



## Retiring gracefully

How much do you need for a comfortable retirement? Finance Editor Susanna Stuart helps you to do the sums

**FOR A FEW MONTHS**, just before September 2008, retirement prospects looked pretty good for New Zealanders in their 20s and 30s. After a generation of messing around, Kiwis finally got a public and government-supported scheme that looked like it might do the job. KiwiSaver had just the right mix of self-help, with a booster shot of a kick-start amount as well as a tax credit. The scheme was immediately popular.

We've had some minor hiccups since. First, the global financial crisis of 2008 reminded everyone that investments are never going to be 100% safe. For contributors it was a little unsettling. Then in 2009 the Government tweaked KiwiSaver by reducing the minimum employee contribution from 4% to 2% and capping the compulsory employer contribution at 2%.

When you do the arithmetic, the typical contribution to KiwiSaver isn't enough for retirement for most people – even when the contribution rate was at 4%. To supplement their nest egg, many retirees today depend on New Zealand Superannuation, which pays out \$16,000 (net) a year for a single person and \$24,800 (net) for a couple from age 65.

Recent research by the Association of Superannuation Funds of Australia shows the annual living expenses of retirees. The study split retirees into four main groups and then analysed their typical needs. It assumes that the individuals already own their own home. These budgets show what percentage of income will need to be spent on food, clothes and so on. There might be a few differences here, but what strikes me is how similar the story is. It resonates with the spending patterns of my elderly clients in the following ways.

- It is clear that couples may not live quite as cheaply as one, but they do live

a lot more economically per person.

- The essentials of housing, food and transport together make up the biggest share of the weekly budget – 57% for a single retiree on a modest budget.
- Two more essentials – energy and health – make up a small percentage of the weekly budget, but have the potential to balloon significantly.
- For those on modest incomes the budgets, which were reviewed by focus groups of elderly Australians, allow virtually nothing for gifts, alcohol or tobacco and roughly \$NZ16 a week for clothing – or \$800 a year: A salutary figure for those who enjoy shopping!

By breaking down the weekly expenses into various components, we can start to get a realistic picture of what retirement might look like. The figures below represent a percentage of income – someone living modestly must spend a higher percentage on housing since their income is limited and has less left to spend on travel and hobbies. I went down each column myself and it was a

### Food for thought

Research shows that Australians throw away \$5.2 billion of food a year. The analysis of household food spending, conducted in November 2009 by The Australian Institute, found that the annual food waste per household is around \$616. Fruit and vegetables and discarded restaurant or takeaway food make up most of the wastage. While no firm figures are available on food waste in New Zealand, we might learn a lesson from the UK's Love Food Hate Waste campaign. The campaign, which is waging war on the nation's 8.3m tonnes of food waste a year, has identified a number of causes for discarded food. These include lack of planning in food shopping, poor knowledge of how to store food, and confusion over the difference between 'use by' and 'best before' dates.

quick reminder why I'd prefer to retire comfortably rather than modestly.

Go to the retirement calculator at [www.sorted.org.nz](http://www.sorted.org.nz) and work out, based on your age and intended retirement date, how much you'll need to put aside to reach your target. It's good to see how even a small amount more each week can add up, particularly if retirement is some years away for you. ■

Percentages based on the Westpac study in Australia	Modest single	Modest couple	Comfortable single	Comfortable couple
<b>Housing - ongoing only</b>	19%	14%	13%	10%
<b>Energy</b>	3%	3%	2%	2%
<b>Food</b>	19%	28%	19%	20%
<b>Clothing</b>	4%	5%	4%	6%
<b>Household goods</b>	13%	10%	12%	10%
<b>Health</b>	4%	5%	8%	11%
<b>Transport</b>	19%	14%	15%	11%
<b>Hobbies and travel</b>	12%	13%	20%	21%
<b>Personal care</b>	7%	8%	4%	4%
<b>Gifts and/or alcohol &amp; tobacco</b>	0%	0%	3%	5%
<b>Total per week</b>	100%	100%	100%	100%
<b>Total per week (NZ estimate)</b>	\$385	\$529	\$731	\$962
<b>Total per year (NZ estimate)</b>	\$20,000	\$27,500	\$38,000	\$50,000