



**NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES
JUNE 2017**

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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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The provision of adequate financial resources for retirement at both individual and national levels continues to be a topic of discussion and research in New Zealand. Those born in the first third of the baby boomer generation have now reached the age of eligibility for New Zealand Superannuation, and will know whether their personal preparation was adequate. The remaining baby boomers have twelve years or less until they reach that same age, giving them limited time to prepare if they do not already have appropriate plans in place. Retirement is also starting to loom larger on the horizon for Generation X.

This set of Retirement Expenditure Guidelines is the sixth in a series that commenced in 2012,^{1,2} to assist pre-retirement New Zealanders to make financial plans for their retirement. Specifically, the Retirement Expenditure Guidelines provide information about actual levels of expenditure by New Zealanders who have already retired. 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 by moving to the 2015/16 Household Economic Survey (HES) as the data source, and then adjusting for inflation to 30th June 2017. In addition, this report includes, for the first time, information about income for retired households, to complement the information about expenditure.

KEY FINDINGS IN THIS REPORT:

The New Zealand Retirement Expenditure Guidelines as at 30th June 2017

	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
WEEKLY NZ SUPER RATES	\$390.20		\$600.30	
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills budget	\$590.44	\$561.04	\$872.22	\$621.48
Choices budget	\$1175.17	\$824.16	\$1399.72	\$1104.78

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

Expenditure changes from 2016-2017

- The effect of inflation on expenditure for each of the household groups is in the range 1.19% to 1.66%, with all groups having an effective inflation rate below the CPI rate for the same period.
- Total expenditure levels have increased as a result of moving to the new data set from the 2015/16 Household Economic Survey.
- The largest changes found in the new data set are increases in transport expenditure for the Metro households (other than the No Frills Metro One-Person household group) and increases in recreation expenditure for the Choices – Metro One-Person household group.
 - Increases in Health expenditure are also key drivers of the difference.
- Most households are spending a lower proportion on Food, Household utilities, and Household contents & services.
- All household groups now spend more than is received from NZ Superannuation.
- The lump sum required to fund the gap between NZ Superannuation and household expenditure ranges from \$21,000 to \$783,000.

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.

Lump sum (Weekly savings from age 50)	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
	Metro	Provincial	Metro	Provincial
No Frills budget	\$196,000 (\$241)	\$167,000 (\$205)	\$266,000 (\$327)	\$21,000 (\$25)
Choices budget	\$769,000 (\$946)	\$425,000 (\$522)	\$783,000 (\$964)	\$494,000 (\$608)

Income for retired households

- Superannuants were disadvantaged by the high rate of inflation in the quarter ended 31 March 2017, which was not included in the annual adjustment to NZ Superannuation rates until April 2018.
- Income from Pension and Superannuation is a much greater proportion of total household income for No Frills households.
- Income from Pension and Superannuation is also a much greater proportion of total household income for Provincial households.
- On average all household groups have some level of other regular income.
- The key sources of other income are Wages and salaries and Investments.

THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	105.88	82.62	123.52	87.92
Fruit and vegetables	23.61	13.49	20.13	12.84
Meat, poultry and fish	17.75	12.04	15.05	8.63
Grocery food	39.16	40.38	49.08	37.85
Non-alcoholic beverages	6.42	4.64	5.63	3.66
Restaurant meals and ready-to-eat food	19.58	12.24	33.97	25.30
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	13.27	9.96	18.77	7.57
Alcoholic beverages	10.60	6.40	18.10	7.30
Cigarettes & tobacco	..	..	30.55	0.00
CLOTHING AND FOOTWEAR	7.81	18.52	55.96	51.85
Clothing	6.39	13.29	..	44.06
Footwear	..	5.18	0.00	..
HOUSING AND HOUSEHOLD UTILITIES	121.97	157.54	174.96	170.01
Actual rentals for housing	..	38.80	0.00	..
Home ownership	30.75	6.60	13.41	..
Property maintenance	2.98	31.29	7.18	40.83
Property rates and related services	50.67	41.07	64.60	47.78
Household energy	30.03	36.14	38.18	38.79
HOUSEHOLD CONTENTS AND SERVICES	26.06	20.22	54.22	63.18
Furniture, furnishings and floor coverings	..	5.14	..	14.82
Household textiles	2.32	0.71	0.00	..
Household appliances	..	5.86	13.85	22.95
Glassware, tableware and household utensils	..	..	13.40	..
Tools and equipment for house and garden	8.00	1.92	2.74	11.35
Other household supplies and services	6.89	5.79	14.89	8.29
HEALTH	84.40	21.79	30.63	81.01
Medical products, appliances & equipment	70.87	6.98	7.58	5.36
Out-patient services	12.36	14.73	22.97	75.71
TRANSPORT	60.92	76.00	277.90	122.15
Purchase of vehicles	..	40.97	..	65.00
Private transport supplies & services	21.90	26.67	50.09	31.13
Passenger transport services	..	8.44	156.78	26.03
COMMUNICATION (TELECOMMUNICATION)	23.37	22.42	26.24	20.70
Purchase of vehicles	..	1.26	..	..
Private transport supplies & services	0.00	..	0.00	..
Passenger transport services	23.18	20.59	26.36	20.39
RECREATION AND CULTURE	52.59	69.16	232.53	103.29
Audio-visual and computing equipment	4.00	3.37	6.01	4.64
Other recreational equipment and supplies	8.23	10.90	19.32	23.19
Recreational and cultural services	19.50	26.34	75.25	39.31
Newspapers, books and stationery	12.79	6.14	11.36	4.30
Accommodation services	..	22.98	122.27	32.56
EDUCATION	..	..	0.00	..
MISCELLANEOUS GOODS & SERVICES	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	..	..	..	..
Credit services	33.37	29.61	77.38	47.54
Other miscellaneous services	0.42	0.23	1.39	1.77
OTHER EXPENDITURE	6.20	4.50	16.80	16.50
Interest payments	6.10	..	..	..
Contributions to savings	..	..	..	13.10
Expenditure incurred whilst overseas	11.40	..	..	..
TOTAL	590.44	561.04	1175.17	824.16

TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	146.06	123.83	209.81	184.93
Fruit and vegetables	22.52	22.09	26.66	27.74
Meat, poultry and fish	23.67	21.56	27.88	29.99
Grocery food	63.76	53.23	75.09	77.01
Non-alcoholic beverages	7.31	7.51	9.58	9.39
Restaurant meals and ready-to-eat food	29.17	19.89	70.89	41.11
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	19.81	19.29	38.27	32.87
Alcoholic beverages	14.90	15.50	29.60	23.60
Cigarettes & tobacco	4.62	3.41	..	8.90
CLOTHING AND FOOTWEAR	14.81	14.71	29.83	27.53
Clothing	10.99	9.49	..	22.18
Footwear	3.96	5.28	2.84	5.28
HOUSING AND HOUSEHOLD UTILITIES	221.97	152.38	198.26	185.68
Actual rentals for housing	26.95	25.53	..	..
Home ownership	42.67	31.39	55.75	46.28
Property maintenance	53.76	10.67	27.70	29.45
Property rates and related services	43.14	41.49	63.78	51.39
Household energy	41.94	43.47	49.58	48.97
HOUSEHOLD CONTENTS AND SERVICES	39.13	31.09	63.78	52.11
Furniture, furnishings and floor coverings	11.26	3.46	13.93	9.09
Household textiles	4.44	2.02	2.32	2.93
Household appliances	8.80	8.39	12.03	9.00
Glassware, tableware and household utensils	2.38	0.86	4.00	4.97
Tools and equipment for house and garden	6.69	4.76	8.71	8.91
Other household supplies and services	5.59	11.69	22.88	17.48
HEALTH	42.35	34.75	69.29	96.12
Medical products, appliances & equipment	11.53	14.76	22.34	43.78
Out-patient services	23.28	19.78	46.66	51.71
TRANSPORT	186.11	85.31	375.96	185.40
Purchase of vehicles	122.80	28.29	234.03	48.37
Private transport supplies & services	45.73	43.80	64.49	72.40
Passenger transport services	17.89	13.27	77.49	64.42
COMMUNICATION (TELECOMMUNICATION)	28.33	23.66	39.30	31.77
Purchase of vehicles	2.72	1.05	1.68	1.47
Private transport supplies & services	1.38	..	..	..
Passenger transport services	24.34	22.22	31.55	30.50
RECREATION AND CULTURE	89.62	59.08	176.85	151.50
Audio-visual and computing equipment	5.19	3.37	13.20	9.01
Other recreational equipment and supplies	14.37	7.53	27.05	17.24
Recreational and cultural services	33.18	20.01	57.89	65.55
Newspapers, books and stationery	7.98	7.37	12.99	11.46
Accommodation services	20.97	7.76	63.50	13.81
EDUCATION	..	3.58	..	..
MISCELLANEOUS GOODS & SERVICES	72.72	60.21	123.87	124.58
Personal care	15.43	14.65	23.49	28.31
Personal effects nec	8.41	3.78	8.30	7.67
Insurance	46.23	39.73	86.46	83.41
Credit services	0.95	1.14	2.10	1.53
Other miscellaneous services	..	0.43	..	2.87
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
Expenditure incurred whilst overseas	0.50	5.00	..	..
TOTAL	872.22	621.48	1399.72	1104.78

EXPENDITURE CHANGES IN 2017

It is useful to consider how the total level of expenditure has changed since 2016, and the extent that change reflects the use of the more recent HES data. We begin by comparing expenditure between 2016³ and 2017.

