

NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES



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INTRODUCTION

At the recent Older Persons' Forum¹ hosted by the Te Ara Ahunga Ora Retirement Commission (1-2 September 2021), a comment was made that New Zealanders are sleepwalking into retirement. Retirement represents a substantial life change for most New Zealanders and is often included in lists of the most stressful life events. Sleepwalking into retirement is therefore not a recommended approach, rather it is important to prepare and plan for retirement. It will otherwise be very challenging for the majority of New Zealanders to achieve the expectations and aspirations they hold for their future retirement.

For the Baby Boomers that have not yet retired, there is some urgency to this preparation as at most they now have eight years before reaching the age of 65, the age of eligibility for New Zealand Superannuation and widely seen as the retirement age in NZ. Retirement now looms on the horizon for Generation X, with the first of these reaching age 65 in less than ten years. While the Millennials have at least 25 years before reaching age 65, it is not too soon for them to start thinking about their retirement.

One element of the preparation for retirement, and arguably one of the more important, is the question of financial resources required to meet a person's retirement needs. The 2021 Retirement Expenditure Guidelines in this report are the tenth in the series that commenced in 2012^{2,3} to assist pre-retirement New Zealanders 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; however, this does not include an evaluation of the sufficiency of NZ Superannuation. Pre-retirees can use this information as part of their retirement preparation, to plan budgets for their desired future retirement lifestyle and 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 with an adjustment for inflation to 30th June 2021. In addition, we discuss other matters that need to be considered as part of retirement preparation, and useful sources of information that will assist.

ABOUT THIS REPORT

The New Zealand Retirement Expenditure Guidelines as at 30th June 2021 are prepared from the Statistics New Zealand's triennial 2018/19 Household Economic Survey (HES) for the year ended 30 June 2019.

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.

1 The recorded webinars and related documents can be found on the Commission's website at <https://retirement.govt.nz/policy-and-research/retirement-income-system-policy/older-persons-forum/>

2 Previous editions can be found on the Fin-Ed Centre website.

3 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.

KEY FINDINGS IN THIS REPORT

THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES AS AT 30TH JUNE 2021

	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
WEEKLY NZ SUPER RATES After tax	\$436.94		\$672.22	
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills budget	\$726.19	\$604.92	\$864.94	\$746.81
Choices budget	\$1028.89	\$1116.23	\$1470.26	\$1176.14

- Most New Zealanders aspire to a better standard of living in retirement than can be supported by NZ Superannuation alone.
- Most households where NZ Superannuation is currently a source of income have achieved this.

EXPENDITURE CHANGES FROM 2020 TO 2021

- The effect of inflation on expenditure for each of the household groups is in the range 3.08% to 4.64%, with four groups having an effective inflation rate above the CPI rate of 3.30% for the same period.
- The key inflationary drivers for superannuants for the twelve months ended 30th June 2021 were Transport, Restaurant meals and ready-to-eat food, Recreation and culture, and Housing and household utilities.
- The household groups considered in this report are spending more than is received from NZ Superannuation.

PREPARING FOR RETIREMENT

- To avoid sleepwalking into retirement, people need to be proactive about their preparation. Factors to consider include: budgeting, life insurance, health needs, living arrangements, wills, enduring powers of attorney, family trusts and retirement activities.
- Sources of assistance with retirement preparation include financial advisers and the Sorted website.

EXPENDITURE CHANGES IN 2021⁴

The expenditure changes noted from the 2020 report reflect the impact of inflation for the twelve months ended 30th June 2021.

TABLE 1: CHANGES IN TOTAL WEEKLY EXPENDITURE BY HOUSEHOLD GROUP 2020 - 2021

		Total Weekly Expenditure		Change 2019 – 2020	
		2020	2021	\$	%
One-person households	No Frills – Metro	703.60	726.19	22.59	3.21%
	No Frills – Provincial	586.10	604.92	18.82	3.21%
	Choices – Metro	993.34	1028.89	35.55	3.58%
	Choices – Provincial	1066.73	1116.23	49.50	4.64%
Two-person households	No Frills – Metro	835.34	864.94	29.60	3.54%
	No Frills – Provincial	724.47	746.81	22.34	3.08%
	Choices – Metro	1423.29	1470.26	46.97	3.30%
	Choices – Provincial	1137.17	1176.14	38.97	3.43%
				CPI	3.30%

