New Zealand Retirement Expenditure Guidelines

Annual Update
2023

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Introduction

While inflation has fallen compared to twelve months ago, it is still higher than recent experience. As a result, the cost of living continues to be a key issue for New Zealanders, both in terms of current financial management and in relation to planning (and saving) for their retirement. The forthcoming general election is also likely to impact New Zealanders' planning for retirement, with the parties having policies that would have both direct and indirect effects if implemented. Policies that impact the economy or individuals' financial situation would indirectly affect New Zealanders' ability to save for retirement. For example, policies such as the removal of GST on fruit and vegetables proposed by Labour or the tax cuts promised by National, would mean New Zealanders had more disposable income, which they could use to boost retirement savings. Policies related to KiwiSaver would have a direct effect if implemented, with Labour promising matching 'employer' contributions to KiwiSaver for Paid Parental Leave recipients, while National claims their proposal to allow KiwiSaver members to invest in more than one provider will put downward pressure on fees.

A regular comment in these reports, is the reminder that retirement represents a substantial life change for most New Zealanders. Lists of the most stressful life events usually include retirement, and this means it is important for New Zealanders to adequately prepare and plan for their eventual retirement. Good preparation and planning are key to assist New Zealanders to achieve the expectations and aspirations they hold for their future retirement, which will otherwise be challenging. The recent economic environment and the forthcoming election offer a reminder that the context in which retirement planning is undertaken is not static, and therefore it is important to regularly review the plans that have been made.

The focus on retirement preparation is increasingly shifting to Generation X, with the first of this generation reaching age 65, widely seen as the retirement age as it is the age of eligibility for New Zealand Superannuation, in just seven years. This means that within the next seven years the last of the Baby Boomer generation will reach that milestone. It is still more than 20 years until the first of the Millennials reach age 65, but it is not too soon for them to start thinking about their retirement and having a savings plan in place to help them prepare for that milestone.

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 2023 Retirement Expenditure Guidelines in this report are the twelfth in the series that commenced in 2012[1,2] 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 2023. The HES is

[1] Previous editions can be found on the Fin-Ed Centre website.

[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.

normally undertaken every three years, and we would therefore have expected to have done a more substantial update of the data in this report. However, the HES was delayed by the pandemic, and therefore this year has simply been the standard inflation adjustment done between HES updates, and the more comprehensive update of the expenditure guidelines will be in the 2024 report.

About this report

The New Zealand Retirement Expenditure Guidelines as at 30th June 2023 are prepared from the Statistics New Zealand's triennial 2018/19 Household Economic Survey (HES) for the year ended 30 June 2019. The data extracted from the HES 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. However, this does not mean that NZ Superannuation, or other pension, is the only form of income, and the levels of expenditure make it clear that these households are either receiving other income, i.e. likely to indicate the individuals are not actually retired, or drawing down on investments. The sources of income for these households are discussed in more detail in the 2019 report.

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 decision to use the second and fourth quintiles was based on expert statistical advice and reflects that the first and fifth quintiles will include outlying data that distorts the averages. We acknowledge that there are a group of households in the first quintile, i.e. 20% of retired households, with lower levels of expenditure than reflected in the No Frills guidelines.

Key findings in this report:

The New Zealand Retirement Expenditure Guidelines as at 30th June 2023

	One-person households		Two-person households	
Weekly NZ Super rates (after tax)	$496.37		$763.64	
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills budget	$826.26	$689.54	$982.02	$849.82
Choices budget	$1163.09	$1263.35	$1665.85	$1330.30

- 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 one of the sources of income have achieved this.

Expenditure changes from 2022 to 2023

- The effect of inflation on expenditure for each of the household groups was in the range 3.74% to 6.18%, with only two household groups having an effective inflation rate above the CPI rate of 6.00% for the same period.
- The key inflationary drivers for superannuants for the twelve months ended 30th June 2023 were Food, Recreation and culture, Housing and household utilities, and Insurance for all our household groups.
- The household groups considered in this report are spending more than is received from NZ Superannuation, reflecting access to other income and/or savings.

Recommended reading

- This report offers three recommendations for further reading on retirement related matters, which we believe would be of interest and useful to those planning their retirement.
    - *Ageing in Aotearoa* is a new book from the Health and Ageing Research Team (HART) at Massey University which summarises key findings from the New Zealand Health, Work and Retirement (NZHWR) longitudinal study focussed on the ageing journey, which began in 2006.
    - *Drawdown Rules of Thumb* is a recent update from the Retirement Income Interest Group (RIIG) of the Society of Actuaries.
    - *Review of the Retirement Villages Act 2003* is a consultation paper from Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban on options for change to the retirement village sector.