TABLE 1: CHANGES IN TOTAL WEEKLY EXPENDITURE BY HOUSEHOLD GROUP 2016 – 2017

		2016	2017	CHANGE 2016 – 2017	
		Using 2016 HES		\$	%
One-person households	No Frills – Metro	580.80	590.44	9.64	1.66%
	No Frills – Provincial	552.60	561.04	8.44	1.53%
	Choices – Metro	1161.30	1175.17	13.87	1.19%
	Choices – Provincial	812.50	824.16	11.66	1.44%
Two-person households	No Frills – Metro	858.70	872.22	13.52	1.57%
	No Frills – Provincial	611.80	621.48	9.68	1.58%
	Choices – Metro	1381.70	1399.72	18.02	1.30%
	Choices – Provincial	1089.00	1104.78	15.78	1.45%
				CPI	1.70%

The change between 2016 and 2017 in the table above reflects the impact of inflation. As noted in previous reports, the overall CPI inflation rate can hide substantial differences in inflation between expenditure classes. For example, while the total CPI inflation rate for the twelve months to 30th June 2017 was 1.7%, for the Housing and Household Utilities expenditure class it was 3.1%, and for the Communications expenditure class it was -4.6%. Combined with the different composition of expenditure between household groups, these differences 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 1.19% to 1.66%, with all groups having an effective inflation rate below the CPI rate (1.7%) for the same period. In April 2017, rates of NZ Superannuation increased by 1.41%, with the adjustment based on both the CPI and standard tax rates.

As noted earlier, the 2017 guidelines use a new data set, which may reveal different patterns of expenditure.

TABLE 2: CHANGES IN TOTAL WEEKLY EXPENDITURE BY HOUSEHOLD GROUP FROM NEW DATA SET

		USING 2013 HES DATA	USING 2016 HES DATA	CHANGE \$
One-person households	No Frills – Metro	493.38	580.80	87.42
	No Frills – Provincial	420.99	552.60	131.61
	Choices – Metro	757.45	1161.30	403.85
	Choices – Provincial	785.60	812.50	26.90
Two-person households	No Frills – Metro	526.58	858.70	332.12
	No Frills – Provincial	679.50	611.80	-67.70
	Choices – Metro	1095.20	1381.70	286.50
	Choices – Provincial	1010.95	1089.00	78.05

Table 2 confirms that we can't simply compare the expenditure in 2016 and 2017 from the respective reports, as some of the apparent change has come from the use of the more recent HES data set for this report. It is therefore useful to explore what the new data set tells us.

³ To enable comparison with 2017, the 2016 guidelines have been recalculated using the 2015/16 HES data and are included as an appendix to this report

Some of the increases in total weekly expenditure for 2016, due to the new data from the 2015/16 HES, are substantial. Of note are the changes for the Choices – Metro One-person Household (53.3%), No Frills – Provincial One-person Household (31.3%), No Frills – Metro Two-person Household (63.1%) and Choices – Metro Two-person Household (26.2%).

TABLE 3: CHANGES IN EXPENDITURE DUE TO THE CHANGE IN THE HES DATA SET BY EXPENDITURE CLASS AND HOUSEHOLD GROUP FOR 2016 (\$)

	ONE PERSON HOUSEHOLDS				TWO PERSON HOUSEHOLDS			
	No Frills		Choices		No Frills		Choices	
	Metro	Prov	Metro	Prov	Metro	Prov	Metro	Prov
Food	26.80	8.27	-12.27	-22.74	23.48	-16.13	17.94	7.73
Alcoholic beverages and tobacco group	2.46	4.47	-18.00	-13.04	12.82	0.06	6.80	-2.67
Clothing and footwear group	-16.61	13.36	55.90	13.98	9.91	0.77	-2.00	9.07
Household utilities	-22.73	26.53	-36.42	-47.63	46.09	-1.21	-70.85	8.03
Household contents and services group	-11.41	0.10	-1.89	13.92	5.77	-9.39	19.36	1.24
Health	45.11	-0.42	-11.30	55.67	27.70	-14.19	-5.35	32.58
Transport	27.42	32.32	168.33	33.14	143.19	3.82	248.96	26.03
Communication group	2.29	5.09	2.71	-1.30	7.68	4.90	8.26	5.65
Recreation	-1.67	24.47	190.96	11.65	37.21	-13.82	36.52	1.39
Education						3.50		-1.31
Miscellaneous	36.22	32.51	49.04	10.48	28.77	-18.60	-9.26	-0.25
Other	-0.45	-15.08	16.80	-27.23	-10.51	-7.42	36.11	-9.45

Key to Table: Decreases >\$10 Changes ≤\$10 Increases >\$10 Increases >\$100

Looking at the differences between the expenditure based on the two data sets at a class level assists us to see where the changes in expenditure have occurred for each household group. The table above shows the difference in dollar terms for each class of expenditure for each household grouping. In many cases, the differences simply reflect the accumulation of small increases across all the sub-classes, but in some cases the difference can be largely attributed to a particular sub-class.