Table 1 above shows the change in total expenditure between 2020 and 2021 for each of our household groups. The change for three groups was less than the rate of inflation as measured by the CPI, with the Choices-Metro Two-Person Household (C2PH_{Met}) matching the CPI rate. The other three Choices-Metro groups (C1PH_{Met}, C1PH_{Prov}, C2PH_{Prov}) and the NF2PH_{Met} had an increase in expenditure greater than the CPI increase. The different inflation rates for each household group were expected and result from the different expenditure patterns for each group which do not exactly match the basket of goods used to calculate the CPI.

As noted in previous reports, the overall inflation rate for each household group results from the interaction of many items, so it is not straightforward to explain the differences between them. However, there are some key differences in expenditure patterns for our retired households relative to the CPI.

Transport was weighted at 11.93% in the CPI but ranges from 11% to 35% for the One-Person Household groups and 12% to 17% for the Two-Person Household groups, with five of the eight groups having expenditure on Transport of more than the CPI weighting. Combined with an above CPI increase for Transport of 9.4%, expenditure on Transport is a key reason for the increase in overall expenditure. The increase in petrol prices would have been a key driver of this increase, with MBIE's monitoring of fuel prices⁵ showing that Regular 91 petrol increased from \$1.85.99 per litre on 3rd July 2020 to \$2.23.95 per litre on 2nd July 2021, an increase of 20.4%. Allowing for a fuel efficiency of 10 litres per 100km, and travel of 10,000km in a year, this price increase would result in an increase in expenditure of \$380 per annum.

Another expenditure class contributing to the above CPI increases in expenditure is the Restaurant meals and ready-to-eat food, which is a sub-group of the Food expenditure group, although the impact is not as great as Transport. Four of the eight groups have expenditure on Restaurant meals greater than the CPI weighting. This group is weighted at 5.07% in the CPI, ranging from 4-8% for the One-Person Household groups and 4-6% for the Two-Person Household groups. The heavier weighting is combined with an above CPI increase of 4.3%.

⁴ The detailed Retirement Expenditure Guidelines are in Appendix 1.

⁵ Source: <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/weekly-fuel-price-monitoring/>

Similarly, Recreation and culture is a greater proportion of spending for our household groups, ranging from 9-14% for the One-Person Household groups and 10-17% for the Two-Person Household groups, compared to 8.46% in the CPI. In this case the higher weighting offsets the slightly below CPI increase of 2.9% in this expenditure class.

EXPENDITURE RELATIVE TO NZ SUPERANNUATION IN 2021

On 1st April 2021, the two key rates of New Zealand Superannuation rates increased to⁶:

TABLE 2: NZ SUPERANNUATION RATES FROM 1 APRIL 2021

Single, living alone	\$436.94 per week	after tax at the M rate
Couples, both qualify	\$672.22 per week	after tax at the M rate

The CPI rate for the year ended 31 March 2021 was 1.5%, while the increase in New Zealand Superannuation from 1 April was somewhat greater at 3.09%. This reflects the legislated adjustment methodology, which uses the annual CPI, while also maintaining relativity with the net average wage, which increased by 3.10%.

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

		Total Weekly Expenditure	NZ Super	Difference in 2021	Difference in 2020	Change in Difference 2020 – 2021
One-person households	No Frills – Metro	726.19	\$436.94	-\$289.25	-\$279.77	3.39%
	No Frills – Provincial	604.92		-\$167.98	-\$162.27	3.52%
	Choices – Metro	1028.89		-\$591.95	-\$569.51	3.94%
	Choices – Provincial	1116.23		-\$679.29	-\$642.90	5.66%
Two-person households	No Frills – Metro	864.94	\$672.22	-\$192.72	-\$183.30	5.14%
	No Frills – Provincial	746.81		-\$74.59	-\$72.43	2.98%
	Choices – Metro	1470.26		-\$798.04	-\$771.25	3.47%
	Choices – Provincial	1176.14		-\$503.92	-\$485.13	3.87%

For all household groups the average household spends more than they receive from NZ Superannuation, and in 2021 the difference has increased for all household groups, as the table above shows. The proportional changes are more consistent across the household groups than we have found in the past.

