

# NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES



Annual Update 2022

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## INTRODUCTION

New Zealanders have a new factor to consider in their retirement planning: inflation. With inflation rising to 7.3% for the twelve months ended 30th June 2022, it is markedly higher than our recent experience. Although we have experienced higher rates in the past, that was more than 30 years ago, and is therefore a distant memory for most. As we have noted in past reports, retirement represents a substantial life change for most New Zealanders. Retirement is often included in lists of the most stressful life events which makes it important to prepare and plan for retirement. Without good preparation and planning, many New Zealanders will find it challenging to achieve the expectations and aspirations they hold for their future retirement.

For the reducing proportion of the Baby Boomer generation that has not yet retired, this preparation is becoming increasingly urgent as they now have seven years or less before reaching the age of 65, the age of eligibility for New Zealand Superannuation which is widely seen as the retirement age in NZ. Retirement is rapidly approaching for Generation X, with the first of these reaching age 65 in just eight years. While there is at least 20 years until the first of the Millennials reach 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 2022 Retirement Expenditure Guidelines in this report are the eleventh in the series that commenced in 2012<sup>1,2</sup>, 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 2022. In addition, we discuss the implications of inflation for retirement and retirement planning.

## ABOUT THIS REPORT

The New Zealand Retirement Expenditure Guidelines as at 30th June 2022 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.

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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

## KEY FINDINGS IN THIS REPORT

### THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES AS AT 30<sup>TH</sup> JUNE 2022

	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
WEEKLY NZ SUPER RATES After tax	\$462.94		712.22	
<b>Total Weekly Expenditure</b>	<b>Metro</b>	<b>Provincial</b>	<b>Metro</b>	<b>Provincial</b>
No Frills budget	\$781.07	\$650.34	\$931.17	\$800.38
Choices budget	\$1107.12	\$1217.84	\$1578.15	\$1263.03

- 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 2021 TO 2022

- The effect of inflation on expenditure for each of the household groups was in the range 7.17% to 9.10%, with only one household group having an effective inflation rate below the CPI rate of 7.30% for the same period.
- The key inflationary drivers for superannuants for the twelve months ended 30th June 2022 were Transport, Housing and household utilities, and Food for all our household groups. Recreation and culture was also a key inflationary driver for our Choices households.
- The household groups considered in this report are spending more than is received from NZ Superannuation, reflecting access to other income and/or savings.

### INFLATION

- Current inflation is high relative to recent history, which gives rise to particular concerns for those in or near retirement.
- The effects of inflation include erosion of the purchasing power of income, reduced value of fixed income investments, and a question over what rate of inflation to use for planning purposes.
- New Zealanders are fortunate that the primary annual adjustment to NZ Superannuation is for the CPI, although this does not always fully offset the increase in expenditure in practice.
- Options for managing in a high inflation environment include mindful spending and seeking advice on investment management.

## EXPENDITURE CHANGES IN 2022<sup>3</sup>

The expenditure changes noted from the 2021 report reflect the impact of inflation for the twelve months ended 30th June 2022 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 2021 - 2022**

		Total Weekly Expenditure		Change 2021 - 2022	
		2021	2022	\$	%
One-person households	No Frills – Metro	726.19	781.07	54.88	7.56%
	No Frills – Provincial	604.92	650.34	45.42	7.51%
	Choices – Metro	1028.89	1107.12	78.23	7.60%
	Choices – Provincial	1116.23	1217.84	101.61	9.10%
Two-person households	No Frills – Metro	864.94	931.17	66.23	7.66%
	No Frills – Provincial	746.81	800.38	53.57	7.17%
	Choices – Metro	1470.26	1578.15	107.89	7.34%
	Choices – Provincial	1176.14	1263.03	86.89	7.39%
				CPI	7.30%

Table 1 above shows the change in total expenditure between 2021 and 2022 for each of our household groups, as a result of the impact of inflation. The change for one group, No-Frills-Provincial Two-Person Household, was less than the rate of inflation as measured by the CPI, but all other household groups had an increase at or above the rate of inflation. The largest increase of 9.1% was for the Choices-Provincial One-Person Household. We expect to see different inflation rates for each household group resulting from the different expenditure patterns for each group. The CPI uses a standard basket of goods and services to measure inflation, but 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 -12.7% for Credit Services to 24.6% for Private transport supplies and services <sup>4</sup>.