Looking first at the One-person Households, we find some of the key increases⁴ relate to:

- No Frills – Metro: Health expenditure, and more specifically in the sub-class of Medical products, appliances and equipment
- No Frills – Provincial: Transport, and specifically Purchase of vehicles
- Choices – Metro: Transport, specifically Passenger transport services, and Recreation and culture, specifically Accommodation. This combination suggests increased spending on holidays.
- Choices – Provincial: Health, specifically Out-patient services

In the Two-person Households⁵, the key increases relate to:

- No Frills – Metro: Transport, and specifically Purchase of vehicles
- Choices – Metro: Transport, and specifically Purchase of vehicles
- Choices – Provincial: Health, specifically Medical products, appliances and equipment

It appears that additional spending on Transport, and to some extent Recreation and Health, are the key reasons for the increases in total expenditure due to the use of the more recent data.

⁴ There were no substantial decreases.

⁵ For the No Frills – Provincial Two-person households there is nothing that stands out to explain the difference

TABLE 4: CHANGES IN THE PROPORTION OF EXPENDITURE IN EACH EXPENDITURE CLASS BY HOUSEHOLD GROUP FOR 2016⁶

	ONE PERSON HOUSEHOLDS				TWO PERSON HOUSEHOLDS			
	No Frills		Choices		No Frills		Choices	
	Metro	Prov	Metro	Prov	Metro	Prov	Metro	Prov
Food	2.3	-2.6	-7.2	-3.3	-6.1	-0.4	-2.3	-0.5
Alcoholic beverages and tobacco group	0.1	0.5	-3.2	-1.7	1.0	0.3	-0.1	-0.5
Clothing and footwear group	-3.6	2.1	4.8	1.6	0.8	0.4	-0.7	0.7
Household utilities	-8.2	-2.3	-12.6	-6.8	-7.1	2.2	-10.1	-0.5
Household contents and services group	-3.1	-1.1	-2.7	1.5	-1.8	-0.9	0.6	-0.2
Health	6.6	-1.3	-2.9	6.8	2.2	-1.5	-1.8	2.6
Transport	3.7	3.4	9.6	3.7	13.7	1.9	15.7	1.3
Communication group	-0.3	-0.1	-0.9	-0.3	-0.7	1.1	0.0	0.3
Recreation	-1.9	1.9	14.5	1.0	0.5	-1.1	0.0	-0.9
Education						0.6		-0.1
Miscellaneous	4.7	3.4	-0.9	0.9	0.2	-1.8	-3.2	-0.9
Other	-0.3	-3.8	1.4	-3.5	-2.8	-0.9	1.9	-1.2

The changes are also reflected in the relative proportion of spending in each of the expenditure groups. Seven of the eight household groups are spending a lower proportion (0.5 - 12.6 percentage points) on Household utilities, with the exception being the No Frills – Provincial Two-person Household group, whose expenditure on Household utilities increased by 2.2 percentage points. Similarly, seven of the eight household groups are spending a lower proportion (0.5 - 7.2 percentage points) on Food, with the exception being a 2.3 percentage point increase for the No Frills – Metro One-person Household group. Six out of the eight household groups are spending a proportionately lower amount (0.2 to 3.1 percentage points) on the Household contents and services group, with the exceptions being Choices – Provincial One-person Household and Choices – Metro Two-person Household, with increases of 1.5 and 0.6 percentage points respectively. Although increased health spending was noted above as being a key reason for the differences between the two data sets, only four of the household groups had an increase in the proportion of their expenditure going to Health with the changes in the range -2.9 to 6.8 percentage points. All household groups increased the proportion of their spending that went to Transport, reflecting the increases in dollar terms, with the increases in the range 1.3 - 15.7 percentage points. Another notable change was an increase of 14.5 percentage points in the proportion of spending on Recreation for the Choices – Metro One-person Household group.

