99	..
Tools and equipment for house and garden	7.92	1.91	2.71	11.23
Other household supplies and services	7.02	5.90	15.15	8.44
HEALTH	84.74	21.88	30.76	81.33
Medical products, appliances & equipment	69.74	6.86	7.46	5.27
Out-patient services	12.50	14.89	23.22	76.54
TRANSPORT	62.14	77.52	283.45	124.59
Purchase of vehicles	..	40.23	..	63.83
Private transport supplies & services	23.48	28.59	53.70	33.37
Passenger transport services	..	8.15	151.45	25.14
COMMUNICATION (TELECOMMUNICATION)	22.23	21.32	24.95	19.69
Postal services	..	1.27	..	..
Telecommunication equipment	0.00	..	0.00	..
Telecommunication services	22.23	19.74	25.28	19.56
RECREATION AND CULTURE	52.28	68.75	231.14	102.67
Audio-visual and computing equipment	3.42	2.87	5.12	3.96
Other recreational equipment and supplies	8.18	10.84	19.21	23.05
Recreational and cultural services	19.17	25.89	73.97	38.64
Newspapers, books and stationery	12.94	6.21	11.49	4.35
Accommodation services	..	25.51	135.72	36.14
EDUCATION	..	..	0.00	..
MISCELLANEOUS GOODS & SERVICES	90.70	80.74	168.71	103.07
Personal care	10.64	11.54	13.23	25.47
Personal effects nec	..	7.84	24.58	7.10
Insurance	51.01	48.33	78.29	67.55
Credit services	0.55	0.28	1.84	0.83
Other miscellaneous services	..	14.04	54.30	..
OTHER EXPENDITURE	6.20	4.50	16.80	16.50
Interest payments	6.10	..	..	..
Contributions to savings	..	..	..	13.10
Money given to others (excluding donations)	11.40	..	..	..
TOTAL	598.45	569.43	1190.13	834.27

4 Indicates that too few households reported spending in that category to permit reliable estimation by Statistics New Zealand in the HES

TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	147.09	124.69	211.28	186.22
Fruit and vegetables	21.26	20.85	25.16	26.19
Meat, poultry and fish	23.79	21.67	28.02	30.14
Grocery food	64.33	53.71	75.77	77.71
Non-alcoholic beverages	7.57	7.77	9.92	9.71
Restaurant meals and ready-to-eat food	30.02	20.47	72.95	42.30
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	20.92	20.37	40.41	34.71
Alcoholic beverages	15.30	15.92	30.40	24.24
Cigarettes & tobacco	..	..	..	..
CLOTHING AND FOOTWEAR	14.71	14.61	29.62	27.33
Clothing	10.86	9.38	..	21.91
Footwear	4.03	5.37	2.89	5.37
HOUSING AND HOUSEHOLD UTILITIES	228.86	157.11	204.41	191.44
Actual rentals for housing	27.63	26.16	..	..
Home ownership	44.33	32.61	57.93	48.09
Property maintenance	55.97	11.11	28.84	30.65
Property rates and related services	44.47	42.77	65.75	52.99
Household energy	43.12	44.69	50.96	50.34
HOUSEHOLD CONTENTS AND SERVICES	39.09	31.05	63.72	52.06
Furniture, furnishings and floor coverings	11.43	3.51	14.14	9.23
Household textiles	4.31	1.96	2.25	2.84
Household appliances	8.64	8.24	11.81	8.84
Glassware, tableware and household utensils	2.30	0.84	3.88	4.82
Tools and equipment for house and garden	6.62	4.71	8.62	8.83
Other household supplies and services	5.70	11.90	23.29	17.80
HEALTH	42.52	34.89	69.56	96.50
Medical products, appliances & equipment	11.34	14.52	21.99	43.08
Out-patient services	23.53	19.99	47.17	52.27
TRANSPORT	189.83	87.02	383.48	189.11
Purchase of vehicles	120.59	27.78	229.82	47.50
Private transport supplies & services	49.02	46.96	69.13	77.61
Passenger transport services	17.28	12.81	74.85	62.23
COMMUNICATION (TELECOMMUNICATION)	26.95	22.50	37.38	30.21
Postal services	2.76	1.06	1.70	1.48
Telecommunications equipment	1.25	..	..	..
Telecommunications services	23.34	21.31	30.26	29.25
RECREATION AND CULTURE	89.08	58.73	175.78	150.59
Audio-visual and computing equipment	4.42	2.87	11.26	7.68
Other recreational equipment and supplies	14.28	7.49	26.89	17.14
Recreational and cultural services	32.62	19.67	56.91	64.43
Newspapers, books and stationery	8.08	7.45	13.15	11.60
Accommodation services	23.27	8.62	70.49	15.33
EDUCATION	..	3.39	..	..
MISCELLANEOUS GOODS & SERVICES	74.97	62.07	127.71	128.44
Personal care	15.62	14.82	23.78	28.65
Personal effects nec	8.48	3.81	8.37	7.73
Insurance	48.86	41.99	91.39	88.17
Credit services	0.92	1.10	2.03	1.47
Other miscellaneous services	..	0.44	..	2.96
OTHER EXPENDITURE	11.30	13.60	74.50	32.30
Interest payments	9.80	7.20	42.20	20.80
Contributions to savings	..	1.30	31.10	7.40
Money given to others (excluding donations)	0.50	5.00	..	..
TOTAL	885.31	630.03	1417.85	1118.92

