



NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES 2015

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Workplace Savings NZ is the peak retirement savings industry body, focused on advancing the sustainable, effective and efficient delivery of workplace savings outcomes for all involved. We are a national, not-for-profit, apolitical membership organization. Our membership, which includes corporate, public sector &, industry superannuation funds, KiwiSaver schemes

as well as individuals and service providers to workplace savings arrangements, represents over 90% of the approximately 2.7 million New Zealanders with workplace super and/or KiwiSaver membership. Workplace Savings NZ members manage or advise on the bulk of the \$42 billion (as at June 2014) in workplace retirement savings assets.



The Fin-Ed Centre is a joint initiative between Westpac and Massey University. The Centre aims to empower New Zealanders to make more financially savvy decisions – to give people the tools they need for the life-long process of managing their finances. Key projects include a 20-year longitudinal study that follows 300 New Zealanders to understand their needs

for financial knowledge at different life stages, a multi-level certification programme for personal financial educators and the New Zealand Retirement Expenditure Report – a joint initiative between the centre and savings industry body Workplace Savings NZ to establish guidelines for ‘modest’ and ‘comfortable’ retirement.

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Discussions about the affordability and adequacy of NZ Superannuation¹, and its predecessors, have been occurring almost continuously since a public pension was first provided in New Zealand. A long and comfortable retirement is now the expectation and experience of most New Zealanders.

This report is the fourth in a series that commenced in 2012². The Retirement Expenditure Guidelines are produced to assist New Zealanders with their retirement planning. The Retirement Expenditure Guidelines provide information about levels of expenditure in retirement to assist non-retirees with planning budgets for their retirement, as a foundation from which to calculate the level of savings needed to provide the desired future retirement experience.

DATA³

The data used to prepare the 2015 Retirement Expenditure Guidelines are from the most recent Statistics New Zealand's triennial Household Economic Survey (HES)⁴, for the year ended 30 June 2013. The HES does not include the entire New Zealand population; rather it targets the New Zealanders aged 15 years or older that are usually resident in New Zealand and that live in private homes.

Although data from the HES is published on the Statistics New Zealand website, it is not in a form considered helpful to a person interested in retirement expenditure. Statistics New Zealand extracted expenditure data from the HES using specifications supplied for that purpose, which have subsequently been adjusted for inflation – initially for the 12 months to 30th June 2014⁵ and now for the 12 months to 30th June 2015. The data extracted are only for retired households, defined as being where one form of income is New Zealand Superannuation, a war pension or other government pension, and grouped according to the number of people in the household and the geographic region in which the household resides.

ABOUT THE RETIREMENT EXPENDITURE GUIDELINES⁶

The New Zealand Retirement Expenditure Guidelines comprise a set of eight expenditure guidelines, to reflect different groups of retirees. The retirement groups are split by 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 household, as defined above, as determined from the HES.

The guidelines have been produced for two geographic-related groupings. 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 census⁷.

1 NZ Superannuation is the universal public pension provided by the government to New Zealanders who attain the age of eligibility, currently 65, and meet residency criteria.

2 Previous editions can be found on the Fin-Ed Centre and Workplace Savings NZ websites.

3 Additional detail on the data used is available in the 2012 report

4 The information about the triennial Household Economic Survey is from the Statistics New Zealand website, and further information is available at http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdEconomicSurvey_HOTPYeJun13.aspx

5 See the June 2014 Retirement Expenditure Guidelines Report

6 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.

7 Source: 2013 Census QuickStats about people aged 65 and over. Statistics NZ (available from <http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-65-plus.aspx>)

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 2013 figures, are shown below:

QUINTILE	INCOME RANGE METRO	INCOME RANGE PROVINCIAL	RETIREMENT EXPENDITURE GUIDELINES
First	Under \$22400	Under \$24200	
Second	\$22400 to under \$32700	\$24200 to under \$34300	No Frills
Third	\$32700 to under \$56900	\$34300 to under \$49600	
Fourth	\$56900 to under \$101800	\$49600 to under \$79000	Choices
Fifth	\$101800 and over	\$79000 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 inflation⁸ between the June 2013 quarter and the June 2015 quarter.