On 1st April 2017, New Zealand Superannuation rates increased by 1.41%, and the two key rates increased to⁷:

TABLE 5: NZ SUPERANNUATION RATES FROM 1 APRIL 2017

Single, living alone	\$390.20 per week	after tax at the M rate
Couples, both qualify	\$600.30 per week	after tax at the M rate

This is the first time since 2008 that the rate of increase in New Zealand Superannuation was less than the CPI rate (2.2%) for the comparable period (year ended 31 March). This reflects the high rate of inflation (CPI of 1%) for the quarter ended 31 March 2017. This highlights a disadvantage of the legislated adjustment methodology, which uses the annual CPI for the year ended one quarter before the adjustment is made. The difference will be made up the following year, but in the meantime the adjusted NZ Superannuation rates do not fully compensate for the higher costs being faced by superannuants. As noted this is the first time this has been an issue in ten years, which indicates the relative infrequency of the particular circumstances that occurred in early 2017.

⁶ The numbers in this table are the change in percentages. For example, 2.3 for Food for the No Frills – Metro One-person Households represents the difference between 15.6% of expenditure on Food in 2016 using the 2013 HES and 17.9% spent on Food in 2016 using the 2016 HES.

⁷ Source: <https://www.workandincome.govt.nz/eligibility/seniors/superannuation/payment-rates.html>

TABLE 6: THE GAP BETWEEN TOTAL EXPENDITURE AND CURRENT RATES OF NZ SUPERANNUATION

		TOTAL WEEKLY EXPENDITURE	NZ SUPER	GAP IN 2017	GAP IN 2016	CHANGE 2016 – 2017
One-person households	No Frills – Metro	\$590.44		-\$200.24	-\$108.62	(84.3%)
	No Frills – Provincial	\$561.04	\$390.20	-\$170.84	-\$36.23	(371.5%)
	Choices – Metro	\$1175.17		-\$784.97	-\$372.69	(110.6%)
	Choices – Provincial	\$824.16		-\$433.96	-\$400.84	(8.3%)
Two-person households	No Frills – Metro	\$872.22		-\$271.92	\$65.36	(-516.0%)
	No Frills – Provincial	\$621.48	\$600.30	-\$21.18	-\$87.56	(-75.8%)
	Choices – Metro	\$1399.72		-\$799.42	-\$503.26	(58.8%)
	Choices – Provincial	\$1104.78		-\$504.48	-\$419.01	(20.4%)

We now have a gap between expenditure levels and NZ Superannuation for all households – previously one household group (No Frills – Metro Two Person) had total expenditure less than NZ Superannuation. As can be seen in the table above, most of the gaps have markedly increased. For some household groups, the gap is now larger than the amount of NZ Superannuation received.

TABLE 7: ESTIMATED SAVINGS REQUIREMENT TO FUND THE GAP BETWEEN EXPENDITURE AND NZ SUPERANNUATION⁸

		WEEKLY GAP	LUMP SUM REQUIRED ⁹	WEEKLY SAVINGS FROM AGE 50 ¹⁰	WEEKLY SAVINGS FROM AGE 25 ¹¹
One-person households	No Frills – Metro	\$200.24	\$196,000	\$241	\$112
	No Frills – Provincial	\$170.84	\$167,000	\$205	\$95
	Choices – Metro	\$784.97	\$769,000	\$946	\$438
	Choices – Provincial	\$433.96	\$425,000	\$522	\$242
Two-person households	No Frills – Metro	\$271.92	\$266,000	\$327	\$151
	No Frills – Provincial	\$21.18	\$21,000	\$25	\$12
	Choices – Metro	\$799.42	\$783,000	\$964	\$446
	Choices – Provincial	\$504.48	\$494,000	\$608	\$281

The above table shows what lump sum is required at retirement in order to fund the gap for each group, and then shows the weekly savings required to achieve that lump sum. The weekly savings required depend on the age at which savings commence.

INCOME IN RETIREMENT

A consistent point in the Retirement Guidelines Expenditure reports has been that households are spending more than is being received from NZ Superannuation. This indicates they must be receiving income from other sources. Previously, we have not had any data to provide information about the other sources of income. For this report, at our request, Statistics New Zealand provided data about income being received by households from the HES, in addition to the standard expenditure data. This provides a more complete picture of the financial conditions of the households and enables a better understanding of New Zealander’s retirement experience in financial terms.

8 The lump sum required was calculated by using the Sorted calculator available at <https://sorted.org.nz/tools/retirementplanner>. 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).