Table 4 provides a rough estimation of the lump sum required at retirement to fund the additional spending over NZ Superannuation for each group, assuming no other income. It also shows the weekly savings required to achieve that lump sum, depending on the age at which saving commences. If saving is started at a younger age, regular amount of savings required is smaller.

⁶ Source: <https://www.workandincome.govt.nz/eligibility/seniors/superannuation/payment-rates.html>

TABLE 4: ESTIMATED SAVINGS REQUIREMENT TO FUND THE DIFFERENCES BETWEEN EXPENDITURE AND NZ SUPERANNUATION⁷

		Weekly Difference	Lump Sum Required ⁸	Weekly Savings	
				From age 50 ⁹	From age 25 ¹⁰
One-person households	No Frills – Metro	\$289.25	\$293,000	\$324	\$86
	No Frills – Provincial	\$167.98	\$170,000	\$185	\$47
	Choices – Metro	\$591.95	\$600,000	\$678	\$184
	Choices – Provincial	\$679.29	\$688,000	\$779	\$212
Two-person households	No Frills – Metro	\$192.72	\$195,000	\$215	\$55
	No Frills – Provincial	\$74.59	\$75,000	\$77	\$17
	Choices – Metro	\$798.04	\$809,000	\$917	\$251
	Choices – Provincial	\$503.92	\$511,000	\$576	\$156

As discussed in the 2019 report, these lump sums, and the savings required to achieve them, can be reduced in several ways. Reductions could be achieved by working part-time in retirement to provide ongoing income or delaying retirement. Alternatively, as discussed in the 2020 report, choosing a fund that invests in more growth assets would be expected to result in a greater lump sum from the same level of savings. As noted in the earlier report, greater volatility should be expected as the proportion of growth assets increases, so these funds may not be suitable for all investors.

7 The lump sums in Table 4 were calculated using the Sorted calculator available at <https://sorted.org.nz/tools/kiwisaver-calculator>. 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).

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

9 For a 50-year old individual/couple.

10 For a 25-year old individual/couple.

KEY FACTORS TO THINK ABOUT FOR RETIREMENT

As noted at the beginning of this report, retirement represents a substantial life change for most New Zealanders, for which it is important to prepare and plan. One of the most important aspects of retirement preparation is financial, i.e. ensuring that you have sufficient income available to have the retirement that you aspire to. However, there are other aspects of retirement to think about, many of which will directly or indirectly affect the financial planning for retirement.

FINANCIAL MATTERS

While the Retirement Expenditure Guidelines provide guidance based on expenditure by currently retired households, it is important to remember that no two households are the same. Therefore, it is a good idea to actually look at your own pre-retirement expenditure to think about how it will change in retirement. If you don't already have a budget and/or track your spending, it would be useful to start doing so. This will allow you to better estimate your likely expenditure in retirement, and will have the added benefit of possibly identifying current areas of expenditure that could be reduced to assist in achieving your retirement savings goal. The Sorted website has a guide to budgeting, including a budgeting tool¹¹. In addition, there are many budgeting organisations around New Zealand^{12,13} that can assist, and you should be able to find one in your region.

As you think about your budget, you should remember that once you are eligible for NZ Super you will also be eligible for the SuperGold Card which offers discounts and special offers on everyday essentials. The offers include discounts on fuel, energy and telecommunications. The SuperGold Card website¹⁴ provides information about the card and the offers available.

Reviewing your life insurance arrangements is something everyone should do on a regular basis, but it's even more important to do so on reaching retirement. For example, if you no longer have dependents and are debt-free do you still need life insurance? If you decide you do still need life insurance, the other question is the amount of cover required, which means there is a need to think about the purpose of having it.

While many elderly New Zealanders have very healthy lives in retirement, it is also true that many encounter increasing health issues, which may include the need for joint replacements or procedures to address cardiac health issues. At the same time, health insurance generally becomes increasingly expensive as we age. Research has shown that some retired people endure lifestyle restrictions from health issues for an extended period due to delays in accessing assistance via the public health system. In your financial planning for retirement, you may want to consider how you will fund the increasing cost of health insurance or an alternative option of self-insuring if you have sufficient funds and do not want to rely on the public health system.