EXPENDITURE CHANGES IN 2018

We begin by looking at how expenditure has been impacted by inflation for the twelve months ended 30th June 2018.

TABLE 1: CHANGES IN TOTAL WEEKLY EXPENDITURE BY HOUSEHOLD GROUP 2017 - 2018

		Total Weekly Expenditure		CHANGE 2017 – 2018	
		2017	2018	\$	%
One-person households	No Frills – Metro	590.44	598.45	8.01	1.36%
	No Frills – Provincial	561.04	569.43	8.39	1.50%
	Choices – Metro	1175.17	1190.13	14.97	1.27%
	Choices – Provincial	824.16	834.27	10.12	1.23%
Two-person households	No Frills – Metro	872.22	885.31	13.09	1.50%
	No Frills – Provincial	621.48	630.03	8.55	1.38%
	Choices – Metro	1399.72	1417.85	18.13	1.30%
	Choices – Provincial	1104.78	1118.92	14.14	1.28%
				CPI	1.50%

The impact of inflation is shown by the change in total expenditure between 2017 and 2018, as shown in the table above. We have noted in previous reports, that the overall CPI inflation rate can hide substantial differences in inflation between expenditure classes, and this is true for the twelve months ended 30th June 2018. While the total CPI inflation rate for that period was 1.5%, for the Housing and Household Utilities expenditure class it was 2.8%, for the Cigarettes and Tobacco expenditure class it was 10.7% and for the Fruit and Vegetable expenditure class it was -5.6%. As the expenditure of household groups, like individual households, does not exactly match the basket of goods used to calculate CPI, the different composition of expenditure between household groups result in different outcomes for each of the Retirement Expenditure Guidelines. The effect of inflation for each of the household groups is reflected in the final column of the table above, and ranges from 1.23% to 1.50%, with all groups having an effective inflation rate of no more than the CPI rate (1.5%) for the period.

The largest expenditure groups for retired households are Food, Household utilities, Transport and Recreation. However, it is important to note that the proportion of expenditure in these groups varies by household group. As a result, the key drivers of the effect of inflation for superannuants for the twelve months ended 30th June 2018 were Fruit and vegetables (with a CPI of -5.6%), Home ownership (3.9%), Property maintenance (4.1%), Property rates and related services (3.1%), Recreational and cultural services (-1.7%) and Insurance (5.7%).

On 1st April 2018, New Zealand Superannuation rates increased by 2.73%, and the two key rates increased to⁵:

TABLE 2: NZ SUPERANNUATION RATES FROM 1 APRIL 2018

Single, living alone	\$400.87 per week	after tax at the M rate
Couples, both qualify	\$616.72 per week	after tax at the M rate

The rate of increase in New Zealand Superannuation was substantially greater than the CPI rate (1.1%) for the comparable period (year ended 31 March). This reflects the legislated adjustment methodology, which uses the annual CPI for the year ended one quarter before the adjustment is made, while also maintaining relativity with the net average wage. As signalled in the 2017 report, this compensates for the quarterly inflation rate for the March 2017 quarter of 1%.