Expenditure changes in 2023[3]

The expenditure changes noted from the 2022 report reflect the impact of inflation for the twelve months ended 30th June 2023 and assume that our households have continued to purchase the same goods and services in the same quantities.

Table 1: Changes in Total Weekly Expenditure by Household group 2022 - 2023

		Total Weekly Expenditure		Change 2022 – 2023	
		2022	2023	$	%
One-person households	No Frills – Metro	781.07	826.26	45.19	5.79%
	No Frills – Provincial	650.34	689.54	39.20	6.03%
	Choices – Metro	1107.12	1163.09	55.97	5.06%
	Choices – Provincial	1217.84	1263.35	45.51	3.74%
Two-person households	No Frills – Metro	931.17	982.02	50.85	5.46%
	No Frills – Provincial	800.38	849.82	49.44	6.18%
	Choices – Metro	1578.15	1665.85	87.70	5.56%
	Choices – Provincial	1263.03	1330.30	67.27	5.33%
				CPI	6.00%

Table 1 above shows the change in total expenditure between 2022 and 2023 for each of our household groups, as a result of the impact of inflation. Interestingly, the change for most of our groups was less than the rate of inflation as measured by the CPI. Just two of our groups, No-Frills-Provincial One-Person Household and No-Frills-Provincial Two-Person Household had an increase above the CPI. This is a contrast to last year, when these groups had the lowest increases, and the No-Frills-Provincial Two-Person Household group was the only one below the rate of the relevant CPI. This year the smallest increase is for the Choices-Provincial One-Person Household group and is less than two-thirds of the CPI rate.

As we have noted previously, different inflation rates for each household group are expected and result from the different expenditure patterns for each group. While the CPI uses a standard basket of goods and services to measure inflation, individual households' expenditure is unlikely to exactly match that basket of goods and services. The inflation rate for individual groups of products within the CPI ranges from -25.0% for Telecommunication equipment to 22.3% for Passenger transport services[4].

There are some key differences in expenditure patterns for our retired households relative to the CPI and between the household groups, which help explain the different rates of inflation. Food is one of the three largest expenditure class for our households (and second largest for most), ranging from 12% to 22% of their total expenditure. The CPI increase for Food (12.3%) was more than twice the overall CPI of 6.0%, and two of the main sub-classes of expenditure (Fruit & vegetables and Grocery food) had higher CPI increases (21.1% and 13.2%

[3] The detailed Retirement Expenditure Guidelines are in Appendix 1.
[4] The breakdown of the CPI by group and sub-group can be found at https://www.stats.govt.nz/information-releases/consumers-price-index-june-2023-quarter/

respectively). As a result, increased expenditure on food was a notable contributor to the increased expenditure for our households, with the increased expenditure on Food representing 35% to 43% of the total increase.

Our household groups spend more on Recreation and culture, ranging from 9% to 17%, relative to the weighting of 8.17% for this expenditure class in the CPI. As a result, Recreation and culture made a noticeable contribution to explaining the increase in expenditure, with the increased expenditure in this class representing an average 17.2% of the overall increase (with a range of 12% to 22% across the household groups).

The largest expenditure class for most of our household groups is Housing and household utilities (the exception is the Choices-Provincial One-Person Households, where it was second), with spending on Housing and household utilities ranging from 17% to 31% of total expenditure. This expenditure class had an average CPI increase of 6.0% for the period, so it did not contribute substantially to the above average increases in expenditure for our households. However, this class of expenditure did represent an average of 25% of the total increase in expenditure as it is a large item in most households' budget (with a range of 21% to 32% across the household groups).

Although the impact was smaller, the increase in Insurance expenditure is also noteworthy. Insurance represents 6% to 9% of our households' expenditure, compared to its weighting of 2.94% in the CPI. The CPI increase for Insurance was above the overall CPI at 6.5%, and this sub-class of expenditure represented an average of 8.9% of the total increase in expenditure (with a range of 7% to 11% across the household groups).

