

A woman with blonde hair styled in rollers, wearing white sunglasses and a blue patterned top, stands outdoors. She is leaning on a white wall with pink flowers. The background shows a green lawn and a white building.

**CFFC**

Commission for Financial Capability

Building wealthy lives

# THE CHOICE YEARS

Money decisions  
in retirement

- Having regular income
- Where to live when we get older
- Protecting what we own
- Kiwi stories



## Having regular income

Going into retirement doesn't mean our income stops. From the age of 65 most New Zealand residents receive NZ Super every fortnight. Income can also come from savings, paid work or business activity, or even our home.

## NZ Super

NZ Super is a pension paid by the state to most New Zealand residents from age 65 until death.

To be eligible for NZ Super, someone needs to be aged 65 or over, be a legal resident of New Zealand and have lived here for 10 years since age 20. Five of those years have to be since they turned 50.

### What do we get with NZ Super?

The table below shows how much we might get with NZ Super. If we are close to 65 and want to know more precisely the amount we would be entitled to, contact Senior Services at the Ministry of Social Development on **0800 552 002**.

### NZ Super/Veteran's Pension

Maximum after-tax rates applying from 1 April 2018

<b>Single</b> (living alone)	\$401 a week \$20,845 a year
<b>Single</b> (sharing)	\$370 a week \$19,242 a year
<b>Married or in a civil union or de facto relationship</b> (both qualify)	\$617 a week (combined total) \$32,069 a year
<b>Married person or a partner in a civil union or de facto relationship</b> (one person qualifies)	\$308 a week \$16,035 a year

## Overseas pensions

If we receive a pension from an overseas government, it is likely to be deducted from our NZ Super. Senior Services has more information about how much we're entitled to (**0800 777 227**).

## Extra help

Depending on our personal situation, we might qualify for extra help from Senior Services. This could include help with ongoing health and medical costs (Disability Allowance) and housing costs (Accommodation Supplement).

### Disability Allowance

If we qualify, we may be eligible for up to \$63.22 a week, depending on our disability costs.

### Accommodation Supplement

If we qualify, the amount will vary – depending on our accommodation costs, income and assets, family status and where we live. We may also qualify for other assistance – for example, if we face an emergency situation, or if we need help with essential costs.

For more information, call Senior Services on **0800 552 002**, contact the local Senior Services centre (usually located within Work and Income) or visit [www.seniors.msd.govt.nz](http://www.seniors.msd.govt.nz).

## Ways to save money

### Day-to-day expenses

The SuperGold Card is a discounts and concessions card available free to all New Zealanders who are aged 65 years or over, and those under 65 years receiving NZ Super (as a non-qualifying spouse or partner) or the Veteran's Pension. Using it regularly can help save money on day-to-day expenses.

The SuperGold website has up-to-date listings of all discounts available with the card.

For more information, visit the SuperGold website at [supergold.govt.nz](https://supergold.govt.nz) or contact the SuperGold Card Centre on **0800 25 45 65**.

### Healthcare costs

A Community Services Card can help with the cost of healthcare. If we qualify, we'll pay less on some health services and prescriptions.

If we're eligible for a Community Services Card, our SuperGold Card will have 'CSC' on the back which shows that it is also our Community Services Card.

For more information on the Community Services Card or to apply:

- Call Senior Services on **0800 999 999**
- Visit a Senior Services centre

## Budgeting

Everyone can benefit from having a budget – a plan of what money we expect to receive and how we expect to spend it. A budget is one of the best tools for managing our money, whatever our age.

Need help making a budget? The Financial Capability Trust is available online or by calling **0508 BUDGET** (0508 283 438). Their services are free and confidential.

## Living off savings

Many retired New Zealanders rely on income from savings in addition to their NZ Super. This means investing a nest egg so that it generates a regular return.

We may also plan to spend some or all of our savings to help fund our retirement years.

### Investing a nest egg

Generally speaking, the higher the return promised by an investment, the higher the risk. The amount of risk we can afford depends on how much we rely on our savings to pay for our basic living expenses – and what we're comfortable with.

Someone using their retirement savings for food, rates or insurance, or to replace their washing machine for example, is probably highly dependent on it and can't afford to take much risk with this money.

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**Tip: The more dependent we are on our nest egg, the more conservative our investment approach should be.**

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If we do decide on a high-risk investment, it's important to make sure we only invest a small proportion of our total money.

Liquidity – how easily we can turn our investments into cash – is also important.

### Budget for changing returns

Dependent on investment returns for income? We can make a budget each year based on our expected returns – which can vary due to changes in the economy, interest rates and inflation. We can include NZ Super and any other regular income we expect to receive. There's the budgeting tool on [sorted.org.nz](https://sorted.org.nz) – it does all the calculations for us.