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, which help explain the higher rates of inflation.

Transport was weighted at 12.37% 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. In addition, the CPI increase for Transport was above the overall CPI increase at 14.5%, so expenditure on Transport is a key reason for the increase in overall expenditure for all our household groups, accounting for around 40% of the increase for our Choices households and around 25% for our No-Frills households. Digging a little further into the data, we find that the primary contributor to the Transport expenditure class for our households was Private transport supplies and services, which had the greatest CPI increase of 24.6%.

The other key driver of increased expenditure for all our households was Housing and household utilities. This expenditure class had an above-average CPI increase of 9.1% for the period. Spending on Housing and household utilities represents a substantial portion of our households' expenditure, ranging from 17% to 30% of total expenditure. Within that expenditure class, the Home ownership sub-class was a key contributor to the increased expenditure, with a CPI inflation increase of 18.3%.

<sup>3</sup> The detailed Retirement Expenditure Guidelines are in Appendix 1.

<sup>4</sup> 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-2022-quarter/>

Food is another substantial expenditure class for our households, ranging from 11% to 22% of their total expenditure. While the CPI increase for Food (6.5%) was slightly below the overall CPI of 7.3%, the three main sub-classes of expenditure (Fruit and vegetables, Meat, poultry and fish, and Grocery food) had higher CPI increases (8.2%, 7.4% and 7.1% respectively). As a result, increased expenditure on food was another notable contributor to the increased expenditure.

Our household groups spend more on Recreation and culture, ranging from 9-17%, relative to its weighting of 8.17% in the CPI. This expenditure class made a noticeable contribution to explaining the increase in expenditure for our Choices households

## EXPENDITURE RELATIVE TO NZ SUPERANNUATION IN 2022

On 1<sup>st</sup> April 2022, the two key rates of New Zealand Superannuation rates increased to<sup>5</sup>:

**TABLE 2: NZ SUPERANNUATION RATES FROM 1 APRIL 2022**

Single, living alone	\$462.94 per week	after tax at the M rate
Couples, both qualify	\$712.22 per week	after tax at the M rate

The CPI rate for the year ended 31 March 2022 was 6.90%, while the increase in New Zealand Superannuation from 1 April was slightly less at 5.95%. 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 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 2022	Difference in 2021	Change in Difference 2021 – 2022
One-person households	No Frills – Metro	781.07	\$462.94	-\$318.13	-\$289.25	10.0%
	No Frills – Provincial	650.34		-\$187.40	-\$167.98	11.6%
	Choices – Metro	1107.12		-\$644.18	-\$591.95	8.8%
	Choices – Provincial	1217.84		-\$754.90	-\$679.29	11.1%
Two-person households	No Frills – Metro	931.17	\$712.22	-\$218.95	-\$192.72	13.6%
	No Frills – Provincial	800.38		-\$88.16	-\$74.59	18.2%
	Choices – Metro	1578.15		-\$865.93	-\$798.04	8.5%
	Choices – Provincial	1263.03		-\$550.81	-\$503.92	9.3%

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<sup>6</sup>. In 2022 the difference between NZ Superannuation and weekly expenditure has increased substantially for all household groups reflecting the higher rate of inflation (see Table 3 above). The proportional changes are varied, but it is important to note that the group with the largest proportional increase actually had a relatively moderate increase in dollar terms (\$13.57).

Table 4 provides an 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, the regular amount of savings required is smaller.

<sup>5</sup> Source: <https://www.workandincome.govt.nz/eligibility/seniors/superannuation/payment-rates.html>

<sup>6</sup> See the 2019 report for a discussion of the income reported by these households.