EXPLANATORY NOTES

- These guidelines do not represent recommended levels of expenditure.
- The levels of expenditure shown in the guidelines may be used to assist in the development of projected retirement budgets, by providing information about actual levels of expenditure in retired households in standard expenditure categories.
- The guidelines are based on averages for quintiles.
- There are too few responses for spending in some expenditure sub-classes to permit reliable estimation; however, these responses can be included in the class estimation where there are more responses. As a result the classes are not always the totals of the sub-classes.
- The HES, on which the guidelines are based, relies on participants to accurately record their expenditure, and is only for a two-week period, which may not represent a typical fortnight for that household.
- The guidelines should not be used as a substitute for professional advice specific to individual circumstances.
- There is no retirement age in New Zealand, but the age of eligibility for NZ Superannuation (currently 65) is commonly used as a proxy for this. The definition of a retired household follows from this, as being one 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.

⁸ 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 groups and subgroups. The HES data have been adjusted for the effect of inflation using the appropriate group and subgroup CPIs.

THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES

ONE PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	77.00	72.73	133.37	108.94
Fruit and vegetables	12.79	13.59	22.33	17.48
Meat, poultry and fish	14.60	12.81	28.12	19.34
Grocery food	30.05	31.80	51.22	46.78
Non-alcoholic beverages	3.99	3.82	10.97	4.27
Restaurant meals & ready-to-eat food	15.37	10.36	20.37	20.61
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	10.02	4.97	34.98	19.71
Alcoholic beverages	8.65	3.91	30.88	18.14
Cigarettes & tobacco	..S ⁹	..S	..S	..S
CLOTHING AND FOOTWEAR	24.24	5.10	..S	37.55
Clothing	17.36	4.44	..S	30.49
HOUSING AND HOUSEHOLD UTILITIES	136.53	122.24	199.54	205.74
Actual rentals for housing	..S	19.07	..S	..S
Home ownership	6.25	14.43	..S	¹⁰ 63.37
Property rates & related services	39.28	39.92	75.64	39.09
Household energy	37.89	30.74	38.63	40.59
HOUSEHOLD CONTENTS AND SERVICES	36.72	19.68	54.91	48.11
Furniture, furnishings & floor coverings	13.83	8.59	30.91	13.05
Household textiles	..S	..S	..S	7.06
Household appliances	9.45	4.41	..S	15.43
Glassware, tableware & household utensils	2.21	..S	..S	..S
Other household supplies & services	5.25	4.78	6.76	6.37
HEALTH	36.99	21.62	41.10	23.13
Medical products, appliances & equipment	5.07	4.06	..S	8.90
Out-patient services	32.12	17.62	14.72	11.10
TRANSPORT	34.62	45.18	112.22	92.46
Purchase of vehicles	..S	..S	..S	..S
Private transport supplies & services	24.46	24.89	42.18	42.78
Passenger transport services	8.76	5.19	27.72	2.64
COMMUNICATION (TELECOMMUNICATION)	22.54	18.69	25.17	23.35
Telecommunication services	22.24	18.18	25.21	23.58
RECREATION AND CULTURE	54.87	45.24	42.42	92.69
Audio-visual & computing equipment	4.52	8.27	..S	2.49
Other recreational equipment & supplies	6.46	6.79	9.51	11.45
Recreational & cultural services	17.12	20.03	17.21	52.51
Newspapers, books & stationery	9.25	7.00	10.71	9.00
Accommodation services	4.63	..S	..S	..S
Miscellaneous domestic holiday costs	0.86	0.56	..S	1.32
EDUCATION	..S	..S	..S	..S
MISCELLANEOUS GOODS & SERVICES	49.58	43.88	¹¹ 110.32	86.61
Personal care	10.03	6.71	19.56	16.86
Personal effects nec	4.87	1.10	..S	6.51
Insurance	32.88	29.17	76.23	46.84
Credit services	0.42	0.23	1.39	1.77
OTHER EXPENDITURE	6.65	19.58	..S	43.73
Interest payments	..S	12.54	..S	23.59
Contributions to savings	..S	..S	..S	..S
Expenditure incurred whilst overseas	..S	2.05	..S	3.78
TOTAL	489.77	418.91	754.03	782.02