LIVING ARRANGEMENTS

A substantial matter to consider is your living arrangements in retirement, noting that these may change over the course of your retirement. In the 2020 report, we explored the difference in the financial resources required for retirement between living in your own home and living in rental accommodation. However, that is only part of the question. If you do own your own home, will you continue to live in your existing home? And if you do, how long do you anticipate remaining there? However, perhaps your aspirations for retirement involve relocation, whether that is for better weather or to be closer to family. If you plan to relocate, will that mean you need to have additional funds because property prices are higher where you plan to move to? On the other hand, whether you stay in the same area or relocate, one option, that will assist in providing you with a lump sum to help fund

11 <https://sorted.org.nz/guides/planning-and-budgeting/budget-dont-fudge-it/>

12 <https://www.familyservices.govt.nz/directory/searchresultspublic.htm?searchTerms=budget&cat1=-1&searchRegion=-1&search=Search>

13 <https://www.moneytalks.co.nz/find-help-now/>

14 <https://www.supergold.govt.nz/>

expenditure in excess of New Zealand super, would be to downsize and thereby free up capital to generate income.

Of course, your accommodation options are not limited to home ownership and rental accommodation. Another option is a retirement village, although it is important to note that this is not the same as buying a house. As noted on the Sorted website:

The financial arrangements are more complex and villages vary in their accommodation and facilities, services, support and care, legal and financial structures, philosophy and management. A decision to move into a village is important as it has long-term personal and financial consequences¹⁵.

Sorted offer a guide to retirement villages.¹⁶ The Retirement Commission also has a role in advising and educating about retirement villages, and they offer a range of information on their website.¹⁷

Another possibility is a rest home, if your health needs mean that you require residential care. In this situation you may be eligible for a Residential Care Subsidy, which would pay for the cost of your care. However, the subsidy is subject to a needs assessment by your local District Health Board or Needs Assessment Service Co-ordination agency and a financial means assessment. The Ministry of Health provides information about residential care¹⁸. It's important to note that if you are eligible for the Residential Care Subsidy, most of your NZ Super will be used to help cover the cost and you will only receive a small allowance to cover your personal requirements.

Anecdotally, those who choose to downsize or move to other accommodation options, such as rest homes, often leave it later than is ideal.

It is important in thinking about your living arrangements for retirement to consider how your partner status may change. If you are currently partnered, what difference will it make for you if your partner dies? Would your plans to remain in your existing home or to relocate change?

LEGAL MATTERS

When it comes to legal issues there are three key elements to think about: Wills, Enduring Powers of Attorney and Family Trusts. However, this is not an exhaustive list.

Putting a will in place can be relatively easy if it's straightforward, but more complex family relationships can make it more difficult. The Public Trust notes that "making a plan for what happens after you die is the best way to ensure that the people and things you love are looked after", and they can assist with that. Your lawyer can also assist you to prepare a will, and in some cases will do that at no cost. It is important to review your will on a regular basis. A will written when your children were infants may not be as appropriate if they are now in their thirties, and changes in marital status may also mean that your existing will is no longer fit for purpose. Sometimes people are not aware that if they die without leaving a will there is legislation that decides how their assets will be distributed, which may not be the way they would have wanted it done.

An Enduring Power of Attorney (EPA) is a legal document that gives another person the power to act on your behalf if you are no longer able to do so. As the Public Trust explains "EPAs are as important as wills for protecting you and your family - they ensure that your care, wellbeing, and finances are taken care of by people you trust"¹⁹. There are actually two types of EPA: one is for your property and the other is for your wellbeing. You choose who to appoint to make decisions on your behalf and the circumstances in which they have the right to act. The person(s) appointed to act on your behalf may be the same for both types of EPA or you may choose a different person or persons for each. There

15 Source: <https://sorted.org.nz/guides/retirement/living-in-retirement/>

16 <https://sorted.org.nz/guides/retirement/choosing-a-retirement-village/>

17 <https://retirement.govt.nz/retirement-villages/our-role/>

18 <https://www.health.govt.nz/our-work/life-stages/health-older-people/long-term-residential-care>

19 Source: <https://www.publictrust.co.nz/products-and-services/enduring-power-of-attorney/>

is a strong argument that everyone aged 18 or older should have EPAs, as they need to be prepared when you are mentally capable and the need for them may be due to an accident or illness, which can affect people of any age. However, as you age the need for them increases. Without an EPA in place, a court order would be required for someone to be able to act on your behalf. As with a will, the Public Trust or your lawyer can assist in preparing EPAs.

