

Post Retirement Planning

From Aged Care New Zealand Issue 02 2021

With the average life expectancy creeping up to nearly 80, individuals need to stretch out their retirement savings further than originally planned. That means saving more and planning for longer. The earlier you begin, the better the chances are of having enough retirement funds to last a lifespan.

Retirement now looks very different to what we remember. As career opportunities have broadened and changed, one may never get to experience the traditional and often radical shift from full time work to full time retirement, and you may want to keep working or doing all the things you currently enjoy as you get older.

The Commission for Financial Capability (CFFC) uses the three stages of retirement to encourage people to think about ageing well and preparing for the future. These stages are broken down into Discovery (around 65-74), Endeavour (around 75-84), and reflection (85+).



The discovery stage

In this stage, one may still be working part time or be self-employed. You may be interested in doing all the things that you did not have time for when you worked full time, such as travelling, spending more time on your hobbies and interests, learning new skills and visiting family.

You may also be physically and mentally capable of leading a fairly active lifestyle. CFFC dubs this as the 'doing' years and this may come with increased living costs as you explore what you can do in retirement. It is important to plan your expenses and savings to ensure you can enjoy this part of retirement and continue to be comfortable in the future.

The endeavour stage

The middle range of retirement may be a time where you focus on developing your skills or explore new ones. Having a routine may help manage your energy so you can maintain the activities you enjoy. At this point it may be a good time to consider downsizing the house or finding ways to reduce home maintenance. Financially, one may still be pursuing hobbies and travel, but at a slower pace which will steady annual expenditure. Many people in this stage consider releasing equity from their family home as they downsize to plan for future costs. At this stage you may need to plan for future health issues and allocate savings for future health services.

The reflection stage

In the later stages of retirement, one often needs more help as health and finances limit personal independence and choice. Many people enjoy these years of retirement by spending time with loved ones, making memories, and reflection on past memories. The cost of living at this stage may drop dramatically as one spends more time at home, but if any health issues occur then costs may rise rapidly. It is important to plan for future health needs, which may require family support, and government and community agency support.

Planning finances

The earlier one begins planning for retirement, the more prepared and confident one can be when you do retire. The New Zealand Superannuation (NZ Super) payment for people over the age of 65 does help cover expenses in retirement but will most likely not be the amount one wants to spend in retirement. You will need other sources to supplement income in retirement such as personal savings, KiwiSaver, investments, and assets.

Paying off debt

If one has any debt such as from credit cards or a mortgage, you should aim to pay these off as quickly as possible. Entering retirement mortgage-free will free up your NZ Super payments and will give you a chance to build up savings before you retire. You can find more information about paying off mortgages before retirement at sorted.org.nz.



Working in retirement

There is no compulsory retirement age in New Zealand, and many people continue to work with flexible hours, part time or casual hours during their retirement. One may still receive NZ Super if you are over 65 and working or receiving an overseas pension. Some people choose to work because they need the extra money on top of NZ Super, or because they can and want to stay employed at an older age. You can find more information about receiving NZ Super and another income at workandincome.org.nz.

Equity release

If one owns a property or other valuable asset, you may find a lot of your money is unusable. During retirement many people consider selling their house and downsizing or moving into a more manageable property. This can free up some of your money to be used elsewhere. You can also consider getting a reverse mortgage on your house, which is when you borrow an amount of money against the property to be repaid when you sell the house or when you pass away. Applying for a reverse mortgage is a big decision that should be done with independent legal advice. You can find more information about these at Consumer.org.nz

KiwiSaver and NZ Super

KiwiSaver is a voluntary savings scheme that helps individuals put money aside for retirement. One chooses a percentage of your salary to be deducted and saved with a KiwiSaver scheme provider such as a bank. It is designed to help individuals save for retirement or to buy a first house. You can find out more about KiwiSaver on the iRD website.

NZ Super is a pension that people 65 and over can receive. You can still receive NZ Super if you are not retired and it is not income tested. The NZ Super rate depends on an individual's living situation, whether they are single or in a relationship, and whether they receive any other benefit. You can find the rates for NZ Super at workandincome.govt.nz

Retirement and savings planners

Sorted, which is the financial guidance service developed by the Commission for Financial Capability, has a retirement planner tool to help individuals evaluate whether they are financially on track for the retirement lifestyle they have in mind. They also have a calculator to track any KiwiSaver contributions to plan ahead for retirement. Individuals can find more tools for planning, budgeting, debt repayments, savings and more on the website.

Website of interest: Information on improving retirement and planning ahead can be found on the CFFC website.