⁹ ..S indicates that too few households reported spending in that category to permit reliable estimation

¹⁰ The figure for Home Ownership for the Choices budget for Provincial One-Person Households has been adjusted, because the original figure of \$351.77 was clearly an outlier relative to figures for this class for other categories, and appears to have been distorted by very high expenditure levels for a small number of respondents

¹¹ The figure for Miscellaneous Goods & Services for the Choices budget for Metro One-Person Households has been adjusted, because the original figure of \$238.62 was clearly an outlier relative to figures for this class for other categories and the total of the sub-classes, and appears to have been distorted by very high expenditure levels for a small number of respondents.

TWO PERSON HOUSEHOLDS, EXPENDITURE PER WEEK

	NO FRILLS		CHOICES	
	METRO	PROVINCIAL	METRO	PROVINCIAL
FOOD	119.72	137.53	187.76	173.57
Fruit and vegetables	20.33	22.21	29.38	24.12
Meat, poultry and fish	26.78	21.88	35.23	35.17
Grocery food	47.91	61.29	61.06	67.63
Non-alcoholic beverages	7.35	8.55	10.89	11.23
Restaurant meals & ready-to-eat food	16.91	22.94	51.28	34.99
ALCOHOLIC BEVERAGES, TOBACCO AND ILLICIT DRUGS	6.09	17.97	29.17	33.31
Alcoholic beverages	5.60	14.01	25.58	26.00
Cigarettes & tobacco	..S	3.20	..S	5.90
CLOTHING AND FOOTWEAR	4.85	13.83	31.57	18.30
Clothing	4.86	9.17	27.60	15.85
HOUSING AND HOUSEHOLD UTILITIES	163.81	144.25	254.74	166.57
Actual rentals for housing	73.19	..S	..S	..S
Home ownership	..S	31.54	73.70	32.66
Property rates & related services	23.97	36.82	60.60	45.88
Household energy	37.79	43.65	46.62	57.32
HOUSEHOLD CONTENTS AND SERVICES	32.61	39.65	43.34	49.76
Furniture, furnishings & floor coverings	..S	14.29	14.37	14.41
Household textiles	..S	5.07	1.80	2.53
Household appliances	..S	6.48	3.34	7.55
Glassware, tableware & household utensils	..S	1.59	1.79	2.10
Other household supplies & services	5.33	6.57	13.62	10.03
HEALTH	13.50	47.99	72.75	60.92
Medical products, appliances & equipment	5.91	20.97	15.53	10.73
Out-patient services	7.42	25.94	56.97	49.81
TRANSPORT	42.98	84.98	129.40	165.97
Purchase of vehicles	..S	..S	29.26	46.33
Private transport supplies & services	29.06	52.20	70.36	71.52
Passenger transport services	6.80	6.97	29.77	47.90
COMMUNICATION (TELECOMMUNICATION)	22.35	20.20	33.44	28.07
Telecommunication services	21.63	18.52	31.18	27.01
RECREATION AND CULTURE	53.07	73.68	141.96	151.78
Audio-visual & computing equipment	..S	2.71	10.23	7.35
Other recreational equipment & supplies	8.73	14.61	17.74	27.99
Recreational & cultural services	25.91	30.82	68.09	48.88
Newspapers, books & stationery	5.42	11.41	14.15	20.46
Accommodation services	..S	10.80	9.66	17.27
Miscellaneous domestic holiday costs	..S	1.48	3.55	6.56
EDUCATION	..S	..S	..S	1.28
MISCELLANEOUS GOODS & SERVICES	42.14	76.72	129.25	121.05
Personal care	9.76	15.55	24.45	23.01
Personal effects nec	2.37	6.01	7.61	7.00
Insurance	28.77	48.84	91.99	83.15
Credit services	0.48	3.51	2.27	3.43
OTHER EXPENDITURE	21.81	21.02	38.39	41.75
Interest payments	19.08	6.87	10.93	21.31
Contributions to savings	..S	7.75	15.17	11.76
Expenditure incurred whilst overseas	..S	4.78	11.47	7.50
TOTAL	522.93	677.83	1091.77	1012.32

WHAT DO THE 2015 RETIREMENT EXPENDITURE GUIDELINES TELL US?