⁵ Source: <https://www.workandincome.govt.nz/eligibility/seniors/superannuation/payment-rates.html>

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

		TOTAL WEEKLY EXPENDITURE	NZ SUPER	GAP IN 2018	GAP IN 2017	CHANGE IN GAP 2017 – 2018
One-person households	No Frills – Metro	598.45		-\$197.58	-\$200.24	(-1.3%)
	No Frills – Provincial	569.43	\$400.87	-\$168.56	-\$170.84	(-1.3%)
	Choices – Metro	1190.13		-\$789.26	-\$784.97	(0.5%)
	Choices – Provincial	834.27		-\$433.40	-\$433.96	(-0.1%)
Two-person households	No Frills – Metro	885.31		-\$268.59	-\$271.92	(-1.2%)
	No Frills – Provincial	630.03	\$616.72	-\$13.31	-\$21.18	(-37.1%)
	Choices – Metro	1417.85		-\$801.13	-\$799.42	(0.2%)
	Choices – Provincial	1118.92		-\$502.20	-\$504.48	(-0.5%)

There is a gap between expenditure levels and NZ Superannuation for all households. As the table above shows, the gap has slightly decreased for most household groups, (although markedly in percentage terms for the No-Frills-Provincial Two-person Household group) and increased slightly for both Choice-Metro household groups.

TABLE 4: ESTIMATED SAVINGS REQUIREMENT TO FUND THE GAP BETWEEN EXPENDITURE AND NZ SUPERANNUATION⁶

		WEEKLY GAP	LUMP SUM REQUIRED ⁷	WEEKLY SAVINGS FROM AGE 50 ⁸	WEEKLY SAVINGS FROM AGE 25 ⁹
One-person households	No Frills – Metro	\$197.58	\$193,000	\$237	\$77
	No Frills – Provincial	\$168.56	\$165,000	\$202	\$66
	Choices – Metro	\$789.26	\$774,000	\$949	\$308
	Choices – Provincial	\$433.40	\$425,000	\$521	\$169
Two-person households	No Frills – Metro	\$268.59	\$263,000	\$322	\$104
	No Frills – Provincial	\$13.31	\$13,000	\$16	\$5
	Choices – Metro	\$801.13	\$785,000	\$964	\$312
	Choices – Provincial	\$502.20	\$492,000	\$604	\$196

The above table shows the lump sum required at retirement to fund the gap for each group assuming no income. It also shows the weekly savings required to achieve that lump sum, depending on the age at which saving commences.

⁶ The lump sum required was calculated by 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).

⁷ The Total Savings Required is rounded to the nearest \$000

⁸ For a 50-year old individual/couple.

⁹ For a 25-year old individual/couple.

