

Plan for an Enjoyable Retirement



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Disclaimer

Liz Koh is an Authorised Financial Adviser. The advice given here is general, for information purposes and does not constitute specific advice to any person.

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A disclosure statement is available free of charge on request by calling **0800 273 847**



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What We Will Cover

Saving for Retirement

How much do I really need?

Managing money in retirement



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Saving for Retirement

KiwiSaver is the principal savings vehicle

What about other forms of saving?

How much should I contribute?

Should I pay off my mortgage rather than save?



How Much Do I Really Need?

It depends!

- **At what age will you need to start using your retirement savings?**
- **Where do you live?**
- **What will be your budget for weekly living expenses?**
- **What are your spending plans for big ticket items in retirement?**
- **Do you have any health considerations which might affect your retirement plans?**
- **Are there any factors that might shorten or lengthen your life as compared to the average person?**



How Much Do I Really Need?

There are two types of spending:

- 1. Weekly living expenses**
- 2. Lump sum spending**
 - Planned spending**
 - Unplanned spending**

Weekly Living Expenses

Retirement Expenditure Guidelines – Massey University Fin-Ed Centre 2019 findings:

- **NZ Superannuation is not enough**
- **How much you need over and above NZ Superannuation depends on where you live and how comfortably you want to live**



NZ Retirement Expenditure Guidelines as at 30 June 2019

	One Person Households		Two Person Households	
NZ Superannuation	\$411.15		\$632.54	
Weekly Expenditure	Metro	Provincial	Metro	Provincial
“No Frills” budget	\$602.11	\$574.35	\$898.73	\$639.90
“Choices” budget	\$1190.37	\$830.54	\$1436.00	\$1135.70



Estimated Savings Requirement to Fund the Differences between Expenditure and NZ Superannuation

		Weekly Difference	Lump Sum Required
One person households	No Frills Metro	\$190.96	\$187,000
	No Frills Provincial	\$163.20	\$160,000
	Choices Metro	\$779.22	\$764,000
	Choices Provincial	\$419.39	\$411,000
Two person households	No Frills Metro	\$266.19	\$161,000
	No Frills Provincial	\$7.36	\$7,000
	Choices Metro	\$803.46	\$787,000
	Choices Provincial	\$503.16	\$493,000



How Much Do I Really Need?

As a rule of thumb, for every \$10,000 per annum of income you need over and above NZ Superannuation, you will need a lump sum of around \$180,000

This assumes a net real return of 1% and that you run your capital down over twenty years



Lump Sum Spending

- 1. Unplanned – eg health costs, unexpected home maintenance**
- 2. Planned – travel, new car, planned home maintenance**

The amount of planned lump sum spending will be determined by your financial situation and the things that bring you the greatest happiness.

Work Out How Much You Need

1. **Work out your income top-up** - the difference between your weekly expenses and your income from NZ Superannuation and other sources
2. **Work out how much capital you will need to produce the income top-up** - about \$180,000 for every \$10,000 of top-up income
3. **Work out the lump sums you will need to spend on things like travel, new cars, home maintenance and so on over the course of your retirement**

Capital for income top-up + capital for lump sum spending = total retirement capital



Plan to Save and Plan to Spend

If you are not yet retired:

Plan to Save - Work out how much you need to save to build up the retirement capital you need

If you are about to retire:

Plan to Spend - Compare the total retirement capital you need against what you have on hand



Putting it in perspective

- For **40%** of New Zealanders, NZS provides **100%** of their income
- The **next 20%** get on average **80%** of their income from NZS
- Half of older New Zealanders receive **less than \$100** a week from sources other than Government payments