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

10 For a 50-year old individual/couple.

11 For a 25-year old individual/couple.

TABLE 8: AVERAGE INCOME FOR ALL REPORTING HOUSEHOLDS IN GROUP BY SOURCE

			Wages & salaries	Self-employment	Investments	Pension and superannuation	Other government transfers ¹²	Private superannuation ¹³	All other regular income	Total regular income ¹⁴	Total regular income, excl Pension/Superannuation	Proportion of Total regular income from Pension & Superannuation	
One-person household	No Frills	Metropolitan	300.90		206.00	463.70	..	..	167.30	754.40	290.70	61.5%	
		Provincial	..		106.00	463.60	..	127.50	58.60	580.80	11720	79.8%	
	Choices	Metropolitan	1053.60	..	520.70	433.30			524.40	493.20	1890.20	1456.90	22.9%
		Provincial	706.90	..	264.70	424.90	..	..	405.00	1298.80	873.90	873.90	32.7%
Two-person household	No Frills	Metropolitan	249.40	..	71.30	651.80	86.10	..	48.10	727.20	75.40	89.6%	
		Provincial	..	..	16.00	616.20	176.30	..	47.30	661.90	45.70	93.1%	
	Choices	Metropolitan	1236.10	852.80	314.40	436.10			503.50	177.00	1887.60	1451.50	23.1%
		Provincial	810.30	449.00	249.60	490.50	..	409.30	241.80	1312.90	822.40	822.40	37.4%

The table above shows the income received from different sources¹⁵ based on the average for households in the household group receiving that form of income¹⁶. The first key observation is that for the No Frills households the income from Pension and Superannuation is a much greater proportion of their total regular income (61.5% to 93.1%) than for the Choices households (22.9% to 37.4%). Another key observation is that the income from Pension and Superannuation is a greater proportion of total regular income for the Provincial households in each pair of household groups.

The key sources of additional income are Wages and salaries and Investments. It is interesting to note that on average all household groups have some level of other regular income.

An interesting question is the proportion of households receiving income from each source. It is possible to estimate this because we also have the average income received from each source calculated over all households in the group (see Appendix 4). The estimated proportion of households in each group receiving each form of income is shown in Table 9 below.

TABLE 9: ESTIMATED PROPORTION OF HOUSEHOLDS IN EACH GROUP RECEIVING TYPE OF INCOME

			Wages & salaries	Self-employment	Investments	Pension and superannuation	Other government transfers	Private superannuation	All other regular income
One-person household	No Frills	Metropolitan	21.8%		76.8%	100.0%			15.4%
		Provincial			66.2%	100.0%		16.5%	13.7%
	Choices	Metropolitan	45.1%		100.0%	100.0%		33.9%	25.3%
		Provincial	44.8%		78.7%	100.0%			52.8%
Two-person household	No Frills	Metropolitan	6.9%		54.8%	100.0%	13.7%		13.9%
		Provincial			41.9%	100.0%	14.4%		16.1%
	Choices	Metropolitan	55.5%	34.4%	83.5%	100.0%		30.3%	31.8%
		Provincial	47.4%	21.8%	76.6%	100.0%		22.2%	24.2%

12 The Accommodation Supplement is classified as an Other Government Transfer

13 Income from KiwiSaver is included as Private Superannuation.

14 Some households also reported irregular income, but this was a relatively small amount for almost all household groups on average, so is ignored in this discussion.

15 A definition of the income sources is provided in Appendix 3

16 Not all households receive any or all of the types of income shown. Appendix 4 shows the average for each source of income across all households in the group.

It is interesting to note that in most household groups there is a substantial proportion that receive some form of income from investments, although we can see in Table 8 that the range in dollar amounts is large. Another interesting observation is that nearly half of Choices households have income from Wages and salaries, and the average dollar amounts are large, at around twice the level of the income from Pension and superannuation.

SUMMARY AND CONCLUSIONS

This report supports the previous finding that most New Zealanders aspire to, and achieve, a better standard of living in retirement than can be supported by NZ Superannuation alone. The gap between NZ Superannuation and the expenditure levels reflected in the Retirement Expenditure Guidelines has widened for most household groups. However, this report also confirms that most retired households have access to additional income, primarily via earnings on savings /investment or employment, which allows them to fund expenditure in excess of NZ Superannuation. In order to have flexibility and choice around employment during their retirement years, New Zealanders need to save during their working years to provide an income from investment to supplement NZ Superannuation to fund their desired retirement lifestyle.

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/>).

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

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

APPENDIX 1: ABOUT THE RETIREMENT EXPENDITURE GUIDELINES

THE DATA

The data used to prepare the 2017 Retirement Expenditure Guidelines are from the Statistics New Zealand's triennial 2015/16 HES¹⁷ 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%¹⁸ 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. The data extracted are only for retired households, defined as being where one form of income received in the household is New Zealand Superannuation, a war pension or other government pension, and grouped according to the number of people in the household and geographic region.

THE RETIREMENT EXPENDITURE GUIDELINES

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

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

Two types of households have been included in the guidelines: the first is the one-person household; and, the other is a two-person household. While it is true that retired households can comprise a range of living arrangements, including households of three or more people, these guidelines cannot cater for every situation. Approximately 80% of all people aged 65+ live in households of one and two persons according to data from the 2013 census.¹⁹

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:

¹⁷ 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_HOTP_Yelun16

¹⁸ 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.