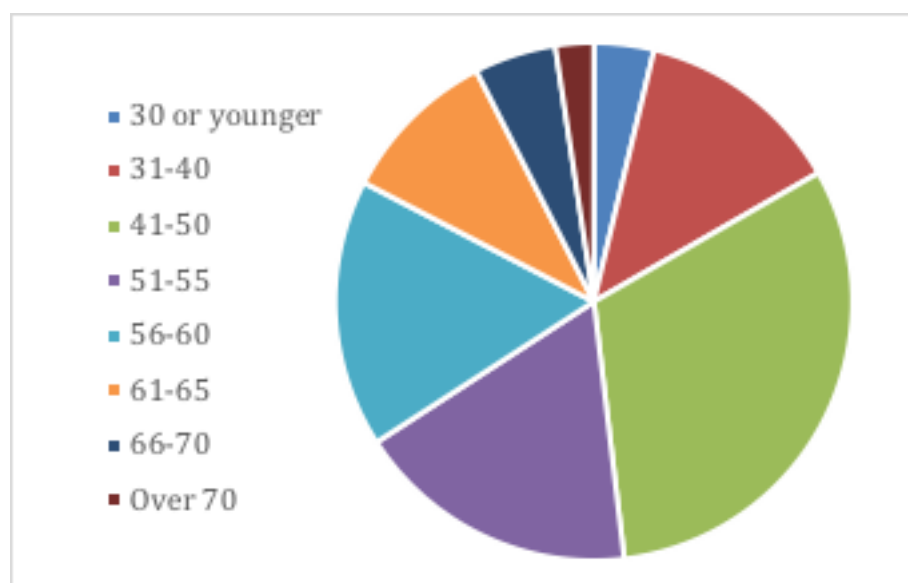
RETIREMENT IN NEW ZEALAND TODAY

Dr Bob Lissington has recently completed his doctoral research looking at New Zealanders' preparedness for retirement¹⁰. For his research, he collected information from more than 1000 New Zealanders via an online survey through Colmar Brunton. The survey included a number of questions, discussed in the following section, to help better understand the experience of retirees in New Zealand. The participants ranged in age from 50-80, and were split fairly evenly between those who were retired and those who weren't. For the purposes of this discussion, we have used a simple age-based definition of a person being retired from the age of 65¹¹.

In previous reports, we have highlighted the importance of home ownership for a comfortable retirement. Nearly 90 per cent (88%) of the retired respondents owned their own home, with most of those (79%) being mortgage-free. By comparison, a slightly smaller proportion of the non-retired respondents (84%) owned their own home, with more than half (52%) still having a mortgage. This suggests the level of home ownership in retirement will reduce, as most people purchase their first home before the age of 50 (the age of the youngest participants), with only three per cent of home-owning respondents having bought their first home at an age of 50 or older.

It is helpful if home owners have repaid their home loan before retirement, and it appears most manage to do so. Retired homeowners were asked when they had fully repaid their home loan, and the results are shown in the following graph. Almost all (92.5%) had repaid their loan by the age of 65, which provides a level of reassurance that the pre-retirees who still have a mortgage will have repaid their home loan by the time they reach retirement.

FIGURE 1: AGE AT WHICH HOME LOAN WAS REPAYED



One option for boosting retirement income is part-time work. Approximately one-third of the retired respondents reported being in some form of employment. Interestingly, there was a clear split between working full-time (30+ hours per week) and fewer than 15 hours per week. More than half (54%) of the employed retirees reported working more than 30 hours per week, while 42% worked fewer than 15 hours. Those still working indicated they planned to fully retire sometime from the age of 70, with nearly one-quarter indicating they would not fully retire before the age of 80.

It is interesting to compare the experience of the retired respondents with the expectations of the pre-retirees. A smaller proportion of pre-retirees expected to not be working at all (17%), but a substantial portion did not know

¹⁰ Dr Lissington's full thesis can be found at <https://mro.massey.ac.nz/handle/10179/13561>

¹¹ We recognise that strictly speaking retirement refers to the period after a person ceases employment, and a retiree is someone who is no longer employed. However, colloquially retirement is used to refer to the period from age 65 years on. In addition, the guidelines that are the focus of this report are for households where NZ Superannuation is one form of income received, which aligns with this definition of retirement.

(31%). By contrast, of those expecting to work only 10 per cent expected to be working full-time after retirement, with similar proportions expecting to work fewer than 15 hours per week (42%) or 15-29 hours per week (48%). The largest proportion (36%) of pre-retirees expected to be working for 3-5 years after retirement, with smaller proportions expecting to work for up to three years (12%) or more than five years (13%); however, many (40%) did not know how long they might work for.

