

Questions about “Retirement”

Looking forward to 2020

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TOWER

In 2021

according to SNZ projections

- Half the population will be over 40
- The 65 age group will have risen to 17% of the population (now 12%)
- The number of people aged 65 plus will have increased by 50% - from 550,000 to 812,000 (medium projection)
- The number of people aged 90 plus will have doubled (from 19,000 to 37,000)

Why is population ageing happening?

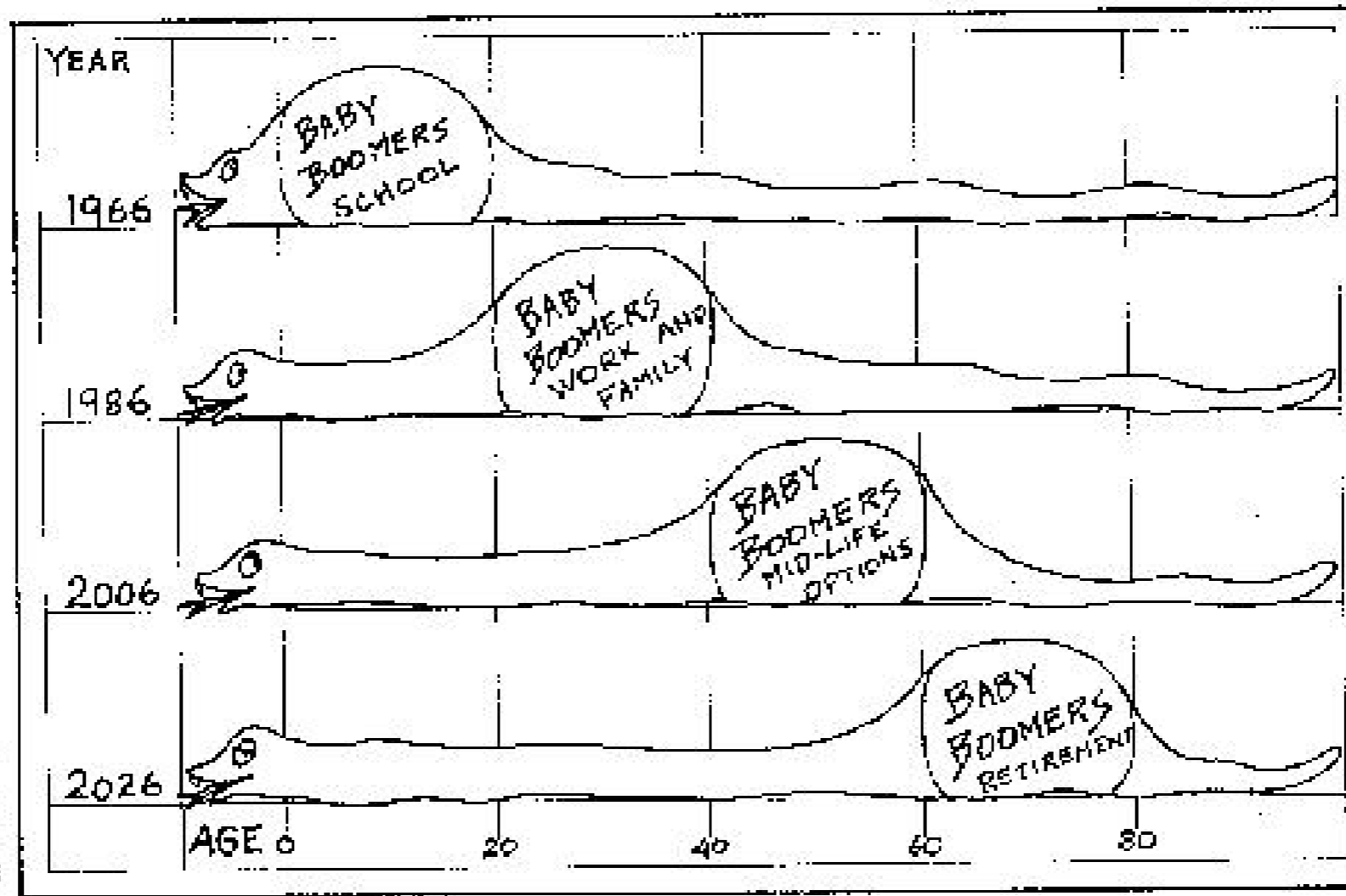
Is it inevitable?