**TABLE 4: ESTIMATED SAVINGS REQUIREMENT TO FUND THE DIFFERENCES BETWEEN EXPENDITURE AND NZ SUPERANNUATION<sup>7</sup>**

		Weekly Difference	Lump Sum Required <sup>8</sup>	Weekly Savings		Per Person	
				From age 50 <sup>9</sup>	From age 25 <sup>10</sup>	Lump Sum	Savings from age 50
One-person households	No Frills – Metro	-\$318.13	\$277,000	\$343	\$109	n/a	n/a
	No Frills – Provincial	-\$187.40	\$163,000	\$198	\$60	n/a	n/a
	Choices – Metro	-\$644.18	\$561,000	\$706	\$232	n/a	n/a
	Choices – Provincial	-\$754.90	\$658,000	\$830	\$273	n/a	n/a
Two-person households	No Frills – Metro	-\$218.95	\$191,000	\$234	\$72	\$95,500	\$117
	No Frills – Provincial	-\$88.16	\$77,000	\$88	\$23	\$38,500	\$44
	Choices – Metro	-\$865.93	\$755,000	\$954	\$315	\$377,500	\$477
	Choices – Provincial	-\$550.81	\$480,000	\$603	\$197	\$240,000	\$302

As discussed in earlier reports, these lump sums, and the savings required to achieve them, can be reduced in several ways. Reductions in the lump sum required could be achieved by working part-time in retirement to provide ongoing income or delaying retirement. Alternatively, choosing a fund that invests in more growth assets would be expected to generate the same lump sum from lower regular savings, or a greater lump sum from the same level of savings. Growth funds may not be suitable for all investors due to the greater volatility that should be expected as the proportion of growth assets increases; hence the use of a balanced fund to calculate the savings required. However, as an example, the savings required for the No-Frills-Metro One-Person Household would reduce to \$314 per week from age 50 (\$81 from age 25) to achieve the same lump sum in a Growth fund.

An addition to Table 4 in this report is 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.

As explained earlier, the adjustment to the levels of expenditure reflects the impact of inflation and assumes no change to our households' patterns of expenditure. However, with the higher rates of inflation it is likely that our households would make some adjustments to their expenditure. If we assume that a household reduces spending by \$25 per week, this would reduce the lump sum required by \$22,000, and reduce the weekly savings required by \$28 per week from age 50 or \$9 per week from age 25. A reduction of \$50 per week would reduce the lump sum required by \$44,000 and reduce the weekly savings by \$56 per week from age 50 or \$18 per week from age 25.

7 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 the KiwiSaver calculator 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](https://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.

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

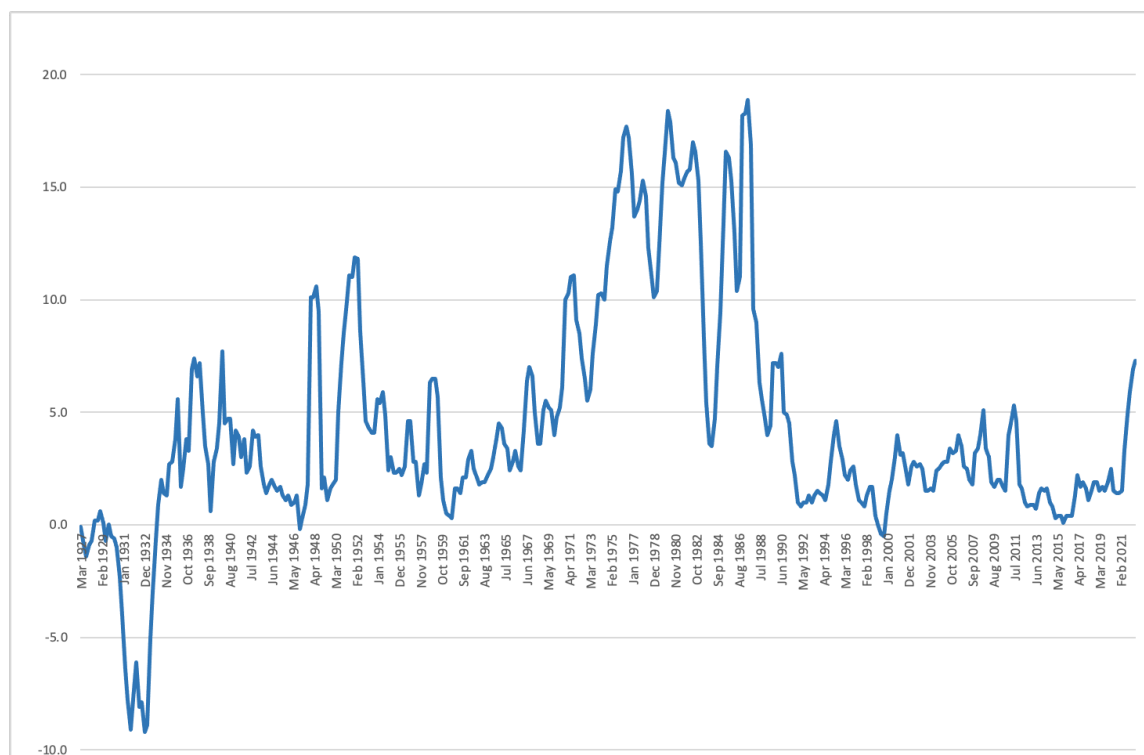
9 For a 50-year old individual/couple.