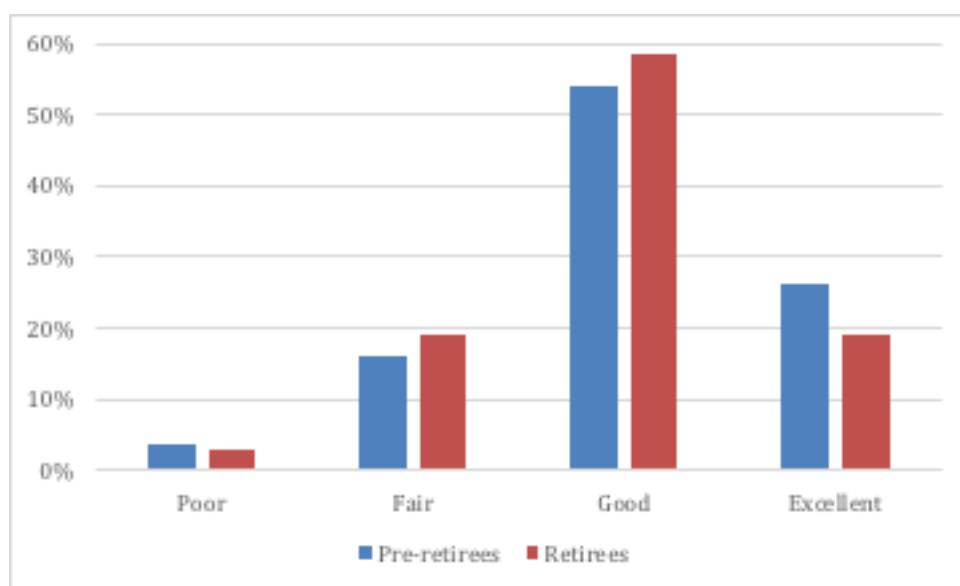
Before retirement two-thirds (68%) believed they were well-prepared for retirement and almost all (89%) were aware of the need to plan for retirement, which meant that fewer than half (42%) were concerned about retirement. This lack of concern appears justified, as more than half (53%) rated their current level of retirement income as adequate in funding their desired retirement lifestyle, with a further 24 per cent rating it as neither adequate nor inadequate.

An interesting question was whether retirees found that their levels of expenditure in their first few years of retirement were as expected. Most (64%) reported it was, but some (22%) reported they spent more than expected while others (12%) spent less than expected. The explanation for the difference largely came down to unexpected changes in spending. This included:

- Travel, which could be more or less than had been expected
- A need to repair or replace appliances or undertake home maintenance
- Unexpected health issues could have an effect either way, by restricting activities or causing additional expenditure on related expenses
- Supporting children and/or grandchildren
- General increases in the cost of living

The comments about health costs make it useful to compare respondents' self-assessment of their health, as seen in the following chart. Retirees were less likely to describe their health as excellent, but the differences are not substantial.

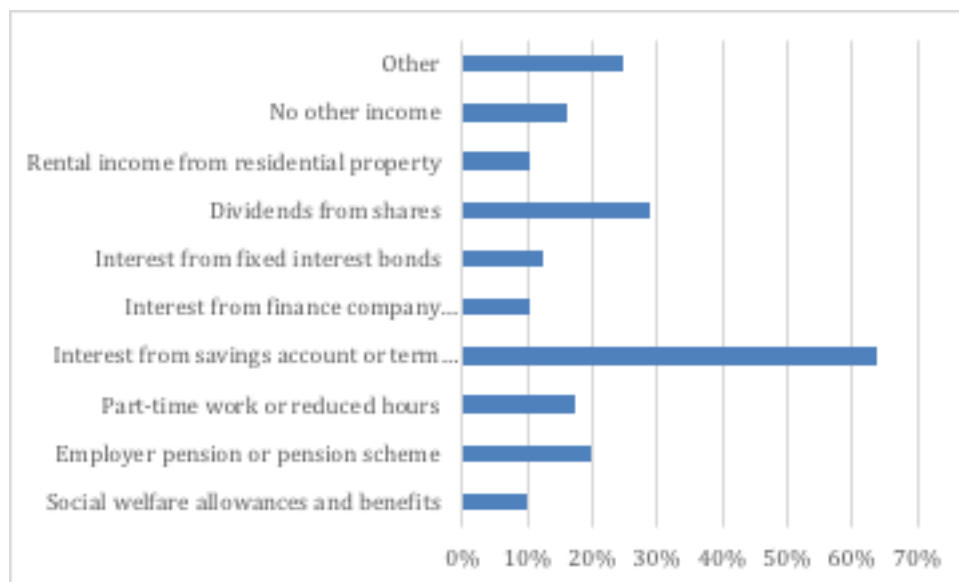
FIGURE 2: CURRENT STATE OF HEALTH



While more than half (56%) did not believe NZ Superannuation would be sufficient for their retirement, a majority (61%) believed they had saved enough to fund their desired retirement lifestyle. As well as NZ Superannuation,