- Yes - The “baby boom” phenomenon
- Probably - Changes in life expectancy

Total fertility rate, 1911 - 2021



Progress of the Baby-boom Bulge

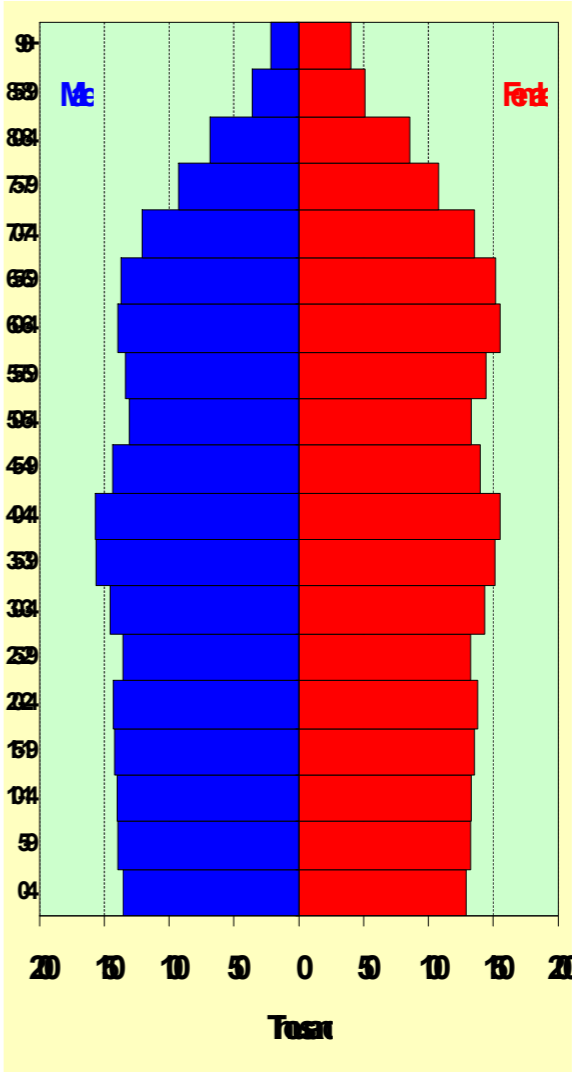
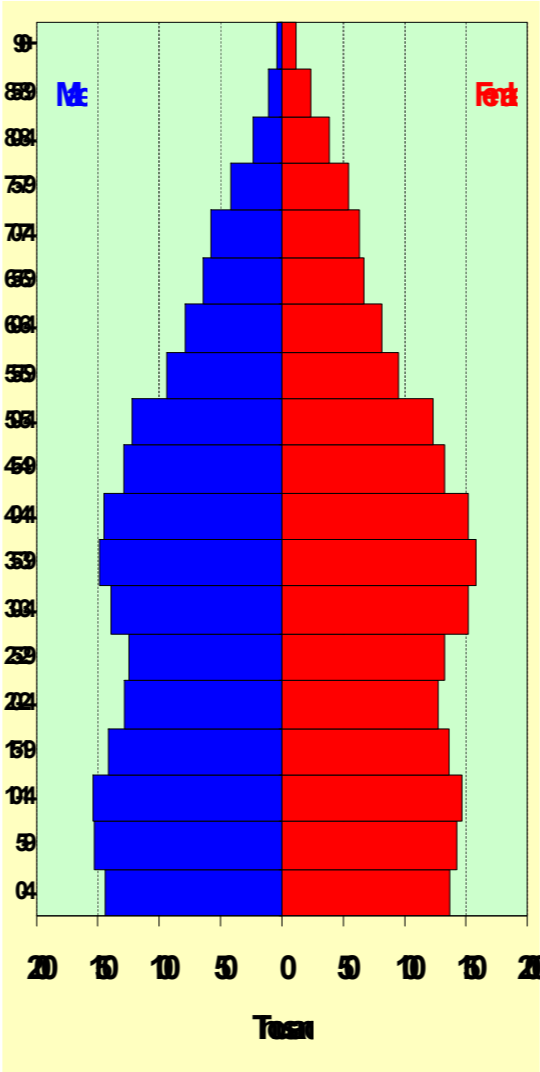
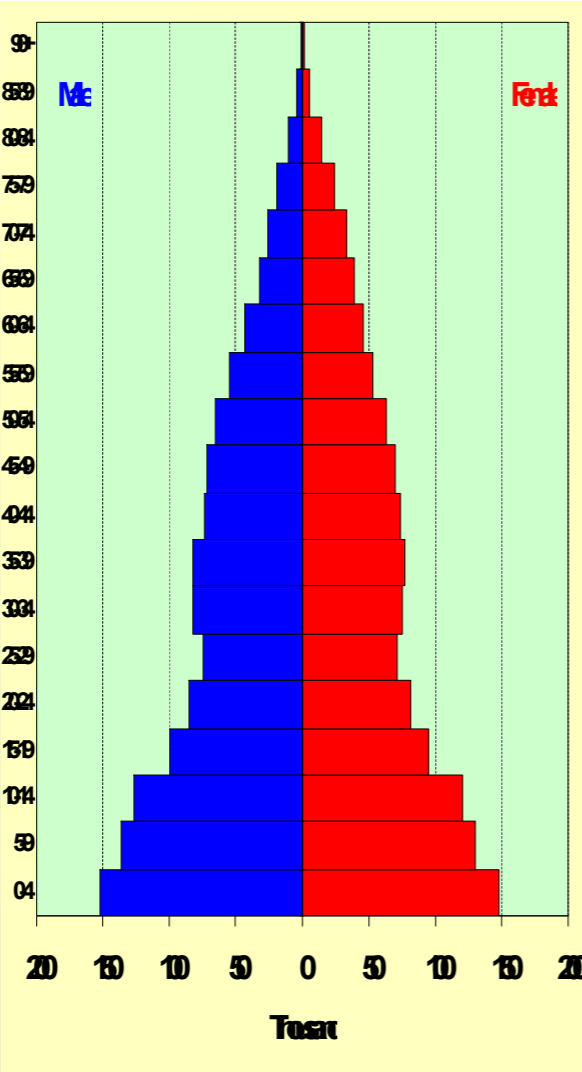