A family trust may be used to protect the ownership of assets, but it is important to be aware that the ownership of those assets then shifts to the trustees who are required to act in line with the terms of the trust deed. Reasons for creating a family trust include protecting assets from claims and creditors or to put money aside for particular purposes. Deciding to create a family trust is not something that should be undertaken lightly or without professional legal and accounting advice because there are substantial risks if a trust is not properly set up.

RETIREMENT ACTIVITIES

Having reached retirement, the key lifestyle change is that you are no longer employed and suddenly have a lot of time available. It's important to think about what you are going to do with that time, and how that will influence your financial requirements for retirement.

If you're planning to spend your time at home, reading the stack of books beside your bed and getting into your garden, the cost may not be great, although you may want new plants for the garden. Similarly, getting involved in community organisations as a volunteer may involve minimal cost, although sometimes the cost of that involvement can be greater than you expect. Perhaps you are finally going to have time to play golf, join the bridge club or take up some other recreational activity you've never had time for. Most recreational activities have costs, both upfront equipment costs and ongoing membership fees, that need to be incorporated into your retirement budget.

On the other hand, perhaps you have family and friends around New Zealand that you want to visit. Is the purchase of a campervan and lots of travelling in your retirement plans? If so, there's a need to think about the funding of the purchase price of the campervan and then building the cost of maintenance and travel into your retirement budget. You may be lucky, or unlucky depending on your perspective, that your family and friends are overseas so your visits will require overseas travel. Again, that travel needs to be built into your retirement budget, perhaps via a specific travel fund.

WHERE TO GET HELP

While planning for retirement often focuses on having the necessary financial resources, there are a lot of other things to think about (although many of these also impact on the financial planning for retirement). It could easily become overwhelming, which is why some people defer their retirement preparation, sometimes until it is too late. There are many sources of information and assistance, some of which are listed in Appendix 4.

Your preference may be to do as much as possible of your planning yourself. In that case, the Sorted website has good information and useful tools to assist you. You can save your plans for later access and revision – the data is not accessible and cannot be shared and remains anonymous.

Alternatively, you may prefer assistance with your retirement planning, and there are hundreds of financial advisers operating throughout New Zealand who could assist. You can find a financial adviser through Financial Advice New Zealand or the Financial Service Providers Register (see Appendix 4 for information on access to both). Financial advisers can help you understand your goals and aspirations and then provide recommendations and advice that is relevant to your situation. Financial planners will help you with your long-term financial goals, such as retirement.

However, you choose to do it, the most important thing is to do it. Make a plan for retirement, so that you are not one of the New Zealanders sleepwalking into retirement and so you can have the retirement you have dreamt of.

SUMMARY AND CONCLUSIONS

For the household groups in this survey – quintiles two and four – the average household continues to spend at levels in excess of New Zealand Superannuation. The level of expenditure in excess of NZ Superannuation has increased for these households. In order to achieve their desired standard of living in retirement that is reflected in these levels of expenditure, most New Zealanders will still need to make provision for supplementary retirement income in addition to what NZ Superannuation can provide.

Costs continue to rise for retirees, with the main contributors including Restaurant meals and ready-to-eat food (with inflation of 4.3%), Transport (9.4%), and Recreation and Culture (2.9%). This contributes to the increase in expenditure being greater than the overall CPI for five of our household groups.

Knowledge of expenditure by current retirees, as provided by the Retirement Expenditure Guidelines, is helpful in preparing for retirement. However, there are a range of other matters that a person should also consider as they plan for their retirement. These matters, such as living arrangements and retirement activities, have a direct or indirect impact on financial planning. While the extent of these issues can seem overwhelming there are a variety of resources available to assist, including financial advisers.