These figures haven't changed much over the last two decades

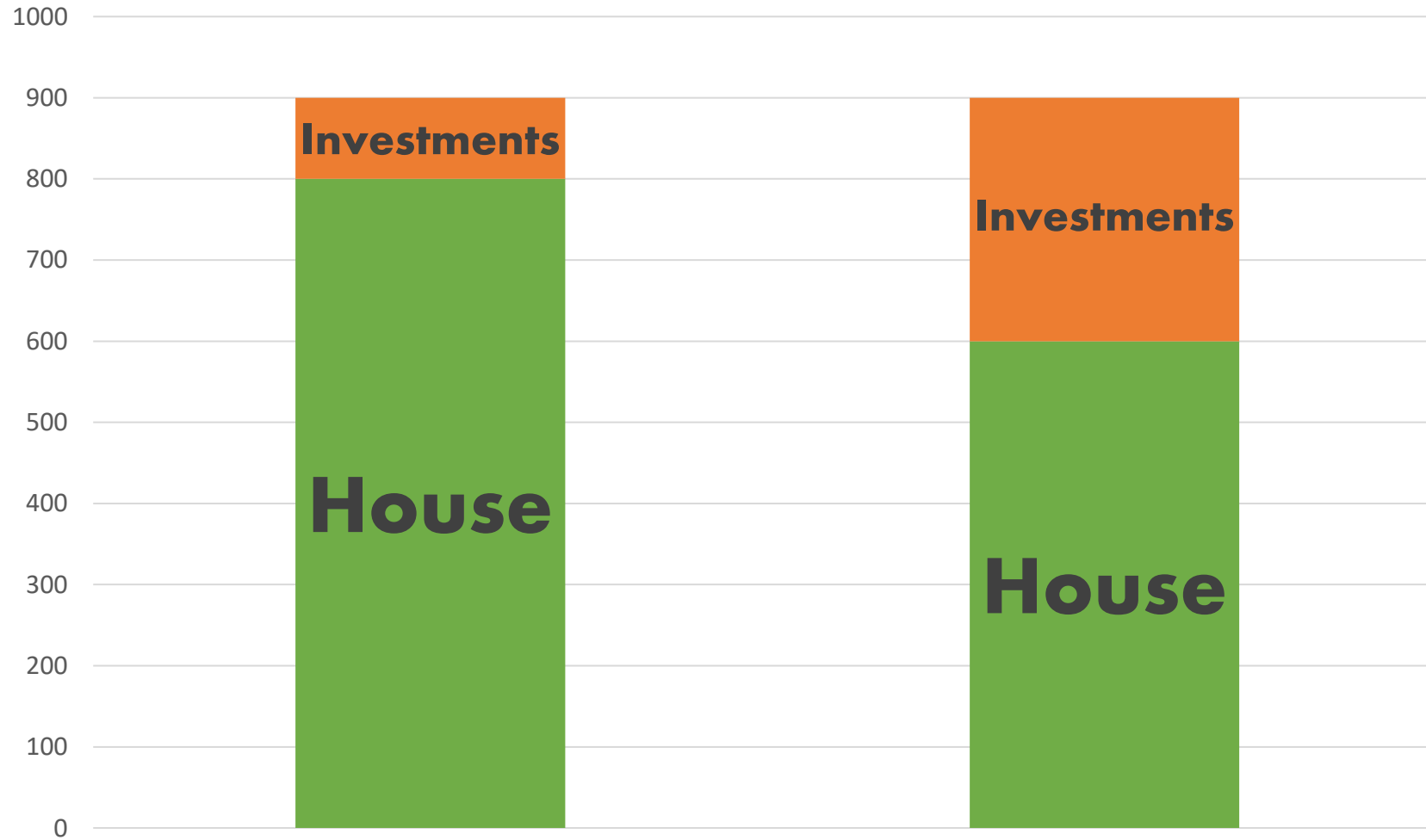
(from a 2013 report to the Commission for Financial Capability)