Population Structure

1961

2001

2021



Life Expectancy at age 65 (years)

1960-62

Male 12.8

Female 15.8

2005-7

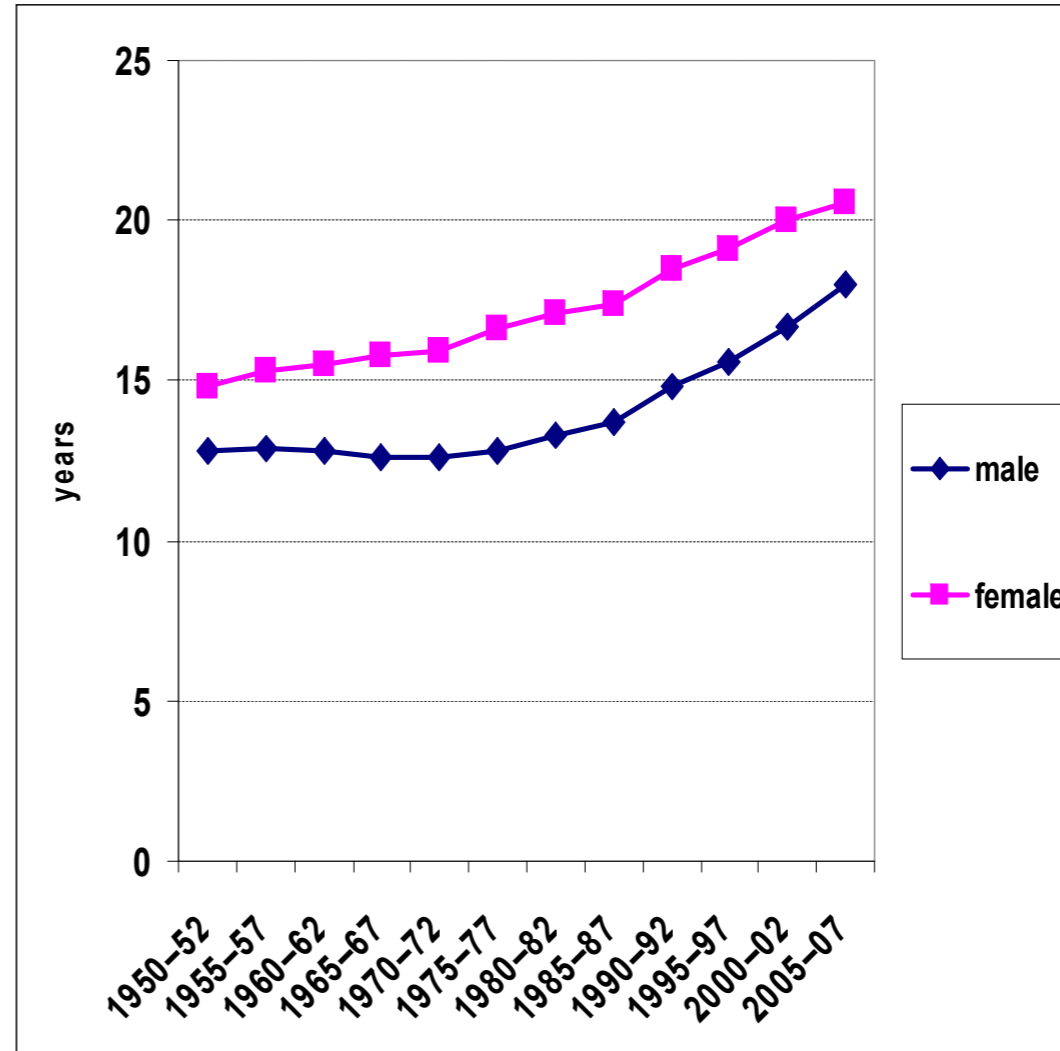
Male 18

Female 20.6

2020 (est.)

Male 21.9

Female 24.5



Life Expectancy and Length of Retirement (post age 65)

2005-6	LE at birth	Av. length of Rtrment	LE at 65	Av. length of Rtrment
Male	78	13	83	18
Female	82	17	86	21
2020				