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 “ballpark” 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 consider 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 a 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: THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
Food	123.48	106.94	149.72	123.59
Fruit and vegetables	19.14	13.69	25.15	12.13
Meat, poultry and fish	14.13	15.58	24.20	16.00
Grocery food	48.15	52.68	45.99	45.27
Non-alcoholic beverages	5.99	3.45	5.99	5.78
Restaurant meals and ready-to-eat food	36.45	21.20	49.54	44.56
Alcoholic beverages, tobacco and illicit drugs	13.01	12.69	49.35	17.63
Alcoholic beverages	7.62	8.55	24.00	..
Cigarettes and tobacco	..	..	..	..
Clothing and footwear	12.36	..	..	..
Clothing	12.42	..	..	..
Footwear	0.00	..	..	0.00
Housing and household utilities	217.88	184.86	186.46	187.64
Actual rentals for housing	..	43.30	..	..
Home ownership	37.87	24.51	..	..
Property maintenance	42.40	22.00	23.29	5.87
Property rates and related services	50.29	35.69	49.75	64.24
Household energy	27.17	34.84	31.81	35.05
Household contents and services	41.39	34.94	47.64	7.27
Furniture, furnishings and floor coverings	16.75	8.83	..	0.00
Household textiles	..	..	..	..
Household appliances	11.40	10.49	..	..
Glassware, tableware and household utensils	..	..	..	..
Tools and equipment for house and garden	..	5.49	..	..
Other household supplies and services	4.71	8.69	11.93	4.19
Health	29.67	32.99	21.99	63.38
Medical products, appliances and equipment	6.09	5.69	..	8.68
Out-patient services	23.86	27.55	17.21	55.32
Transport	90.13	68.96	205.52	404.86
Purchase of vehicles	..	..	..	..
Private transport supplies and services	25.56	28.62	35.34	47.86
Passenger transport services	40.43	25.08	..	31.46
Communication (Telecommunication)	28.98	16.56	22.26	31.65
Postal services	..	0.82	0.00	..
Telecommunication equipment	25.87	0.00	0.00	0.00
Telecommunication services	1.59	16.05	22.58	29.39

	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
Recreation and culture	67.59	74.34	143.70	124.60
Audio-visual and computing equipment	..	4.34	..	..
Other recreational equipment and supplies	14.45	17.29	39.12	24.15
Recreational and cultural services	15.90	16.62	72.03	17.34
Newspapers, books and stationery	7.03	10.23	5.97	8.85
Accommodation services	30.64	21.98	..	..
Education	..	..	..	..
Miscellaneous goods and services	99.19	63.75	149.74	134.01
Personal care	17.30	11.10	37.15	18.73
Personal effects nec	16.57	..	14.18	..
Insurance	60.40	43.09	94.89	74.13
Credit services	0.47	1.14	1.14	0.85
Other miscellaneous services	..	..	..	31.62
Other expenditure	2.50	8.90	52.50	21.60
Interest payments	..	8.80	..	..
Contributions to savings	..	0.00	..	..
Money given to others (excluding donations)	0.00	0.00	..	..
TOTAL	726.19	604.92	1028.89	1116.23

TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
Food	149.93	158.67	289.74	193.12
Fruit and vegetables	22.48	25.71	39.07	27.94
Meat, poultry and fish	26.49	26.80	40.51	29.19
Grocery food	60.81	69.24	109.27	80.15
Non-alcoholic beverages	9.23	10.96	14.61	10.15
Restaurant meals and ready-to-eat food	30.72	25.53	86.96	45.64
Alcoholic beverages, tobacco and illicit drugs	15.81	12.47	34.62	23.44
Alcoholic beverages	13.08	10.92	30.91	17.20
Cigarettes and tobacco	..S	..S	..S	..S
Clothing and footwear	15.12	16.45	41.07	31.57
Clothing	12.32	14.07	27.51	18.48
Footwear	..	..	..	12.83
Housing and household utilities	176.92	159.44	293.80	232.57
Actual rentals for housing	29.58	17.02	56.92	20.32
Home ownership	32.46	23.74	70.66	83.14
Property maintenance	18.37	18.48	42.72	26.06
Property rates and related services	48.02	47.59	56.99	53.10
Household energy	38.58	46.86	47.57	45.65
Household contents and services	65.47	33.09	62.40	49.38
Furniture, furnishings and floor coverings	40.81	10.66	17.26	9.04
Household textiles	..	2.25	3.68	9.09
Household appliances	7.67	10.69	14.93	7.77
Glassware, tableware and household utensils	2.35	1.84	3.68	1.74
Tools and equipment for house and garden	3.36	2.24	6.61	5.80
Other household supplies and services	10.26	5.13	16.22	16.12
Health	62.66	35.37	48.65	32.78
Medical products, appliances and equipment	16.66	9.68	7.58	7.78
Out-patient services	46.13	25.76	41.49	25.02
Transport	157.84	93.80	244.20	209.82
Purchase of vehicles	55.40	39.39	106.21	69.60
Private transport supplies and services	61.41	43.49	60.80	80.45
Passenger transport services	41.51	10.70	79.78	60.53
Communication (Telecommunication)	26.49	27.97	51.70	38.64
Postal services	..	0.92	17.38	3.78
Telecommunication equipment	0.00	0.00	0.00	..
Telecommunication services	26.22	27.53	36.67	28.37