While we cannot compare the guidelines back to the first report in 2012 due to the change in methodology discussed in the 2014 report, we can consider how the total level of expenditures has changed since 2013 for each of the guideline groups.

TOTAL WEEKLY EXPENDITURE

		2013	2014	2015	PERCENTAGE CHANGE 2013-2015
One-person households	No Frills – Metro	480.99	487.68	489.77	1.83%
	No Frills – Provincial	411.75	417.82	418.91	1.74%
	Choices – Metro	739.81	752.05	754.03	1.92%
	Choices – Provincial	769.58	780.16	782.02	1.62%
Two-person households	No Frills – Metro	513.26	521.15	522.93	1.88%
	No Frills – Provincial	667.19	676.62	677.83	1.59%
	Choices – Metro	1073.55	1088.67	1091.77	1.70%
	Choices – Provincial	1000.27	1012.94	1012.32	1.20%

Of note is the difference in the increase in expenditure between the eight guideline groups. This difference reflects the different weightings of classes of expenditure within the guideline groups, which also helps explain the small reduction in total weekly expenditure for the Choices – Provincial Two-person Household group. For this household group the small decrease appears to be due to transport-related expenditure representing a higher relative proportion of total expenditure (16.4%) as at 30th June 2015, compared to the other Two-person Households (8.2% – 12.5%). The CPI figure for the transport class for the 12 months to 30th June 2015 was -4.3%, compared to the overall CPI figure of 0.4% for that period.

It is helpful to compare these expenditure totals with the rates of NZ Superannuation. On 1st April 2015, New Zealand Superannuation rates increased by 2.07%¹², and the two key rates increased to¹³:

Single, living alone	\$374.53 per week	after tax at the M rate
Couples, both qualify	\$576.20 per week	after tax at the M rate

Overall, the CPI inflation rate for the two years to 30th June 2015 was 2.01%, while the increase in NZ Superannuation was 4.79%.

COMPARISON OF INFLATION AND NZ SUPERANNUATION INCREASES

	2013	2014	2015
CPI Inflation to 30 th June	0.90%	1.60%	0.40%
Increase in NZ Superannuation as at 1 st April	2.44%	2.66%	2.07%

It is important to recognise that the overall CPI inflation rate hides substantial differences in inflation between expenditure classes. For example, while the total CPI inflation rate for the twelve months to 30th June 2015 was 0.4%, for the Housing and Household Utilities expenditure class it was 2.5%, while for the Communications expenditure class it was -5.3%. The importance of this difference can be seen in the relative level of expenditure for the different classes. For example, the Housing and Household Utilities expenditure class represents 31.3% of expenditure for the No Frills – Metro Two-person Household group compared to 4.3% for Communications for that group in the 2015 Retirement Expenditure Guidelines.

¹² Source: <http://www.workandincome.govt.nz/about-work-and-income/news/2015/benefit-rates-changes.html>

¹³ Source: <http://www.workandincome.govt.nz/individuals/brochures/benefit-rates-april-2015.html#NZSuperannuationandVeterans'Pension14>

GAP BETWEEN GUIDELINES AND NZ SUPERANNUATION

		2015	NZ SUPER	GAP
One-person households	No Frills - Metro	489.77		-115.24
	No Frills - Provincial	418.91		-44.38
	Choices - Metro	754.03	374.53	-379.50
	Choices - Provincial	782.02		-407.49
Two-person households	No Frills - Metro	522.93		53.27
	No Frills - Provincial	677.83		-101.63
	Choices - Metro	1091.77	576.20	-515.57
	Choices - Provincial	1012.32		-436.12

As the table above shows, it is clear that over-65s households need additional income, as NZ Superannuation is insufficient to meet identified levels of expenditure, with the exception of the No Frills – Metro Two-person Household group. That additional income could include government allowances such as the accommodation supplement, but it is likely to also require personal savings to provide on-going income. Calculations using Sorted’s Retirement Planning calculator¹¹, reported in the 2014 Retirement Expenditure Guidelines report, suggested a lump sum of \$111,255 would be needed by a single person living in a Metro area wanting a No Frills lifestyle, while a couple in a provincial area wanting a No Frills lifestyle would need \$98,832.