Expenditure relative to NZ Superannuation in 2023

On 1st April 2023, the two key rates of New Zealand Superannuation rates increased to[5]:

Table 2: NZ Superannuation rates from 1 April 2023

Single, living alone	$496.37 per week	after tax at the M rate
Couples, both qualify	$763.64 per week	after tax at the M rate

The CPI rate for the year ended 31 March 2023 was 6.70%, while the increase in New Zealand Superannuation from 1 April was slightly more at 7.22%. This reflects the legislated adjustment methodology, which uses the annual CPI (for the 12 months ended 31 December of the previous year), while also maintaining relativity with the net average wage. The government paper[6] on the annual adjustment noted that no further adjustment beyond the CPI adjustment was needed, as this was sufficient to keep NZ Superannuation above the minimum level of wage relativity.

Table 3: The difference between Total Expenditure and current rates of NZ Superannuation

		Total Weekly Expenditure	NZ Super	Difference in 2023	*Difference in 2022*	*Change in Difference 2022 – 2023*
One-person households	No Frills – Metro	826.26	$496.37	-$363.32	*-$318.13*	*$45.19 (14.2%)*
	No Frills – Provincial	689.54		-$226.60	*-$187.40*	*$39.20 (20.9%)*
	Choices – Metro	1163.09		-$700.15	*-$644.18*	*$55.97 (8.7%)*
	Choices – Provincial	1263.35		-$800.41	*-$754.90*	*$45.51 (6.0%)*
Two-person households	No Frills – Metro	982.02	$763.64	-$269.80	*-$218.95*	*$50.85 (23.2%)*
	No Frills – Provincial	849.82		-$137.60	*-$88.16*	*$49.44 (56.1%)*
	Choices – Metro	1665.85		-$953.63	*-$865.93*	*$87.70 (10.1%)*
	Choices – Provincial	1330.30		-$618.08	*-$550.81*	*$67.27 (12.2%)*

For all household groups, the average household spends more than they receive from NZ Superannuation, which reflects that these households are either receiving other income and/or drawing down on investments[7]. In 2023 the difference between NZ Superannuation and weekly expenditure has increased for all household groups even though in percentage terms NZ Superannuation increased by more than the CPI (see Table 3 above). While the proportional changes are varied, the variation in dollar terms is similar, with six of the household groups having an increase in the range of $39 to $56. The remaining two groups (the Choices Two-Person Household groups) had increases of $67 and $88.

We have estimated the lump sum required at retirement to fund the additional spending over NZ Superannuation for each group (see Table 4), with the assumption that there is no other income. In addition, the table shows the weekly savings required to achieve that lump sum,

[5] Source: https://www.workandincome.govt.nz/eligibility/seniors/superannuation/payment-rates.html
[6] https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/cabinet-papers/2023/annual-general-adjustment-2023-and-related-regulatory-changes/paper-annual-general-adjustment-2023-and-related-regulatory-changes-redactions-made-.pdf
[7] See the 2019 report for a discussion of the income reported by these households.

with saving starting at either 25 or 50 years of age. Starting retirement savings at a younger age means the regular amount of savings required is smaller.

Table 4: Estimated savings requirement to fund the differences between expenditure and NZ Superannuation[8]

		Weekly Difference	Lump Sum Required[9]	Weekly Savings		Per person	
				from age 50[10]	From age 25[11]	Lump sum	Savings from age 50
One-person households	No Frills – Metro	-$363.32	$316,000	$396	$127	n/a	
	No Frills – Provincial	-$226.60	$197,000	$243	$75		
	Choices – Metro	-$700.15	$610,000	$773	$253		
	Choices – Provincial	-$800.41	$697,000	$885	$291		
Two-person households	No Frills – Metro	-$269.80	$235,000	$292	$92	$117,500	$146
	No Frills – Provincial	-$137.60	$120,000	$144	$42	$60,000	$72
	Choices – Metro	-$953.63	$831,000	$1,057	$349	$415,500	$529
	Choices – Provincial	-$618.08	$539,000	$682	$223	$269,500	$341

While these lump sums and the savings required to achieve them can seem intimidating, it is important to note that there are options to reduce them, as we have discussed in earlier reports. The two key options to reduce the lump sum required are to have additional income available in retirement, for example by continuing to work (possibly on a part-time basis), or to delay retirement so that the additional income generated from the lump sum is needed for a shorter period. To reduce the savings required to achieve a particular lump sum, the primary option is to choose a fund that invests in more growth assets as that would be expected to generate a higher return over the long term. However, it is important to note that growth funds may not be a suitable choice for all investors due to the greater volatility that should be expected as the proportion of growth assets increases; this is why we use a balanced fund to calculate the savings required. To illustrate, the savings required for the No-Frills-Metro One-Person Household would reduce to $362 per week from age 50 ($95 from age 25) to achieve the same lump sum in a Growth fund, while for a Choices-Provincial Two-Person Household the savings would reduce to $625 and $168 per week respectively.