Male			87	22
Female			90	25

Health of Baby-boomers

- Baby-boomers have experienced better health overall than their parents did at the same ages
- They are generally health conscious
- Access to treatment, screening, rehabilitation improved (and future potential)
- Expectations of medical care

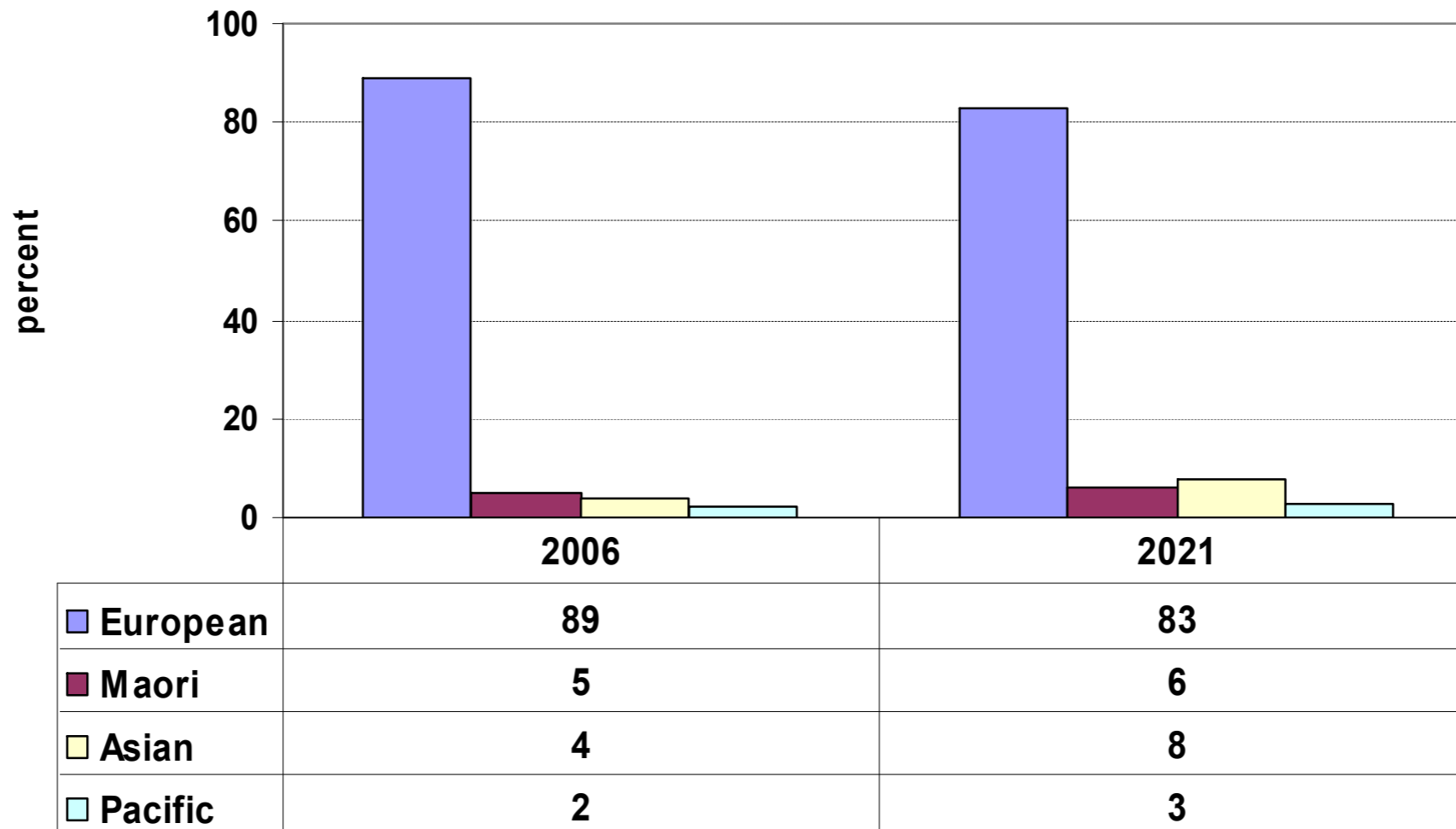
But will (healthy) life expectancy continue to increase?