WHAT CAN I BUY BASED ON THE 2015 RETIREMENT EXPENDITURE GUIDELINES?

In the original 2012 report, we considered what the expenditure levels actually meant in practical terms. In this report, it seems timely for a reconsideration to provide context for the numbers. The starting point of this reconsideration below is on the No Frills expenditure levels, since they impose greater limitations on lifestyle; however, there is also some consideration of the Choices expenditure levels. The examples are illustrative only, as actual expenditure would reflect individual preferences.

Food comprises 14-17 per cent of the total expenditure for the one-person households and 17-23 per cent for the two-person households, making it one of the more substantial expenditure categories. Grocery food, which excludes fruit and vegetables, makes up nearly half of this category. For one-person households, the No Frills Metro guideline includes \$30.05 for Grocery food, plus \$14.60 for Meat, poultry and fish, and \$12.79 for Fruit and vegetables, while for the Choices Metro guideline the equivalent figures are \$51.22, \$28.12 and \$22.33.

At \$21.99¹² per kg sirloin steak is probably not going to be on the No Frills menu, since the weekly Meat, poultry and fish budget would only purchase about 660 grams, enough for 2-3 meals. Chicken stir-fry, at \$12.99 per kg, may be a better option offering nearly 1.2 kilograms, which would be sufficient for 4-5 meals. The Choices Metro guideline would allow more options, being nearly twice the expenditure level: say 400gms of sirloin steak (\$8.80), 600gms of chicken stir-fry (\$7.79), 500gms of sausages (\$7.15) and 500gms of lamb chops (\$4.00).

The Fruit and vegetables options under the No Frills Metro guideline for one-person households look more reasonable, with two heads of broccoli for \$3, a 1.5kg bag of apples for \$3.49, a ready-mix salad for \$2.99 and a 1kg bag of frozen mixed vegetables for \$2.79 making a total of \$12.27. The Choices Metro guideline allows for nearly \$10 more expenditure, which would potentially allow more ‘exotic’ fruit and vegetables to be purchased, while placing less emphasis on seasonal availability, which can substantially affect prices. So under the Choices guideline we could add a pineapple (\$2.99), 200gms of mushrooms (\$1.80) and three capsicums (\$5) for a total of \$22.06.

¹⁴ <https://www.sorted.org.nz/calculators/retirement>

¹⁵ The prices used for the discussion of food expenditure are taken from the New World weekly mailer for 21-27 September 2015.

The Other Grocery food under the No Frills Metro guideline could include two cans of soup (\$5), a packet of 100 tea bags (\$3.59), a box of cereal (\$3.99), a jar of peanut butter (\$3.49), two loaves of bread (\$5), a 500g packet of pasta (\$1.99), a 500g pack of margarine or butter (\$2.99) and a packet of biscuits (\$3.49), for a total of \$29.54. Obviously some of those items would last more than a week, but even taking that into account the shopping list indicates restrictive options. Spending under the Choices guideline we could add a cheese & bacon ciabatta (\$3.99), spaghetti and baked beans (four cans for \$5), jam (\$4.49), a 3-litre bottle of fruit juice (\$3.99) and a six-pack of yoghurt (\$3.49) for a total of \$50.50.

Another important category of household spending is **Housing and household utilities**. This comprises 23-29 per cent of total expenditure for the one-person households and 16-31 per cent for the two-person households. Household energy represents 18-34 per cent of the costs in the Housing and household utilities category, or 4-8 per cent of total costs.