We have continued with the addition to Table 4, begun in the 2022 report, of the per person split of the lump sum and savings required for the two-person household groups, to reinforce that these figures are for two people. This assumes an even split of the savings between the two people.

While we have adjusted the levels of expenditure for the impact of inflation, we have assumed no change to our households' patterns of expenditure. In reality, as prices increase it is likely that households would adjust their spending to compensate. If we assume that a household reduces its weekly expenditure by $25 in response to the higher prices, the lump sum

[8] The lump sums in Table 4 were calculated using the Sorted retirement calculator available at https://sorted.org.nz/tools/retirement-calculator, while the savings required to achieve the lump sums were calculated using KiwiSaver calculator at the 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 have assumed retirement at age 65 with a life expectancy of 90 (for both in couples), and investment in a balanced fund.
[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.

required would reduce by $22,000, and savings required would reduce by $28 per week from age 50 or $9 per week from age 25. If the reduction was $50 per week, the lump sum required would reduce by $44,000 and the savings by $56 per week from age 50 or $18 per week from age 25.

Recommended reading

This report focusses on expenditure in retirement, and the savings required to meet the desired level of expenditure. However, there is other work being done in relation to retirement that also offers valuable insights to assist with retirement preparations. Here we provide an overview of three recent publications that those planning for retirement may find of interest and useful.

Ageing in Aotearoa[12]

The Health and Ageing Research Team (HART) at Massey University has recently published this book which summarises key findings from the New Zealand Health, Work and Retirement (NZHWR) longitudinal study focussed on the ageing journey that began in 2006. The study is a biennial survey of thousands of New Zealanders aged 55 years and older, examining "their experiences of health and wellbeing in consideration of their social, economic, and physical environments" (p. 15).

The survey looks at the wellbeing of older people, including physical, mental and social health. It helps understand what New Zealanders' health profile might look like as they age, with the good news being that in 2016 the study found two-thirds of older New Zealanders reported good health, which counters the commonly held perception of declining health as one ages. As Alpass, Beagley, Gibson, Phillips, Röhr, Stephens, Stevenson & Yeung (2023) note "many older people in Aotearoa New Zealand are ageing well" and there are "positive contributions of an ageing population" (p. 54). An important point made is that, like planning financially for retirement, "ageing is a life-long project" with health in one's golden years dependent on "the available resources, life-long practices and experiences that are part of individual life histories" (p. 57)

A frequent question about the Retirement Expenditure Guidelines relates to housing costs. The guidelines reflect that the currently retired population has a high level of home ownership, which may not continue for later cohorts. Alpass et al (2023) reports that a "clear theme from the NZHWR study is the importance of housing and neighbourhood environments to the health and wellbeing of older people" (p. 71) with secure tenure promoting healthy ageing, which supports the use of KiwiSaver to help people buy their first home.

A chapter of the book discusses work, and notes that Aotearoa New Zealand has "one of the highest employment rates of older workers internationally" (p. 75). This chapter includes sections on senior entrepreneurship, the transition to retirement and planning for retirement. Alpass et al (2023) found that "starting a business later in life offers an alternative pathway to maintain and extend the working lives of older people" with those starting a business after the age of 50 "generally doing better in terms of their work, health, life satisfaction, and material wellbeing" (p. 76). The benefits of retirement were reported to be the extra time to spend with family and spouse, while health and financial issues were the reported concerns.

[12] Alpass, F., Beagley, V., Gibson, R., Phillips, H., Röhr, S., Stephens, C., Stevenson, B., and Yeung, P. (2023). *Ageing in Aotearoa. The New Zealand Health, Work and Retirement Study*. Health and Ageing Research Team (HART), School of Psychology, Manawatū Campus, Massey University. Available at https://pdfhost.io/v/qDrGz1jhd_HART_Ageing_in_Aotearoa_EBook

Reinforcing our view that it is desirable to proactively plan for retirement, a point made in the book is that “most interviewees felt that planning was important and that individuals had a responsibility to plan” (p. 80).