10 For a 25-year old individual/couple.

## INFLATION

A current economic issue that is of particular concern for retirees and those planning for retirement is the rate of inflation. The most recent CPI increase of 7.3% for the twelve months ended 30th June 2022 was the highest in Aotearoa New Zealand since June 1990. As Figure 1 shows, rates of inflation at this level are not unusual, with an average annual CPI increase of 12.0% between March 1971 and December 1989. However, that is in stark contrast to our more recent experience, with an average annual CPI increase of 2.0% between March 1991 and December 2020.

**FIGURE 1: ANNUAL CPI (QUARTERLY: MARCH 1927 – JUNE 2022)<sup>11</sup>**



The Reserve Bank of New Zealand has responsibility for maintaining price stability, i.e. “inflation between 1 and 3 percent over the medium term, with a focus on keeping future inflation near the 2 percent midpoint” as defined in the 2021 Monetary Policy Committee Remit <sup>12</sup>. This definition of price stability recognises that some inflation may be desirable, but only at low levels. The RBNZ’s Monetary Policy Committee is the decision-making body and uses monetary policy to achieve price stability, as well as other legislated objectives. The key drivers for the current inflation are primarily increasing energy prices (in part due to the war in Ukraine), rising wages (primarily due to the tight labour market) and supply-chain disruptions (due to the ongoing effects of the pandemic).

The first reason inflation is important to retirees and those planning for retirement is that inflation can be a particular concern for people on a fixed income. This is because the fixed income, such as NZ Superannuation, may not be increasing at a rate that keeps up with the increase in expenses due to inflation. Fortunately, the legislated adjustment process for NZ Superannuation provides some reassurance in that regard for retirees. The annual adjustment for NZ Superannuation, which takes effect on 1 April each year, initially uses the annual CPI (All Group) for the 12 months ended 31 December of the previous year. The outcome of that adjustment is then compared to the net average wage, and a further adjustment made, if necessary, to ensure NZ Superannuation remains in the range of 66-72.5% of the net average wage as required by legislation. Since 1998, the cumulative proportionate increase in NZ Superannuation (120%) has substantially exceeded the cumulative CPI

<sup>11</sup> Source: Reserve Bank of New Zealand <https://www.rbnz.govt.nz/statistics/series/economic-indicators/price>

<sup>12</sup> The remit can be found at: <https://www.rbnz.govt.nz/-/media/acb131a9ef584b7ca999e1e4a7f42312.ashx>

increase of 66%. The following table compares the annual adjustment to NZ Superannuation and the relevant CPI that is the basis of that adjustment for the past ten years.