We'll compare **Household energy** expenditure for two-person households. This comparison is restricted to electricity as a simplification. For the purposes of this comparison, we have used Mercury Energy's prices for its Good Energy Plan¹⁶, which includes a fixed daily charge of \$2.68 per week. Like most energy companies Mercury Energy offers a prompt payment discount (in this case 10%), and the comparison assumes that this is being received. Based on Mercury Energy prices, a Metro household spending at the No Frills level uses an average of 130.4kWh per week, which increases to 163.2kWh for the Choices level of expenditure. A Provincial household spending at the No Frills level uses an average of 153.6kWh per week, increasing to 204.5kWh at the Choices level.

The following table provides an estimate of weekly kilowatt hours (kWh) used by different electrically powered items, and shows which can be used within the Household energy expenditure class. It is important to note that energy use is difficult to compare, because prices vary between providers and is very dependent not just on the type of electrical equipment being used, but also on the specific appliances that are being used

COMPARISON OF ELECTRICITY EXPENDITURE

ELECTRICAL ITEM	USAGE DETAILS ¹⁷	NO FRILLS (KWH)		CHOICES (KWH)	
		METRO	PROVINCIAL	METRO	PROVINCIAL
Hot water cylinder*	3800 watt @ 3 (4) hours per day	80.0	80.0	106.0	106.0
Fridge/freezer#	250l (400l) fridge & 120l (250l) freezer	6.6	6.6	10.4	10.4
Washing machine#	5.5kg capacity @ 4 cold (7 warm) washes per week	0.6	0.6	6.0	6.0
Oven*	1 hour per day	14.0	14.0	14.0	14.0
Television#	42 (52) inch screen @ 3 (5) hours per day	1.3	1.3	3.1	3.1
Kettle*	1 hour per day (based on coffee maker)	6.3	6.3	6.3	6.3
Lights*	CFL 60W equivalent - 4 lights @ 2 (4) hours per day	1.2	1.2	2.0	2.0
Computer*#	17 (24) inch monitor @ 2 (4) hours per day	2.1	2.1	2.5	2.5
Clock/radio*	Two (for a two-person household)	1.4	1.4	1.4	1.4
Toaster*	15 minutes per day	2.5	2.5	2.5	2.5
Microwave*	30 minutes per day	5.0	5.0	5.0	5.0
Heat pump#	5kW output heat pump, with average use of 5 hours per day	n.a.	30.5	n.a.	30.5
Dishwasher#	14-place setting capacity @ 5 times per week	n.a.	n.a.	n.a.	4.5
Clothes dryer#	5kg capacity @ 2 uses per week for half of year	n.a.	n.a.	n.a.	3.7
TOTAL KWH (AVAILABLE PER GUIDELINE EXPENDITURE)		121.0 (130.4)	151.5 (153.6)	159.2 (163.2)	197.9 (204.5)

1. Items denoted by * have had their energy used calculated using a calculator available at <http://michaelbluejay.com/electricity/>, while items denoted by # have been calculated using a calculator available at <https://www.energywise.govt.nz/tools/running-costs-calculator/#/>

2. n.a. means that there is no room in the electricity budget to allow use of this item

¹⁶ Mercury Energy has been used as their rates appear to be in the middle of the range of prices charged, based on information available on the Consumer Powerswitch website (<https://www.powerswitch.org.nz/powerswitch/price-trends/providers>). At the time of the calculation Mercury Energy had a daily charge of 0.3333c+GST. For a Palmerston North property (Provincial), the Good Energy Plan had a kWh charge of 0.2594+GST, while for a property in the Hillsborough area of Auckland (Metro) the kWh charge was 0.2601+GST.

¹⁷ Where the usage shows two different situations, the first represents the No Frills usage level and the second in brackets represents the Choices usage level.

Of note in the above table is that Metro households have almost used up their energy budget before anything is spent on heating. Under the No Frills guideline, the Metro household has available to it less than one-third of the Provincial households' spending on heating. The Choices Metro guideline capacity for spending on heating is less again, but it does have more flexibility because it includes higher usage in some categories such as the fridge/freezer, which could be reduced to enable more heating expenditure to be included.