Key questions for retirement

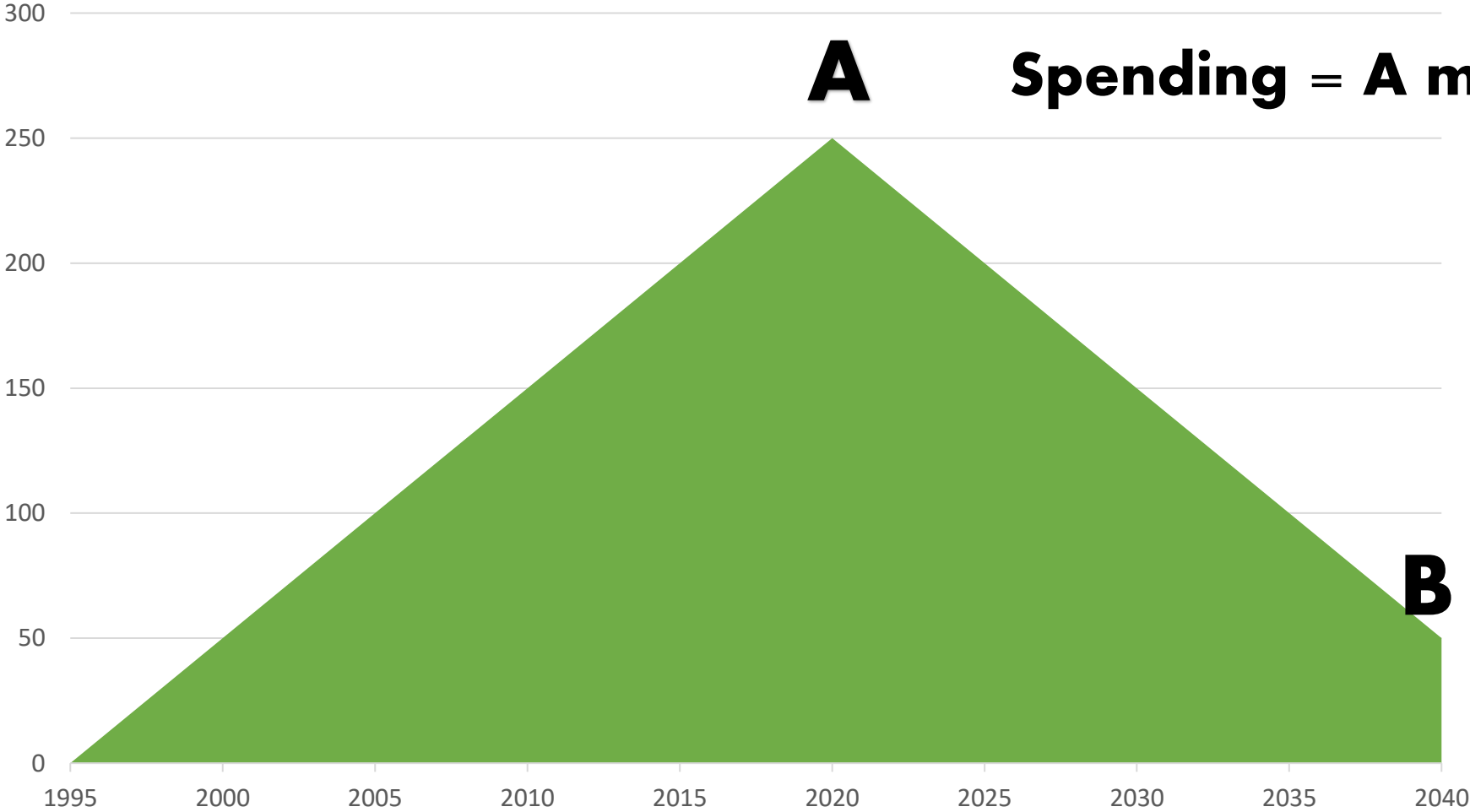
1. **Are you “asset rich and cash poor”? – how much is tied up in your house vs investments?**
2. **How much of your money do you want to spend in your lifetime? – if you don’t spend it your kids will!**
3. **When will you spend your money?**



Assets



Retirement Capital



Key Principles for Retirement

- **Your goal is to have money available when you want to spend it – not to get the highest return**
- **Remove the distinction between capital and return**

Ask yourself two key questions:

1. **Who is going to spend your money? (You or someone else?)**
2. **When is your money going to be spent?**

Then decide how to best invest your money between now and the time you plan to spend it.

Spending Your Money - The Three Stages of Retirement

Live it up



Fix it up



Wind it down



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Invest Your Money – Match Strategy to Time Frame



- Money from investments
- Money from NZ Super



Money for Weekly Expenses and Lump Sums

Questions?

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