Drawdown Rules of Thumb[13]

The Retirement Income Interest Group (RIIG) is a committee of the Society of Actuaries, whose purpose includes providing a forum for discussion of the Society’s members concerns related to retirement income. The RIIG regularly publishes reports related to retirement income and KiwiSaver[14]. Recently they updated their Rules of Thumb for drawdown which they first introduced to Aotearoa New Zealand in 2017. While they note the report is intended for informed readers such as regulators or advisers, they also ‘hope it is interesting for individuals who are considering how to prepare for their own retirement” (p. 1).

They offer four rules of thumb which provide different income profiles, noting this is a way of engaging readers in the implications of drawdown decisions. The four rules are (p. 2):

- 6% rule: Each year, take 6% of the starting value of your retirement fund.
- Inflated 4% rule: Take 4% of the starting value of your retirement fund, then increase that amount each year with inflation.
- Fixed Date Rule: Run your retirement fund down over the period to a set date.
- Life Expectancy Rule: Each year take out the current value of your retirement fund divided by the average remaining life expectancy at that time.

The report describes how each of the rules work, and provides a graphical illustration of the rules’ application for “a person aged 65 with $100,000 in a balanced KiwiSaver fund who follows the Rule throughout life” (p. 3). Nevertheless, the report notes that the Rules are flexible, and do not need to be followed for life, nor do they have to be followed exactly. In addition to the theoretical example used for illustrative purposes, the report provides illustrative outcomes using each of the rules for four ‘average’ KiwiSaver members, aged 45-59 in 2021.

The report explores the impact of changing the assumptions used in the illustrative example, by changing the fund type, the starting age, the level of drawdown or the pace of drawdown. The report notes that investing in a Growth Fund will likely increase income or allow it to last longer than investing in a Balanced fund but increases the associated uncertainly. Conversely, investing in a Conservative fund rather than a Balanced fund will give more certain outcomes, but will likely reduce the income or duration of the fund. A later starting age could be expected to mean a larger fund is available due to the longer contribution period, but in addition the fund is likely to last longer and/or provide more income. A greater level of drawdown means the fund will not last as long, while drawing down faster will increase the income but also means the fund will not last as long.

Retirement Villages[15]

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[13] Retirement Income Interest Group of the New Zealand Society of Actuaries (2023). *Drawdown Rules of Thumb: Update 2023.* New Zealand Society of Actuaries. Retrieved from:
https://actuaries.org.nz/content/uploads/2023/08/RIIG-RoT-Update-2023-FINAL-August-23.pdf

[14] The RIIG’s publications can be found at https://actuaries.org.nz/resources-and-publications/publications/

[15] Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (2023). Review of the

One of the accommodation options for retirement is retirement villages, but it is not clear that New Zealanders who have not had any interaction with this sector have a good understanding of what is involved.   Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development is currently consulting on options for change to this accommodation sector, which they note plays "an important role in New Zealand's housing system, providing an option for older New Zealanders that balances independence with support" (p. 7). The review of the legislation under which retirement villages operate is a response to a report from Te Ara Ahunga Ora — Retirement Commission that "highlighted issues and concerns with the retirement village regime" (p. 20).

The consultation paper provides an overview of the regulatory requirements at key stages of retirement village living (moving in, living in, and moving out) along with a discussion of a range of other related topics, such as culturally responsive services and the Code of Residents' Rights. It is a useful read about how the sector currently exists, and until 20 November 2023 offers an opportunity for anyone to offer an opinion on the proposed changes.

Among the proposed changes are simplification of the disclosure documents provided and some standardization of the occupation rights agreements, as well as implementing a new, independent, accessible scheme. Reading this paper offers the opportunity to think about what is actually involved in retirement village living, and one's expectations of that experience, while making a submission provides an opportunity to influence how the sector operates in the future.

For more about retirement villages, Sorted has a useful guide[16] to retirement village living, which includes tips for choosing a retirement village and information about costs and financial implications. Under the Retirement Villages Act 2003, the Retirement Commissioner has obligations to monitor the legal framework. In addition, Te Ara Ahunga Ora — Retirement Commission advises the government on issues related to retirement villages and helps educate the public about them. The Retirement Commission offers a range of resources on its website[17] related to these activities, including resources for retirement village residents, as well monitoring programme and other reports.