**TABLE 5: INCREASES TO NZ SUPERANNUATION RELATIVE TO ANNUAL 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%

However, a related issue is that inflation is generally measured by the CPI (All Groups). That measure uses a particular basket of goods and services, adjusted over time, which may not reflect the expenditure pattern of individuals or even groups. As discussed above, in looking at the changes to expenditure in the year to June 2022 (and in prior reports) the expenditure patterns of our retired households do not match the CPI basket, and the CPI can understate the actual level of inflation that these households face. This means that while the adjustments to NZ Superannuation over time appear fair, they may not fully compensate recipients for the increased costs that they face. The table below compares the weighting of the expenditure groups in the CPI (All Groups) with the average for our retirement expenditure household groups. We can see that the key expenditure groups of Food, Housing and household utilities, and Transport are the same for both. However, it is notable that the weighting for Transport is almost 50% more for our households. In addition, Recreation and culture is also a key expenditure group for our households, with a weighting more than 50% greater than in the CPI (All Groups). In the US, the Bureau of Labor Statistics calculates a CPI for Americans aged 62 and older (R-CPI-E), although this is currently for research only and there are no official uses of this index at this stage due to the noted limitations <sup>13</sup>.

**TABLE 6: CPI (ALL GROUPS) WEIGHTING COMPARED TO OUR RETIRED HOUSEHOLDS**

Expenditure Group	CPI Weight (as at June 2021 quarter) <sup>14</sup>	Avg weighting for REG household groups	CPI increase for year to 30 June 2022
Food	18.51%	17.2%	6.5%
Alcoholic beverages and tobacco	7.45%	2.3%	3.7%
Clothing and footwear	4.19%	2.2%	0.3%
Housing and household utilities	28.33%	22.0%	9.1%
Household contents and services	4.34%	4.6%	6.8%
Health	4.21%	4.5%	3.7%
Transport	12.37%	17.2%	14.5%
Communication	2.82%	3.5%	2.6%
Recreation and culture	8.17%	13.0%	4.9%
Education	1.80%		2.2%
Miscellaneous goods and services	7.81%	11.8%	5.5%

<sup>13</sup> More information about the R-CPI-E is available at <https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm>

<sup>14</sup> Source: Statistics NZ

Another issue in relation to retirement, or planning for it, is that inflation may erode the value of savings if nominal returns do not offer a real return over inflation. At high levels of inflation that becomes a much greater risk. To illustrate, the Sorted KiwiSaver calculator assumes returns of 2.5% to 6.3% (excluding the defensive funds), which generates a real return of 0.5% to 4.3% given the assumption of inflation at 2%. However, with the current rate of inflation of 7.3% those returns all represent a loss of value in real terms. It's important to note here that Sorted's KiwiSaver calculator is assuming rates over the long-term and it is reasonable to expect that the current high inflation rate is a relatively short-term event. Nevertheless, this is a reminder of why it is important that inflation does return to the levels that we have experienced in the recent past.

A third issue is that the increase in interest rates resulting from the attempts of the Reserve Bank of New Zealand, and other central banks around the world, may negatively impact the value of fixed income investments that are held in KiwiSaver and other managed fund products. This means KiwiSaver members would see a reduction in the balance of their KiwiSaver account. It is likely that retirees and those nearing retirement have a greater proportion of fixed income investments due to the lower volatility associated with this asset class, which is generally seen as preferred for those in or near retirement. Those with cash investments such as bank deposits may feel better off with the higher interest rates, as they will be seeing larger returns in dollar terms. However, as noted above, if the nominal interest rate is not high enough the purchasing power of that return will be reducing. A related issue is that the higher interest rates coupled with the higher rates of inflation may create increased volatility in the stock markets. This becomes a problem for retirees seeking to make a planned withdrawal from their investment if it coincides with a fall in the markets.

Inflation also affects retirement planning, because it is one of the variables required to calculate the lump sum needed. As noted earlier, the Sorted calculators use an inflation rate of 2% which reflects both the RBNZ target and actual experience since 1991. However, if the long-term average increases, larger lump sums would be needed to avoid the loss of purchasing power that would otherwise eventuate.