Insurance is a sub-class of expenditure that represents a relatively substantial portion of total expenditure, representing 5-9 per cent across all the guidelines. In dollar terms, the weekly expenditure on insurance ranges from \$28.77 to \$91.99. Some insurance can be seen as optional, such as health insurance, while other insurance, like home and contents insurance, is often viewed as a necessity. This was clearly illustrated in the survey reported in the 2012 Retirement Expenditure Guidelines report, which found 93% of retirees had contents and car insurance, while only 35% had medical/health insurance and 27% had life insurance.

The house, contents and car insurance costs have been calculated using Trade Me Insurance¹⁸, for a two-person household in Palmerston North and then in the Hillsborough area of Auckland. The first comprehensive car insurance quote used a 2010 Toyota Corolla GX Auto 4-speed sedan with a 1.8 litre engine, valued at \$10,000, with a male driver of 70 and a female driver of 67. For the second quote the car became the 2013 model of the same vehicle with a value of \$20,000. The cost for house insurance is based on a 250 square metre owner-occupied brick home with a tile roof, with a cost to rebuild of \$500,000. The price for contents insurance is based on a value of \$150,000, with no specified items (which can significantly affect the premium). Both the House and Contents assumed an owner-occupied home, with the oldest insured person aged 70, and no recent claims history. The cost was calculated using different excesses to compare the costs.

It is important to note that none of the quotes included any discounts, such as those commonly available for multiple policies with the same company or having an alarm system, so the prices could be reduced further. However, not everyone would be happy with the large excesses, and reducing the excesses would increase the premiums. In addition, there may be personal circumstances, such as a recent claims history, which would also increase the premiums.

In addition, we considered the cost of funeral plan cover, which is a type of insurance that can be more useful for older people. The cost of cover was calculated for the Golden Life Plan from Golden Life insurance¹⁹.

As the table shows a Metro two-person household is limited to house and contents insurance with the maximum excesses if insurance spending is at the No Frills guideline. Increasing insurance spending to the Choices guideline allows car insurance and funeral plan insurance for both to be included and also allows a reduction in the excess on the house and contents insurance. The difference between the two spending levels is not quite so marked for the Provincial two-person household, but there is certainly more cover and lower excesses at the Choices expenditure level.

18 <https://www.trademeinsurance.co.nz/>

19 <http://goldenlife.co.nz/nzg/GLCalcQuote>

COMPARISON OF INSURANCE EXPENDITURE

		PROVINCIAL		METRO	
		NO FRILLS	CHOICES	NO FRILLS	CHOICES
House	\$2500 excess	19.84		19.00	
	\$1000 excess		24.50		23.38
Contents	\$1000 excess	9.28		10.42	
	\$250 excess		14.83		16.74
Comprehensive car	\$10,000	7.18			
	\$20,000		8.43		11.74
Funeral - 70 yo male	\$5,000	12.23			
	\$10,000		22.62		22.62
Funeral - 67 yo female	\$5,000		9.46		
	\$10,000				17.08
TOTAL (\$PER WEEK)		48.53	79.84	29.42	91.56

It is not practical to do this comparative exercise for all the expenditure categories, but these three examples for important expenditure groups provide a clear illustration of the everyday differences that exist between spending at a No Frills level or at a Choices level. In particular, it highlights some of the restrictions that are faced by households spending at a No Frills level.

SUMMARY AND CONCLUSIONS

This report has found that for almost every type of New Zealand household and level of expenditure surveyed, there is a gap between expenditure by people aged 65+ and the income provided by New Zealand Superannuation. The only exception is the No Frills – Metro Two-person Household group. It can be concluded that most New Zealanders will need to save through their working lives if they aspire to a better standard of living in retirement than NZ Superannuation alone can support.

The guidelines contained in the report can be used as input to planning for retirement income. For example, the size of the weekly gap between NZ Superannuation and a particular level of expenditure might be multiplied to calculate a “ball park” 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 take into account 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://www.sorted.org.nz/calculators/retirement>.

Alternatively, those planning their retirement income can consult an Authorised Financial Advisor (see <http://fma.govt.nz/consumers/getting-financial-advice/>).

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.