Retirement Villages Act 2003: Options for change. Te Kāwanatanga o Aotearoa New Zealand Government. Retrieved from: https://consult.hud.govt.nz/policy-and-legislation-design/review-of-retirement-villages-act-2003/user_uploads/4385-hud-retirement-document-8_0.pdf

[16] https://sorted.org.nz/guides/retirement/living-in-a-retirement-village

[17] https://retirement.govt.nz/retirement-villages/our-role/

Summary and conclusions

The household groups in this survey (quintiles two and four) continue to spend at levels in excess of NZ Superannuation, and the excess expenditure has increased. Most New Zealanders seeking to achieve the standard of living in retirement that is reflected in these levels of expenditure will still need to make provision for additional income in retirement to supplement the amount received from NZ Superannuation.

The main contributors to the continued rise in costs for retirees for the twelve months ended 30th June 2023 were Food (with inflation of 12.3%), Recreation and culture (7.3%), Housing and household utilities (6.0%), and Insurance (6.5%) for all our household groups. The increase in expenditure was less than the overall CPI for all but two of our household groups.

While making financial plans for retirement is important, there are other matters to consider, which may affect those plans. We have recommended three publications on ageing, drawdowns and retirement villages, which we believe would be of interest to those planning their retirement and contribute to the development of those plans.

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 licensed 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

Table 5: One-Person Households, Expenditure per Week

One-person households	No Frills Budget		Choices Budget	
	Metro	**Provincial**	**Metro**	**Provincial**
Food	147.68	127.90	179.06	147.81
Fruit and vegetables	25.08	17.94	32.96	15.90
Meat, poultry and fish	16.78	18.51	28.75	19.00
Grocery food	58.38	63.87	55.76	54.88
Non-alcoholic beverages	6.80	3.92	6.80	6.57
Restaurant meals and ready-to-eat food	42.03	24.45	57.13	51.39
Alcoholic beverages, tobacco and illicit drugs	14.52	14.16	55.07	19.67
Alcoholic beverages	8.43	9.46	26.56	..
Cigarettes and tobacco	..	..	..	..
Clothing and footwear	13.01	..	..	..
Clothing	13.06	..	..	..
Footwear	0.00	..	..	0.00
Housing and household utilities	251.97	213.78	215.64	217.00
Actual rentals for housing	..	47.06	..	..
Home ownership	48.29	31.26	..	..
Property maintenance	48.22	25.02	26.48	6.68
Property rates and related services	57.79	41.01	57.17	73.82
Household energy	29.04	37.25	34.01	37.46
Household contents and services	47.30	39.93	54.44	8.31
Furniture, furnishings and floor coverings	19.46	10.26	..	0.00
Household textiles	..	..	..	..
Household appliances	12.27	11.29	..	..
Glassware, tableware and household utensils	..	..	..	..
Tools and equipment for house and garden	..	6.53	..	..
Other household supplies and services	5.60	10.34	14.20	4.98
Health	32.33	35.95	23.97	69.08
Medical products, appliances and equipment	6.41	5.99	..	9.14
Out-patient services	26.05	30.09	18.79	60.41
Transport	102.48	78.41	233.68	460.32
Purchase of vehicles	..	..	..	..
Private transport supplies and services	28.79	32.23	39.80	53.91
Passenger transport services	49.10	30.46	..	38.20

Communication (Telecommunication)	29.55	16.89	22.70	32.27
Postal services	..	0.92	0.00	..
Telecommunication equipment	22.70	0.00	0.00	0.00
Telecommunication services	1.65	16.66	23.44	30.51
Recreation and culture	76.08	83.68	161.75	140.24
Audio-visual and computing equipment	..	3.71	..	..
Other recreational equipment and supplies	17.15	20.53	46.44	28.67
Recreational and cultural services	17.12	17.89	77.53	18.66
Newspapers, books and stationery	7.94	11.55	6.74	9.98
Accommodation services	37.40	26.83	..	..
Education	..	..	..	..
Miscellaneous goods and services	108.84	69.95	164.29	147.03
Personal care	19.94	12.79	42.82	21.58
Personal effects nec	17.74	..	15.17	..
Insurance	66.06	47.13	103.79	81.08
Credit services	0.43	1.02	1.02	0.77
Other miscellaneous services	..	..	..	33.60
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	..	..
	147.68	127.90	179.06	147.81
TOTAL	826.26	689.54	1163.09	1263.35