While we should anticipate that the RBNZ will once again get inflation back to its target range, it may take time to achieve that. In the meantime, there are ways to manage for inflation. These include reviewing your expenditure and making mindful spending choices in order to avoid the need to draw down larger amounts than planned, which is not necessarily as easy as it sounds. It's also important to think about where your funds are invested and consider whether it is possible to diversify your revenue streams, while noting that it would be desirable to seek financial advice to assist with those decisions. This is particularly the case in the planning process because transferring everything to cash at retirement for reduced volatility may not be the best option to support income streams over the, hopefully, long retirement period ahead.

## 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 2022 were Transport (with inflation of 14.5%), Housing and household utilities (9.1%), and Food (6.5%) for all our household groups. In addition, Recreation and culture (4.9%) was also a key inflationary driver for our Choices households due to the higher proportion of expenditure it represents relative to the CPI. The increase in expenditure was greater than the overall CPI for all but one of our household groups.

The current high level of inflation is a particular concern for those in or near retirement, with the erosion of purchasing power and reduced value of investments two of the key concerns. New Zealand retirees are fortunate that the annual adjustment of NZ Superannuation is primarily based on CPI, although this does not fully offset the increased level of expenditure our retired households face. To cope with inflation, mindful spending can help, while financial advisers can assist with managing investments.

*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 7: ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
<b>Food</b>	131.51	113.89	159.45	131.62
Fruit and vegetables	20.71	14.81	27.22	13.13
Meat, poultry and fish	15.17	16.73	25.99	17.18
Grocery food	51.57	56.42	49.26	48.48
Non-alcoholic beverages	6.20	3.57	6.20	5.99
Restaurant meals and ready-to-eat food	38.56	22.43	52.41	47.15
<b>Alcoholic beverages, tobacco and illicit drugs</b>	13.49	13.16	51.18	18.29
Alcoholic beverages	7.88	8.83	24.80	..
Cigarettes and tobacco	..	..	..	..
<b>Clothing and footwear</b>	12.40	..	..	..
Clothing	12.40	..	..	0.00
Footwear	0.00	..	..	..
<b>Housing and household utilities</b>	237.71	201.68	203.43	204.72
Actual rentals for housing	..	45.17	..	..
Home ownership	44.80	29.00	..	..
Property maintenance	45.80	23.76	25.15	6.34
Property rates and related services	53.86	38.22	53.28	68.80
Household energy	27.71	35.54	32.45	35.75
<b>Household contents and services</b>	44.21	37.31	50.88	7.77
Furniture, furnishings and floor coverings	18.29	9.65	..	0.00
Household textiles	..	..	..	..
Household appliances	11.82	10.88	..	..
Glassware, tableware and household utensils	..	..	..	..
Tools and equipment for house and garden	..	6.02	..	..
Other household supplies and services	5.06	9.33	12.81	4.50
<b>Health</b>	30.77	34.21	22.81	65.73
Medical products, appliances and equipment	6.12	5.72	..	8.73
Out-patient services	24.84	28.68	17.91	57.58
<b>Transport</b>	103.20	78.96	235.32	463.57
Purchase of vehicles	..	..	..	..
Private transport supplies and services	31.85	35.66	44.03	59.64
Passenger transport services	40.15	24.90	..	31.24
<b>Communication (Telecommunication)</b>	29.73	16.99	22.84	32.47
Postal services	..	0.87	0.00	..
Telecommunication equipment	30.27	0.00	0.00	0.00
Telecommunication services	1.59	16.07	22.60	29.42