¹⁹ 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 inflation²⁰ between the June 2016 quarter and the June 2017 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.

²⁰ 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.

APPENDIX 2: THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES FOR 2016 (REVISED)

To enable comparison between years, the 2016 New Zealand Retirement Expenditure Guidelines have been revised using the 2015/16 HES data.

ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	103.80	81.00	121.10	86.20
Fruit and vegetables	21.70	12.40	18.50	11.80
Meat, poultry and fish	17.70	12.00	15.00	8.60
Grocery food	38.70	39.90	48.50	37.40
Non-alcoholic beverages	6.50	4.70	5.70	3.70
Restaurant meals and ready-to-eat food	19.20	12.00	33.30	24.80
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	12.80	9.60	18.10	7.30
Alcoholic beverages	10.60	6.40	18.10	7.30
Cigarettes & tobacco	..	..	27.80	0.00
CLOTHING AND FOOTWEAR	7.80	18.50	55.90	51.80
Clothing	6.40	13.30	..	44.10
Footwear	..	5.10	0.00	..
HOUSING AND HOUSEHOLD UTILITIES	118.30	152.80	169.70	164.90
Actual rentals for housing	..	38.00	0.00	..
Home ownership	28.90	6.20	12.60	..
Property maintenance	2.90	30.50	7.00	39.80
Property rates and related services	49.10	39.80	62.60	46.30
Household energy	29.50	35.50	37.50	38.10
HOUSEHOLD CONTENTS AND SERVICES	25.90	20.10	53.90	62.80
Furniture, furnishings and floor coverings	..	5.20	..	15.00
Household textiles	2.30	0.70	0.00	..
Household appliances	..	5.80	13.70	22.70
Glassware, tableware and household utensils	..	..	12.40	..
Tools and equipment for house and garden	7.90	1.90	2.70	11.20
Other household supplies and services	6.90	5.80	14.90	8.30
HEALTH	82.10	21.20	29.80	78.80
Medical products, appliances & equipment	70.10	6.90	7.50	5.30
Out-patient services	12.00	14.30	22.30	73.50
TRANSPORT	60.20	75.10	274.60	120.70
Purchase of vehicles	..	40.40	..	64.10
Private transport supplies & services	21.60	26.30	49.40	30.70
Passenger transport services	..	8.40	156.00	25.90
COMMUNICATION (TELECOMMUNICATION)	24.50	23.50	27.50	21.70
Purchase of vehicles	..	1.20	..	..
Private transport supplies & services	0.00	..	0.00	..
Passenger transport services	24.10	21.40	27.40	21.20
RECREATION AND CULTURE	52.70	69.30	233.00	103.50
Audio-visual and computing equipment	4.40	3.70	6.60	5.10
Other recreational equipment and supplies	8.30	11.00	19.50	23.40
Recreational and cultural services	19.10	25.80	73.70	38.50
Newspapers, books and stationery	12.50	6.00	11.10	4.20
Accommodation services	..	22.80	121.30	32.30
EDUCATION	..	..	0.00	..

MISCELLANEOUS GOODS & SERVICES	86.50	77.00	160.90	98.30
Personal care	10.70	11.60	13.30	25.60
Personal effects nec	..	7.40	23.20	6.70
Insurance	47.50	45.00	72.90	62.90
Credit services	0.60	0.30	2.00	0.90
Other miscellaneous services	..	12.80	49.50	..
OTHER EXPENDITURE	6.20	4.50	16.80	16.50
Interest payments	6.10	..	..	..
Contributions to savings	..	..	..	13.10
Expenditure incurred whilst overseas	11.4	..	..	..
TOTAL	580.80	552.60	1161.30	812.50

TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	143.20	121.40	205.70	181.30
Fruit and vegetables	20.70	20.30	24.50	25.50
Meat, poultry and fish	23.60	21.50	27.80	29.90
Grocery food	63.00	52.60	74.20	76.10
Non-alcoholic beverages	7.40	7.60	9.70	9.50
Restaurant meals and ready-to-eat food	28.60	19.50	69.50	40.30
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	19.10	18.60	36.90	31.70
Alcoholic beverages	14.90	15.50	29.60	23.60
Cigarettes & tobacco	4.20	3.10	..	8.10
CLOTHING AND FOOTWEAR	14.80	14.70	29.80	27.50
Clothing	11.00	9.50	27.00	22.20
Footwear	3.90	5.20	2.80	5.20
HOUSING AND HOUSEHOLD UTILITIES	215.30	147.80	192.30	180.10
Actual rentals for housing	26.40	25.00	..	..
Home ownership	40.10	29.50	52.40	43.50
Property maintenance	52.40	10.40	27.00	28.70
Property rates and related services	41.80	40.20	61.80	49.80
Household energy	41.20	42.70	48.70	48.10
HOUSEHOLD CONTENTS AND SERVICES	38.90	30.90	63.40	51.80
Furniture, furnishings and floor coverings	11.40	3.50	14.10	9.20
Household textiles	4.40	2.00	2.30	2.90
Household appliances	8.70	8.30	11.90	8.90
Glassware, tableware and household utensils	2.20	0.80	3.70	4.60
Tools and equipment for house and garden	6.60	4.70	8.60	8.80
Other household supplies and services	5.60	11.70	22.90	17.50
HEALTH	41.20	33.80	67.40	93.50
Medical products, appliances & equipment	11.40	14.60	22.10	43.30
Out-patient services	22.60	19.20	45.30	50.20
TRANSPORT	183.90	84.30	371.50	183.2
Purchase of vehicles	121.10	27.90	230.80	47.70
Private transport supplies & services	45.10	43.20	63.60	71.40
Passenger transport services	17.80	13.20	77.10	64.10
COMMUNICATION (TELECOMMUNICATION)	29.70	24.80	41.20	33.30
Purchase of vehicles	2.60	1.00	1.60	1.40
Private transport supplies & services	1.80	..	..	..
Passenger transport services	25.30	23.10	32.80	31.70
RECREATION AND CULTURE	89.80	59.20	177.20	151.80
Audio-visual and computing equipment	5.70	3.70	14.50	9.90
Other recreational equipment and supplies	14.50	7.60	27.30	17.40
Recreational and cultural services	32.50	19.60	56.70	64.20
Newspapers, books and stationery	7.80	7.20	12.70	11.20
Accommodation services	20.80	7.70	63.00	13.70
EDUCATION	..	3.50	..	..
MISCELLANEOUS GOODS & SERVICES	71.50	59.20	121.80	122.50
Personal care	15.70	14.90	23.90	28.80
Personal effects nec	8.00	3.60	7.90	7.30
Insurance	45.50	39.10	85.10	82.10
Credit services	1.00	1.20	2.20	1.60
Other miscellaneous services	..	0.40	..	2.70
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
Expenditure incurred whilst overseas	0.5	5.00	..	..
TOTAL	858.70	611.80	1381.70	1089.00

APPENDIX 3: DEFINITION OF INCOME SOURCES (SOURCE: STATISTICS NEW ZEALAND)

Investment income: net profit or loss received from investments. Investments captured in this collection are rent, rents from Māori land or other leased land, dividends from New Zealand companies, royalties, or interest from: banks, other financial institutions, bonds, stocks, money market funds, debentures, or securities.

New Zealand Superannuation and war pensions: covers New Zealand Superannuation, and veteran's, war disablement, and surviving spouse pensions.

Other government benefits: includes all family assistance payments such as those made as part of the Working for Families package. This category also includes main benefits (eg unemployment benefit, invalid's benefit), and student allowances, emergency benefits, and supplements.

Other sources of regular and recurring income: includes income received from trusts, annuities, alimony, educational scholarships, and income protection insurance.

Private superannuation income: includes income received from both job-related superannuation schemes and other private schemes.

Self-employment income: is the net profit or loss received from all current and previous self-employment jobs held over the reference period. It includes drawings (cash or goods the respondent takes out of the business instead of a 'wage').

Wages and salaries: consists of income received from all current and previous wage and salary jobs held over the reference period. This includes any job-related bonuses, commissions, redundancies, or other taxable income such as honoraria or directors fees. A respondent can have an employment status of 'self-employed', but receive wage and salary income instead of self-employment income.

APPENDIX 4: ALTERNATIVE VERSION OF TABLE 7

TABLE 11: AVERAGE INCOME FOR ALL HOUSEHOLDS IN GROUP BY SOURCE

			Wages & salaries	Self-employment	Investments	Pension and superannuation	Other government transfers	Private superannuation	All other regular income	Total regular income
One-person household	No Frills	Metropolitan	65.50		158.20	463.70	..	..	25.70	754.40
		Provincial	..		70.20	463.60	..	21.10	8.00	580.80
	Choices	Metropolitan	475.70	..	520.70	433.30		177.90	124.60	1890.20
		Provincial	316.60	..	208.40	424.90	..	..	213.70	1298.80
Two-person household	No Frills	Metropolitan	1720	..	39.10	651.80	11.80	..	6.70	727.20
		Provincial	..	..	6.70	616.20	25.30	..	7.60	661.90
	Choices	Metropolitan	686.60	293.60	262.60	436.10		152.50	56.20	1887.60
		Provincial	384.00	97.90	191.10	490.50	..	90.90	58.50	1312.90

This is an alternative version of Table 7 in the report. It shows the amount received for each category of income on average across all households in the group, irrespective of whether the household actually receives income from that source.