- What will be the effects of increased hypertension, diabetes, obesity?
- Or will changes in lifestyle delay onset of chronic disease and disability?
- Will ill health and disability be compressed into fewer years?
- Or will longer life mean longer periods of disability (e.g. dementia)?

How will the “baby boomers” differ from the current older age groups?

- Greater ethnic diversity
- Partnering
- Housing and households
- Workforce experience
- Educational experience
- Assets and financial knowledge
- View of retirement

Population 65 plus - Ethnic Composition



■ European
 ■ Maori
 ■ Asian
 ■ Pacific

Population 65 plus - Ethnicity

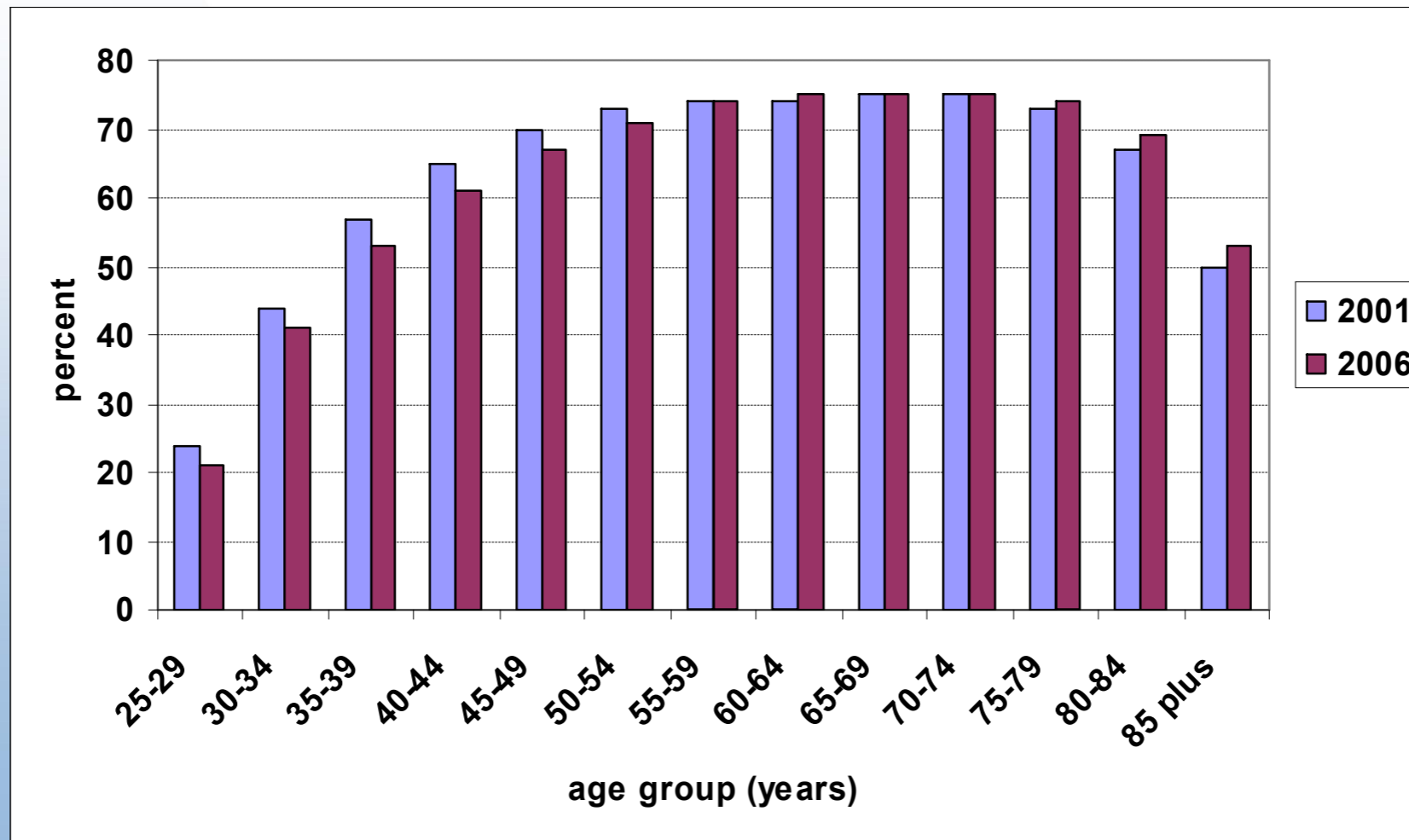
	2006 thousands	2021 thousands	Increase 2006- 2021
European	463	683	48%
Maori	26	53	104%
Asian	19	63	232%
Pacific	12	24	100%
Total	520	823	58%