most (84%) had some form of other income, but there was a wide variety of sources, as shown in the figure below. The 'Other' category included business profits, trust distributions and financial support from family.

FIGURE 3: OTHER SOURCES OF INCOME



As the purpose of the Retirement Expenditure Guidelines is to assist New Zealanders to prepare for their retirement, it is of interest to consider the views of the pre-retirees in the survey to understand how they feel about their pending retirement. It is positive to note that almost all (96%) the pre-retirees were aware of the need to financially plan for retirement, but with 15 years or less until retirement, it is concerning that a relatively low proportion (40%) considered they were well-prepared for retirement. More than half (57%) reported that retirement is a concern to them. This is reflected in less than one-third (30%) of pre-retirees agreeing that they are saving enough to fund their desired lifestyle in retirement. Similar proportions (37%) disagreed that they were saving enough or were neutral (33%) on the matter. Most pre-retirees (70%) did not believe NZ Superannuation alone would be sufficient for their retirement, which might be expected to provide some incentive to save to provide additional financial resources for retirement.

The sources of financial advice were similar for both groups, with their own reading and research being the most common source (48% and 44% for retirees and pre-retirees respectively), followed by their partner/spouse (22% and 25%). Professional financial advisers ranked third for both groups (15% and 14%), with the banks the only other source of note (12% and 14%). With retirement looming or having occurred, it is somewhat surprising that professional financial advice is so little used. More research is needed into why this is the case.

SUMMARY AND CONCLUSIONS

Expenditure levels continue to exceed New Zealand Superannuation for all households in this survey. The difference has slightly decreased for most household groups and increased slightly for both Choice-Metro household groups. To achieve their desired standard of living in retirement, most New Zealanders will still need to make provision for additional 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 housing, including Home ownership (3.9%), Property maintenance (4.1%), Property rates and related services (3.1%), and Insurance (5.7%). This is offset to some extent by the reduced cost of Fruit and vegetables (-5.6%) and Recreational and cultural services (-1.7%), which are also larger categories of expenditure.

Survey data supports a (small) reduction in home ownership for future retirees, which will impact on financial outcomes for those retirees. Among the pre-retirees in the reported survey, it is of some concern to note the proportion that did not know whether they expected to work in retirement, or for how long they might work if they did plan to do so, which suggests they may not be giving sufficient thought to their retirement plans. This is despite more than half of pre-retirees reporting that retirement is a concern to them, and most pre-retirees not believing NZ Superannuation alone would be sufficient for their retirement.

More reassuring was the fact that before retirement two-thirds of retirees believed they were well-prepared for retirement, and more than half rated their current level of retirement income as adequate for funding their desired retirement lifestyle. Unexpected changes to expenditure, both positive and negative, were the reasons that retirement expenditure in practice differed from expectations, which is somewhat reassuring that there is no systematic reason.

The limited use of professional financial advisers in two groups that might be expected to be making more use of them was interesting. It is possible that for the pre-retirees, in particular, greater use of financial advisers could help address their high level of concern about their pending retirement.

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 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/>).

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: ABOUT THE RETIREMENT EXPENDITURE GUIDELINES

THE DATA

The data used to prepare the 2018 Retirement Expenditure Guidelines are from the Statistics New Zealand's triennial 2015/16 HES¹² 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%¹³ 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. 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 census¹⁴.

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:

¹² 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_HOTPYeJun16

¹³ 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.

¹⁴ 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/quickstats-65-plus.aspx>)

TABLE 10: 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 inflation¹⁵ between the June 2016 quarter and the June 2018 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 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.

¹⁵ CPI information and data was sourced from 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.