Table 6: Two-Person Households, Expenditure per Week

Two-person households	No Frills Budget		Choices Budget	
	Metro	**Provincial**	**Metro**	**Provincial**
Food	159.67	168.98	308.57	205.68
Fruit and vegetables	24.33	27.82	42.27	30.23
Meat, poultry and fish	28.45	28.78	43.51	31.35
Grocery food	65.12	74.16	117.02	85.84
Non-alcoholic beverages	9.56	11.34	15.12	10.50
Restaurant meals and ready-to-eat food	32.50	27.01	92.00	48.29
Alcoholic beverages, tobacco and illicit drugs	16.39	12.93	35.90	24.31
Alcoholic beverages	13.52	11.28	31.93	17.77
Cigarettes and tobacco	..S	..S	..S	..S
Clothing and footwear	15.17	16.50	41.20	31.67
Clothing	12.30	14.04	27.46	18.44
Footwear	..	..	..	13.15
Housing and household utilities	193.02	173.95	320.53	253.73
Actual rentals for housing	30.85	17.76	59.37	21.20
Home ownership	38.40	28.08	83.59	98.35
Property maintenance	19.84	19.96	46.14	28.15
Property rates and related services	51.43	50.96	61.04	56.87
Household energy	39.35	47.80	48.52	46.56
Household contents and services	69.92	35.34	66.64	52.74
Furniture, furnishings and floor coverings	44.57	11.64	18.85	9.87
Household textiles	..	2.39	3.92	9.68
Household appliances	7.95	11.09	15.48	8.06
Glassware, tableware and household utensils	2.43	1.90	3.80	1.79
Tools and equipment for house and garden	3.68	2.45	7.25	6.36
Other household supplies and services	11.01	5.51	17.42	17.31
Health	64.97	36.68	50.45	33.99
Medical products, appliances and equipment	16.76	9.74	7.63	7.83
Out-patient services	48.02	26.81	43.19	26.04
Transport	180.72	107.40	279.60	240.24
Purchase of vehicles	57.62	40.97	110.46	72.38
Private transport supplies and services	76.52	54.18	75.75	100.24
Passenger transport services	41.22	10.63	79.22	60.11
Communication (Telecommunication)	27.18	28.69	53.04	39.64
Postal services	..	0.97	18.40	4.00

Telecommunication equipment	0.00	0.00	0.00	..
Telecommunication services	26.25	27.56	36.71	28.40
Recreation and culture	97.92	136.48	185.82	199.43
Audio-visual and computing equipment	8.04	5.34	9.62	4.59
Other recreational equipment and supplies	18.01	28.68	29.49	24.67
Recreational and cultural services	38.24	27.83	41.43	48.86
Newspapers, books and stationery	9.28	8.11	21.98	8.75
Accommodation services	23.49	3.00	37.98	33.11
Education	0.00	..	..	..
Miscellaneous goods and services	92.70	76.11	181.09	132.20
Personal care	10.49	12.12	43.58	27.96
Personal effects nec	5.97	5.65	20.26	2.88
Insurance	72.04	55.35	102.62	90.02
Credit services	1.24	0.66	2.82	1.24
Other miscellaneous services	..	0.24	7.34	7.46
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	982.02	849.82	1665.85	1330.30

Appendix 2: About the Retirement Expenditure Guidelines

The Data

The data used to prepare the 2023 Retirement Expenditure Guidelines are from the Statistics New Zealand's triennial[18] 2018/19 HES[19] 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 diary[20] 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 annually for inflation (for each of the 12-month periods ending 30th June 2020, 30th June 2021, 30th June 2022, and 30th June 2023). 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,

[18] While the HES is described as a triennial survey, the most recent iteration (due 2021/22) has been delayed for twelve months due to the pandemic.

[19] 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

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

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[21].

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:

Table 7: 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 inflation[22] between the June 2019 quarter and the June 2023 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.

[21] 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)
[22] 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.

- 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.

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: consist 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/

Health and Ageing Research Team (HART) at Massey University – https://hart.massey.ac.nz

Ministry of Health – https://www.tewhatuora.govt.nz/for-the-health-sector/specific-life-stage-health-information/health-of-older-people

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

New Zealand Society of Actuaries (Retirement Income Interest Group publications) – https://actuaries.org.nz/resources-and-publications/publications/

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

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