

Retirement income adequacy – what is it?

Pauline Vamos
CEO
ASFA

Adequacy of retirement outcomes

- Need for benchmarks for both individuals and governments.
- Two possible approaches.
- Percentage of pre-retirement income or expenditure.
- Budgets in terms of weekly or annual expenditure.



The percentage approach

- 60% to 70% seem to be important numbers to achieve.
- Percentage of what is crucial.



The budget approach

- Focuses on absolute needs.
- People are more comfortable with dollar amounts than percentages.
- Deals with expenditure, not income.

- First invented in 2004.
- Roots were in social policy research about required budgets to meet needs of social security recipients.
- What set it apart was focus on retirees and on both modest and comfortable lifestyles.

Levels of retirement living standards

- Modest – retirees can afford to participate fully in opportunities available in contemporary society.
- Comfortable – retirees can engage in a broad range of leisure and recreational activities and also have better other stuff.



- Changes made in 2010 reflect increased living standards and changes in spending patterns.
- More on mobile phones and broadband.
- Energy costs up and separated.
- Major revisions to both health and leisure.



An NZ Retirement Standard?

- Not just converting amounts into \$NZ.
 - Needs to reflect income and spending patterns of New Zealand retirees.
 - Preliminary numbers prepared by ASFA based on NZ household expenditure and income figures for retirees.
 - Only figures for single retirees so far.
 - Final test would be focus group reality check of the numbers.
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	Modest lifestyle single	Comfortable lifestyle single
Housing, energy	\$132.30	\$160.10
Food	\$82.70	\$120.60
Clothing	\$10.00	\$28.70
Household items	\$23.30	\$35.90
Health	\$12.90	\$17.60
Transport	\$53.10	\$107.50
Leisure	\$86.50	\$163.00
Communications	\$20.50	\$23.00
Gifts, alcohol	\$12.40	\$20.70
Total per week	\$433.70	\$677.10
Total per year	\$22,615	\$36,305

Retirement standard compared to NZ Super

- NZ Super for single person living alone - \$NZ318.12 per week.
- Draft modest standard - \$433 a week.
- Draft comfortable standard - \$677 a week.