	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
Recreation and culture	93.34	130.10	177.14	190.11
Audio-visual and computing equipment	8.75	5.81	10.47	4.99
Other recreational equipment and supplies	16.56	26.36	27.10	22.67
Recreational and cultural services	37.23	27.10	40.34	47.58
Newspapers, books and stationery	8.87	7.74	20.99	8.36
Accommodation services	21.95	2.80	35.50	30.94
Education	0.00	..	..	..
Miscellaneous goods and services	87.87	72.14	171.65	125.30
Personal care	9.77	11.30	40.62	26.06
Personal effects nec	5.84	5.52	19.81	2.81
Insurance	70.15	53.89	99.92	87.66
Credit services	1.42	0.76	3.23	1.42
Other miscellaneous services	..	0.22	6.63	6.74
Other expenditure	13.50	7.30	55.30	49.40
Interest payments	11.00	6.00	36.70	31.50
Contributions to savings	..	0.80	13.80	17.30
Money given to others (excluding donations)	0.00	..	..	..
TOTAL	864.94	746.81	1470.26	1176.14

APPENDIX 2: ABOUT THE RETIREMENT EXPENDITURE GUIDELINES

THE DATA

The data used to prepare the 2021 Retirement Expenditure Guidelines are from the Statistics New Zealand's triennial 2018/19 HES²⁰ for the year ended 30 June 2019. 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 5500 households, an increase over the previous iteration. 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 seven-day diary²¹ 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 2020 and subsequently for the 12 months to 30th June 2021. 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 **Metropolitan** 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 census²².

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 2019 figures, are shown below:

20 The description of the HES in this section is adapted from information on the Statistics New Zealand website. Information about the triennial Household Economic Survey can be found at <https://www.stats.govt.nz/information-releases/household-expenditure-statistics-year-ended-june-2019>

21 Previously the expenditure diary was completed for two weeks. Statistics NZ expected the reduction to result in more accurate reporting.

22 Source: 2013 Census Quick Stats 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 5: QUINTILE INCOME RANGES

Quintile	Income range METRO	Income range PROVINCIAL	Retirement Expenditure Guidelines
First	Under \$30400	Under \$29500	
Second	\$30400 to under \$44300	\$29500 to under \$40300	No Frills
Third	\$44300 to under \$81300	\$40300 to under \$60800	
Fourth	\$81300 to under \$146900	\$60800 to under \$104500	Choices
Fifth	\$146900 and over	\$104500 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 inflation²³ between the June 2019 quarter and the June 2020 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.

23 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 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: USEFUL SOURCES OF INFORMATION

Age Concern – <https://www.ageconcern.org.nz/>

Family Services Directory – <https://www.familyservices.govt.nz/directory/>

Financial Advice New Zealand – <https://financialadvice.nz/>

Financial Markets Authority (Getting Financial Advice) –
<https://www.fma.govt.nz/investors/getting-financial-advice/>

Financial Service Providers Register – <https://fsp-register.companiesoffice.govt.nz/>

Ministry of Health – <https://www.health.govt.nz/our-work/life-stages/health-older-people>

Money Talks – <https://www.moneytalks.co.nz/>

Public Trust – <https://www.publictrust.co.nz/>

Sorted website – <https://sorted.org.nz/>

Te Ara Ahunga Ora Retirement Commission – <https://retirement.govt.nz/>



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