Family Life – compared to earlier cohorts, BBers are

- less likely to marry and marry later
- have a higher rate of marriage break up and remarriage
- more likely to live in de facto unions
- delay child-bearing and longer gaps between children
- have their children at home longer

Effect on ability to save for retirement

Percentage living in owned housing, by age groups, 2001 and 2006

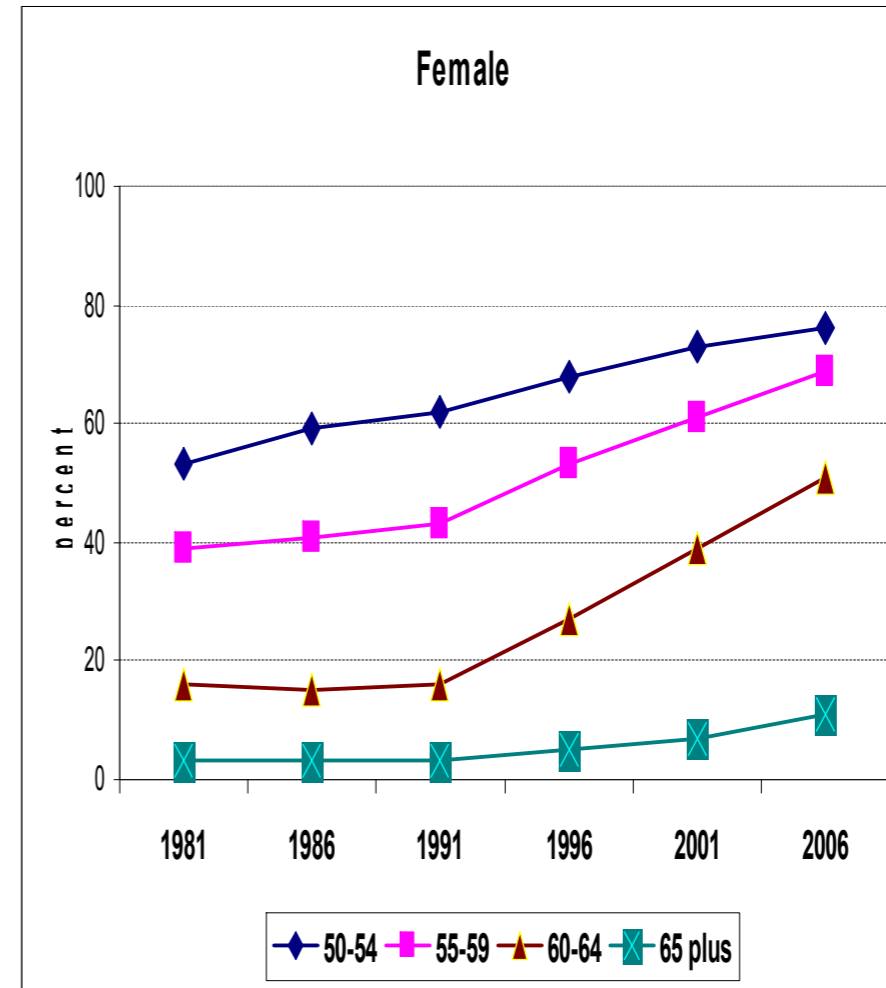
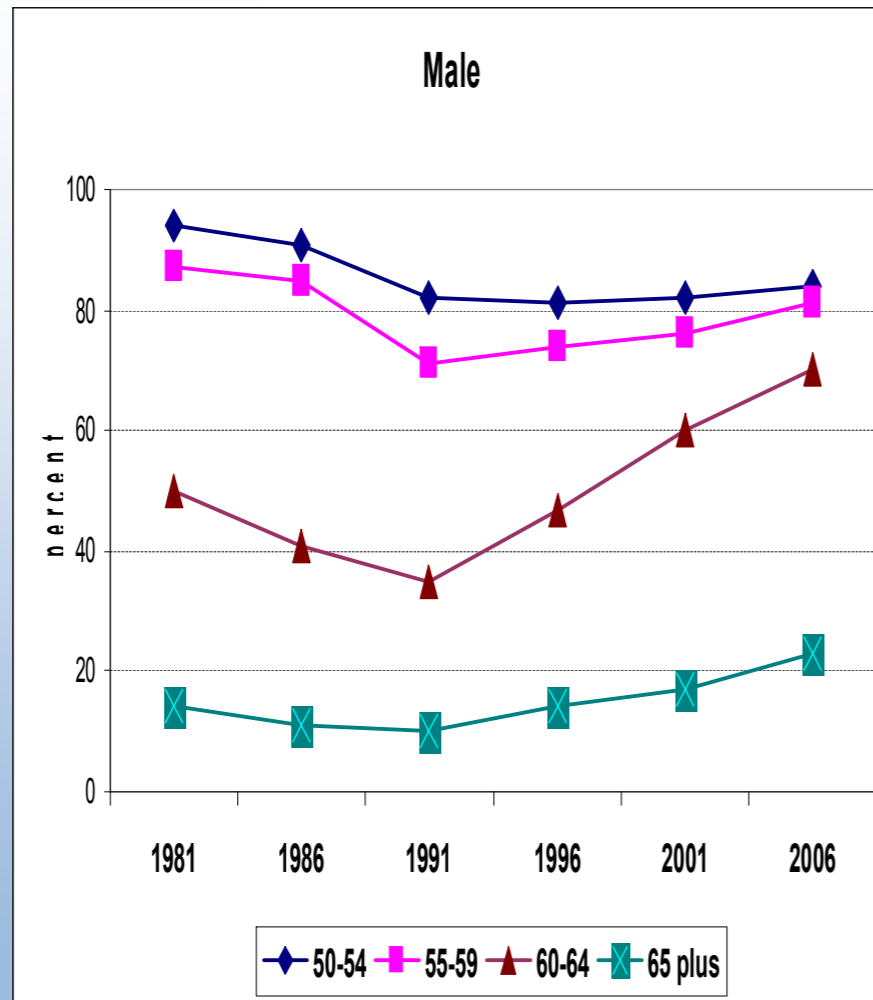