If money is tight, is there any way to reduce spending or find income from other sources (e.g. part-time work)?

### Not retired yet and thinking of KiwiSaver?

KiwiSaver is a voluntary savings scheme designed to help New Zealanders save for their retirement. We must be aged under 65 to join. If we're under 60 when we join, we can get our funds when we turn 65. If we're over 60, we can't touch our funds for five years. Everyone who's eligible should seriously consider joining KiwiSaver.

#### Some key features include:

- A government contribution of 50c for every \$1 we contribute, up to a maximum of \$521 each year
- Our employer matches our contributions, at a minimum of 3% of our pay

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For information about KiwiSaver visit [kiwisaver.govt.nz](https://kiwisaver.govt.nz) or call **0800 KIWISAVER** (0800 549 472).

For help with decision making, read about KiwiSaver on [sorted.org.nz](https://sorted.org.nz).

For more investing fundamentals and key questions worth asking, order Sorted's free investing booklet or read the guides on [sorted.org.nz](https://sorted.org.nz).

## Getting financial advice

Financial advisers providing advice on investments such as shares, managed funds and KiwiSaver need to have minimum qualifications and meet professional standards. Authorised financial advisers are monitored by the Financial Markets Authority (FMA) and bound by a Code of Professional Conduct. The FMA website ([fma.govt.nz/getting-financial-advice](http://fma.govt.nz/getting-financial-advice)) can help with finding an adviser.

All financial service providers, including financial advisers, are required to be on the Financial Service Providers Register and belong to a dispute resolution scheme. View the register at [fspr.govt.nz](http://fspr.govt.nz) to check if an adviser complies with the law.

Asking these three questions can also help in deciding if an adviser has the right skills and experience:

### 1. Who is the adviser?

Do they belong to a professional association? What qualifications and experience do they have? Do they work for themselves or for an organisation? An adviser must provide most of this information to us in a disclosure statement.

### 2. How is the adviser paid?

Do they charge fees? Will commissions be deducted from the money invested with them? Can they tell us what the maximum payable is (directly or indirectly) for the advice? Will the adviser get any other form of payment or remuneration – whether in cash or in another form?

### 3. What services does the adviser offer?

Is the adviser licensed to offer the specific products or services we are looking for? Has the adviser asked questions that make us comfortable that they properly understand our needs? Will the adviser put details of the advice, and answers to our questions, in writing?

## Working in retirement

No one is required to stop working when they turn 65. We may want to continue working or to do so in a different way – such as with flexible hours, part-time or casual work, consultancy or mentoring. We may wish to continue our own business or start a new part-time job. Think about any skills and knowledge we have – for example, we may be able to tutor others for a fee.

Income will not affect entitlement to NZ Super but it may affect the tax we pay on NZ Super, and our eligibility for income-tested benefits such as the Accommodation Supplement or the Disability Allowance.

It can help to talk to Senior Services first on **0800 552 002**.

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### Some things to consider:

- Can I earn income through paid work or a business activity?
  - Do I have the skills that will let me work when I want?
  - What if I have to stop?
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## Equity release

People who own a house or other property may want to free up some of the money in their home to pay for emergencies or a major expense. One option to consider is equity release (although it will mean leaving a smaller legacy).

The most common type of equity release is a 'reverse mortgage', where someone borrows an amount against their property either in a lump sum or by drawing down on the loan when they need the money. In the meantime, the interest payments accumulate significantly. When we die or the property is sold, the full loan plus interest has to be repaid.

### Things to ask before signing up to an equity release:

- Do I have the right to live in my property for life?
- Do I have the freedom to move to suitable alternative property without financial penalties?
- Do I have a guarantee that no matter what happens I won't owe more than the net proceeds from selling my property?
- How much will it cost?
- How will the product affect my estate when I die?

### Costs

Before signing anything, it helps to talk about it with family and a lawyer. It's important to understand how the product works and what it might cost.

### Code of Standards

The government and equity release providers have agreed on a Code of Standards for home equity release schemes. To view the code visit [msd.govt.nz/what-we-can-do/seniorcitizens/your-rights](http://msd.govt.nz/what-we-can-do/seniorcitizens/your-rights).

### Fees

There are different fees associated with equity release products. They can include valuation fees, application fees, commission, legal fees, early repayment fees and administration costs. It's a good idea to find out the full cost before signing up.

### Interest on equity release

Equity release products usually charge a higher interest rate than normal loans on property. That's because the provider has to pay interest on its own borrowings, but doesn't receive any interest from us until the end of the term. Variable interest rates (which are subject to change during the life of the loan) are more common in New Zealand at this time, but we may also be offered a fixed or capped interest rate.

