



# RETIREMENT EXPENDITURE GUIDELINES

## *2023 ANNUAL UPDATE*

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NZ  
FIN-ED  
CENTRE



# Background

- NZ faces issues of an ageing population, like many other countries
- The current universal pension (NZ Super) is barely sufficient for a sustainable retirement lifestyle
  - Currently set at 66% of average wage for married couple (\$763.64 pw after tax from 01 Apr 23)
- NZers are encouraged to save to fund a higher level of expenditure in retirement, particularly via KiwiSaver
- Key question: How much do I need to save?
  - Depends significantly on: How much will I spend in retirement?

# Purpose of the Guidelines

- To produce guidelines that
  - Can be tailored for individuals
  - Reflect actual retirement expenditure

## Our approach

- Data source: Household Economic Survey (HES)
  - Triennial survey over NZers aged 15+ in private homes
  - Collected over 12-month period via expenditure diaries
  - Data is extracted from the HES by Statistics NZ to our specifications
  - Uses standard Statistics NZ expenditure groups

# Our approach

- One and two person households
  - Approximately 96% of all retired households
- A retired household is where one form of income is New Zealand Superannuation, a war pension or other government pension
- Need to reflect different types of retirement lifestyle
  - A low expenditure 'basic' lifestyle [No Frills] and a higher expenditure 'luxury' [Choices] lifestyle

# Our approach

- Location – influences expenditure
  - Metro = Auckland, Wellington and Christchurch
  - Provincial = Rest of NZ
- Eight household groups

|                                 |                                 |
|---------------------------------|---------------------------------|
| 1-person, Metro, No Frills      | 2-person, Metro, No Frills      |
| 1-person, Metro, Choices        | 2-person, Metro, Choices        |
| 1-person, Provincial, No Frills | 2-person, Provincial, No Frills |
| 1-person, Provincial, Choices   | 2-person, Provincial, Choices   |

# Example Guidelines: 1-person Metro

|  | No Frills     | Choices        |
|--|---------------|----------------|
| Food   | 147.68        | 179.06         |
| Alcoholic beverages, tobacco and illicit drugs | 14.52         | 55.07          |
| Clothing and footwear                          | 13.01         | ..             |
| Housing and household utilities                | 251.97        | 215.64         |
| Household contents and services                | 47.30         | 54.44          |
| Health   | 32.22         | 23.97          |
| Transport                                      | 102.48        | 233.68         |
| Communication (Telecommunication)              | 29.55         | 22.70          |
| Recreation and culture                         | 76.08         | 161.75         |
| Education                                      | ..            | ..             |
| Miscellaneous goods and services               | 108.84        | 164.29         |
| Other expenditure                              | 2.50          | 52.50          |
| <b>TOTAL</b>                                   | <b>826.26</b> | <b>1163.09</b> |

|  | No Frills | Choices |
|--|-----------|---------|
| Food                                   | 147.68    | 179.06  |
| Fruit and vegetables                   | 25.08     | 32.96   |
| Meat, poultry and fish                 | 16.78     | 28.75   |
| Grocery food                           | 58.38     | 55.76   |
| Non-alcoholic beverages                | 6.80      | 6.80    |
| Restaurant meals and ready-to-eat food | 42.03     | 57.13   |

## Changes in Total Weekly Expenditure by Household group 2022 - 2023

|                              |                        | Total Weekly Expenditure |         | Change<br>2022 – 2023 |       |
|------------------------------|------------------------|--------------------------|---------|-----------------------|-------|
|                              |                        | 2022                     | 2023    | \$                    | %     |
| <b>One-person households</b> | 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% |
| <b>Two-person households</b> | 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% |



## Estimated savings requirement to fund the difference between expenditure and NZ Superannuation

|  |                        | Weekly Difference | Lump Sum Required | Weekly Savings |             | Per person |                     |
|--|------------------------|-------------------|-------------------|----------------|-------------|------------|---------------------|
|  |                        |                   |                   | from age 50    | From age 25 | Lump sum   | Savings from age 50 |
| <b>One-person households</b><br><br><b>NZ Super \$496.37</b> | No Frills – Metro      | -\$329.89         | \$355,000         | \$394          | \$106       | n/a        |                     |
|  | No Frills – Provincial | -\$193.17         | \$207,000         | \$226          | \$59        |            |                     |
|  | Choices – Metro        | -\$666.72         | \$717,000         | \$806          | \$221       |            |                     |
|  | Choices – Provincial   | -\$766.98         | \$824,000         | \$928          | \$255       |            |                     |
| <b>Two-person households</b><br><br><b>NZ Super \$763.64</b> | No Frills – Metro      | -\$218.38         | \$235,000         | \$258          | \$68        | \$117,500  | \$129               |
|  | No Frills – Provincial | -\$86.18          | \$92,000          | \$96           | \$22        | \$46,000   | \$48                |
|  | Choices – Metro        | -\$902.21         | \$969,000         | \$1,093        | \$301       | \$484,500  | \$547               |
|  | Choices – Provincial   | -\$566.66         | \$609,000         | \$684          | \$187       | \$304,500  | \$342               |

# Inflation

|         | Married rate of NZ Super | Annual increase | CPI (prev Dec) |
|---------|--------------------------|-----------------|----------------|
| 1/04/13 | \$ 549.88                | 2.44%           | 0.90%          |
| 1/04/14 | \$ 564.52                | 2.66%           | 1.60%          |
| 1/04/15 | \$ 576.20                | 2.07%           | 0.80%          |
| 1/04/16 | \$ 591.94                | 2.73%           | 0.10%          |
| 1/04/17 | \$ 600.30                | 1.41%           | 1.30%          |
| 1/04/18 | \$ 616.72                | 2.74%           | 1.60%          |
| 1/04/19 | \$ 632.54                | 2.57%           | 1.90%          |
| 1/04/20 | \$ 652.04                | 3.08%           | 1.90%          |
| 1/04/21 | \$ 672.22                | 3.09%           | 1.40%          |
| 1/04/22 | \$ 712.22                | 5.95%           | 5.90%          |
| 1/04/23 | \$ 763.64                | 7.22%           | 7.20%          |

- Table shows NZ Super relative to annual inflation
- Annual adjustment for NZ Super reflects CPI and relativity to average wage

## Recommended reading

*Ageing in Aotearoa*: new book from the Health and Ageing Research Team (HART) at Massey University

- Summarises key findings from the New Zealand Health, Work and Retirement (NZHWR) longitudinal study focussed on the ageing journey.

*Drawdown Rules of Thumb*: recent update from the Retirement Income Interest Group (RIIG) of the Society of Actuaries.

- Offers four rules of thumb which provide different income profiles

*Review of the Retirement Villages Act 2003*: consultation paper from Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development on options for change to the retirement village sector.

# THANK YOU