Paid Work Patterns of BBers

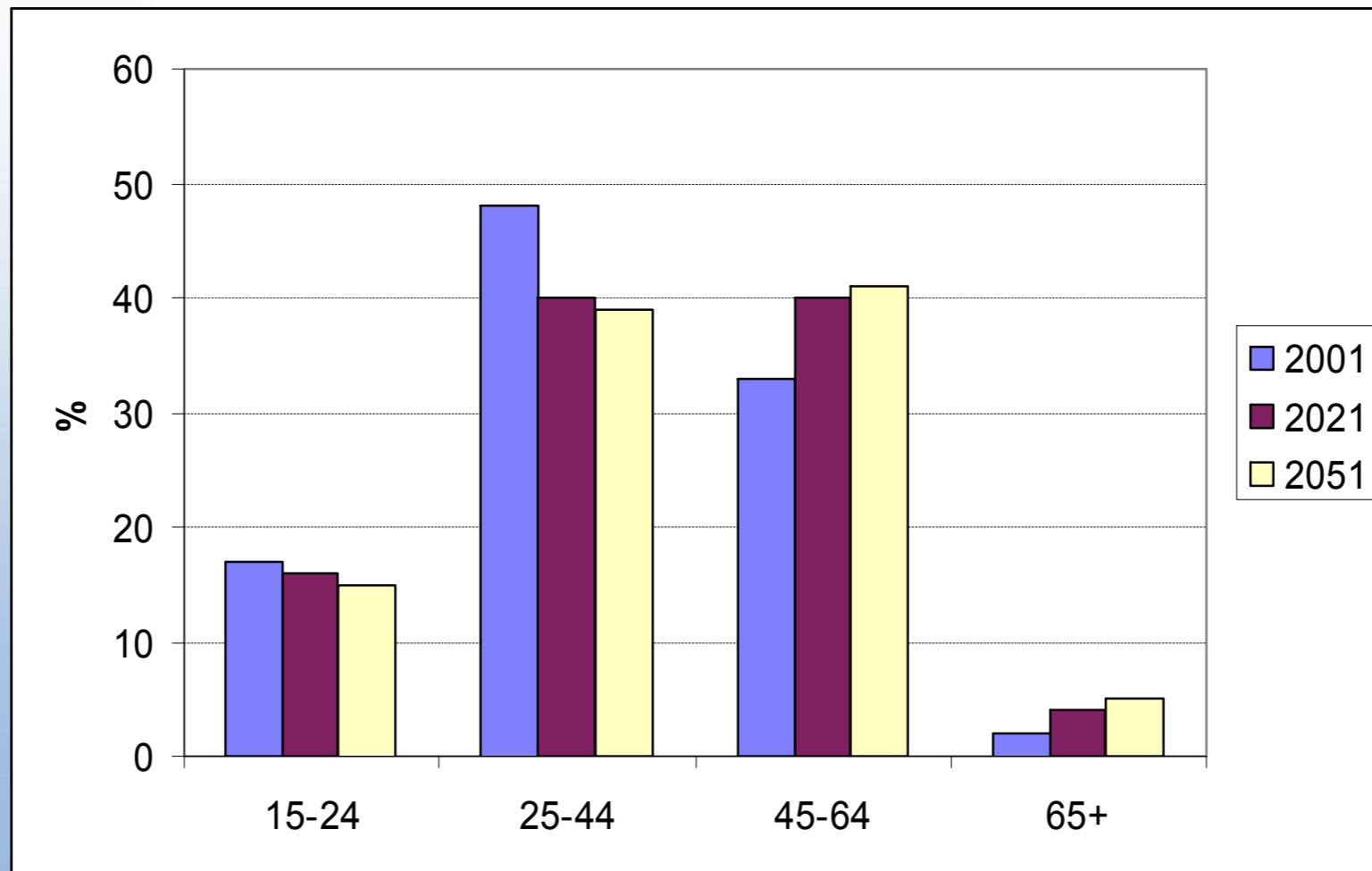
- Increased female participation - women less likely to have periods out of labour force
- Greater instability in male participation patterns – more part time work and unemployment
- Rising rates of self employment
- Growth of service, business and financial sectors and decline of primary and manufacturing

These will facilitate working longer

Labour Force Participation Rates, by Age and Sex



Age Structure of the Labour Force, 2001 and projections to 2051



People 65 plus in labour force

	Male	Female	Total
2006	38,000	23,000	61,000
2021	104,000	75,000	179,000
Increase	174%	226%	193%

Saving for retirement

- Most baby boomers are saving sufficient to maintain living standards
- But some groups disadvantaged – those who experienced
 - ★ unemployment
 - ★ prolonged ill health or disability
 - ★ marriage break up
 - ★ forced early retirement
 - ★ low income jobs

Social and economic stress in mid-life translates into lower standards of living in old age

What is “Retirement” and how is it changing?

- Transition to retirement becoming more complex - full withdrawal from labour force delayed
- Influences on retirement decisions have roots in mid-life
- Factors inter-relate
- More than simple economic judgements
- Couple effects
- Other intangible factors – ability to choose, control over time of retirement and speed of transition

A new view of “Retirement”

“To retire” dictionary definition –

To withdraw, go away, retreat, become unsociable, seek seclusion from the world !!!!

- An event or ceremony
- A process – “work-ending”
- A life stage
- An alternative lifestyle
- **A time of choice and opportunity?**

Contact

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SO WHAT DO WE DO ABOUT IT

A True Story

- But first some history....
- Then the true story
- Then 20:20

Now the true story

- Bea Muller – aged 87
- Husband Died 7 years ago
- Cabin 4062
- Queen Elizabeth II



Getting the money in the right place -

- Registry changes are enormous
- 20th of the month schedules
- IR Messaging



Investing the money in the right place

- Age based options elegant but likely to need change
- Managing asset allocation over longer periods
- More clearly describing fund risks
- Can shape the economy



Growing a culture of investment knowledge

- Growing wealth will create knowledge needs
- Compulsory Super will force the need to balance investment and debt retirement

Who will be able to help?

- There will be fewer advice options left
 - ★ New regulation
 - ★ No success fee for advice
- From a very small pool.....



Maintaining continuity

- Will be impossible for this to be left alone.
- Our history does suggest that we will be progressive.

20: 20

- Compulsory Super
- 2 page disclosure
- Pension based options
- One registry (D/Bank model)
- Investment choice, brand and services