	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
Recreation and culture	70.91	77.99	150.74	130.70
Audio-visual and computing equipment	..	3.98	..	..
Other recreational equipment and supplies	15.72	18.82	42.57	26.27
Recreational and cultural services	16.33	17.07	73.98	17.81
Newspapers, books and stationery	7.36	10.71	6.25	9.26
Accommodation services	32.78	23.52	..	..
Education	..	..	..	..
Miscellaneous goods and services	104.65	67.26	157.97	141.38
Personal care	18.57	11.91	39.87	20.10
Personal effects nec	16.96	..	14.50	..
Insurance	62.03	44.26	97.45	76.13
Credit services	0.41	0.99	0.99	0.75
Other miscellaneous services	..	..	..	35.00
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	..	..
<b>TOTAL</b>	<b>781.07</b>	<b>650.34</b>	<b>1107.12</b>	<b>1217.84</b>

**TABLE 8: TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK**

	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
<b>Food</b>	<b>159.67</b>	<b>168.98</b>	<b>308.57</b>	<b>205.68</b>
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
<b>Alcoholic beverages, tobacco and illicit drugs</b>	<b>16.39</b>	<b>12.93</b>	<b>35.90</b>	<b>24.31</b>
Alcoholic beverages	13.52	11.28	31.93	17.77
Cigarettes and tobacco	..	..	..	..
<b>Clothing and footwear</b>	<b>15.17</b>	<b>16.50</b>	<b>41.20</b>	<b>31.67</b>
Clothing	12.30	14.04	27.46	18.44
Footwear	..	..	..	13.15
<b>Housing and household utilities</b>	<b>193.02</b>	<b>173.95</b>	<b>320.53</b>	<b>253.73</b>
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
<b>Household contents and services</b>	<b>69.92</b>	<b>35.34</b>	<b>66.64</b>	<b>52.74</b>
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
<b>Health</b>	<b>64.97</b>	<b>36.68</b>	<b>50.45</b>	<b>33.99</b>
Medical products, appliances and equipment	16.76	9.74	7.63	7.83
Out-patient services	48.02	26.81	43.19	26.04
<b>Transport</b>	<b>180.72</b>	<b>107.40</b>	<b>279.60</b>	<b>240.24</b>
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
<b>Communication (Telecommunication)</b>	<b>27.18</b>	<b>28.69</b>	<b>53.04</b>	<b>39.64</b>
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



	No Frills Budget		Choices Budget	
	Metro	Provincial	Metro	Provincial
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	..	..	..
<b>TOTAL</b>	<b>931.17</b>	<b>800.38</b>	<b>1578.15</b>	<b>1263.03</b>

## APPENDIX 2: ABOUT THE RETIREMENT EXPENDITURE GUIDELINES

### THE DATA

The data used to prepare the 2022 Retirement Expenditure Guidelines are from Statistics New Zealand's triennial 2018/19 HES<sup>15</sup> 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<sup>16</sup> 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 30<sup>th</sup> June 2020 and subsequently for the 12 months to 30<sup>th</sup> June 2021 and to 30<sup>th</sup> June 2022. The data extracted are only for retired households, defined as being where one form of income received in the household is New Zealand Superannuation, a war pension or other government pension, and grouped according to the number of people in the household and geographic region.

### THE RETIREMENT EXPENDITURE GUIDELINES

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

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

Two types of households have been included in the guidelines: the first is the **one-person household**; and the other is a **two-person household**. While it is true that retired households can comprise a range of living arrangements, including households of three or more people, these guidelines cannot cater for every situation. Approximately 80% of all people aged 65+ live in households of one and two persons according to data from the 2013 census<sup>17</sup>.

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 21<sup>st</sup> to 40<sup>th</sup> percentile for household income, while the fourth quintile comprises households in the 61<sup>st</sup> to 80<sup>th</sup> percentiles for household income. The income ranges for the five quintiles, in 2019 figures, are shown below:

15 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>

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

17 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 9: 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<sup>18</sup> between the June 2019 quarter and the June 2022 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 one-week period, which may not represent a typical week 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.

<sup>18</sup> CPI information and data was sourced from [http://www.stats.govt.nz/browse\\_for\\_stats/economic\\_indicators/CPI\\_inflation.aspx](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/>

Reserve Bank of New Zealand (Inflation) – <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/inflation-and-maximum-sustainable-employment>

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

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



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