The interest compounds so a higher than 'normal' interest rate can build up very quickly, as this table shows:

#### Equity release of an initial \$50,000 at 9% p.a.

Years from start of equity release	Amount owing at end of period*
5	\$81,000
15	\$194,400
25	\$462,800

\*Note: set-up fees and legal fees totalling \$2,000 and annual fees of \$170 each year are included. The 'Amount owing at end of period' does not take into account the effects of inflation.

### Changing property values

Remember that as the property changes in value, the equity in a home will alter. If we take out an equity release product and our property increases in value, our remaining equity will grow. On the other hand, if our property decreases in value, so will the equity we have in our home.

### Other ways to generate income from our homes

If an equity release product isn't for us, there are other ways to release value from a home. We could choose to:

- Rent part of our home
- Take in a boarder
- Subdivide the property
- Move to a cheaper house
- Sell our home to family or whānau (while retaining the right to live in it)





## Where to live when we get older

Later in retirement, we may have to rethink where we want to live. We could move to a retirement village, although there are other choices.

### Living at home

**We could choose to:**

- Stay home, modify it with ramps and rails and get home help – but take into consideration the costs of doing so.
- Take in a boarder or move in with family or friends – that way we have some companionship and security, and possibly some help in the home as well.
- Downsize to a smaller home that's closer to facilities. Apartments and townhouses often provide security and maintenance although they also charge body corporate fees to cover these things. It's important to know what the fees will be and how often they're charged.

It's good to take time to make a decision, and think about what it takes to live a good life. If moving house, we'll need to make sure to consider the costs of moving – legal fees, real estate agent fees and the move itself.

### Retirement villages

Moving into a retirement village is different from buying a house. The financial arrangements are more complex, and villages vary in their accommodation and facilities, services, support and care, weekly charges, legal and financial structures, philosophy and management. However, for some people, moving into a retirement village is a way of releasing equity in their home and freeing up money that can be used for other purposes.

A decision to move into a village is important as it has long-term personal and financial consequences. The most common form of legal title with retirement villages is a 'licence to occupy'. This gives residents the right to live in the unit but they don't own the actual unit – often this means it's not possible to borrow against the unit. In many cases, residents do not share in any capital gain when they leave or transfer within the village. For more information see [cffc.org.nz/retirement/retirement-villages](http://cffc.org.nz/retirement/retirement-villages).

### Rest homes

While ill health or an accident can result in a need to move into a rest home, the move is more often the result of people gradually finding that they're unable to care for themselves at home.

A needs assessor can visit us at home or in hospital to talk about tasks we find difficult, family/whānau or social support available and the kinds of services that would help us stay at home. It is often helpful to have another family/whānau member with us at this meeting. If the needs assessment process identifies long-term care as the best choice, the assessor will recommend a level of care appropriate for our situation.

The needs assessment will also indicate whether we may be eligible to apply for a Residential Care Subsidy. If we apply and qualify, the subsidy and most of our NZ Super will be used to pay for care, leaving a small amount of personal money to spend.

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**Tip:** While you are living independently, consider what you would do if you were needs-assessed for full-time care, and find out if you might be eligible for a residential care subsidy. Understand the difference between a retirement village and a rest home..

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There's more information available from the Ministry of Health's Residential Care Information Line on **0800 725 463** (Seniorline), or visit their website [health.govt.nz/our-work/life-stages/health-older-people](http://health.govt.nz/our-work/life-stages/health-older-people).



## Protecting what we own

It's good to know that the assets we've worked hard for during our lives are protected. We may need to review our insurances now that we're retired. We also need to know that our financial affairs will be handled as we would like if we become unable to make decisions ourselves.

## Insurance

Our insurance needs may change in retirement depending on our circumstances. It's worthwhile reviewing insurance cover regularly during retirement. For example, if we no longer have dependants and are debt-free, we may wish to reconsider the need for life insurance.

It's also worthwhile shopping around – the insurer we're currently using might not have the best deal. Some insurance companies offer discounts for seniors on house and contents insurance. Car premiums may also be cheaper, particularly for women. However, if changing insurers, we'll need to make sure we can transfer important benefits such as no claims and loyalty bonuses, and cover for existing conditions when considering health insurance.

The cost of health insurance – and life insurance – may rise dramatically in later life. Struggling with rising premiums but don't want to cancel the policy? Consider moving to a cheaper option. We might be able to save money by shifting from a full-cover policy to hospital-only cover. The higher the excess on the policy (the part we pay towards our care), the lower the premium should be.

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For information order our free insurance booklet or read about insurance in the guides on [sorted.org.nz](https://sorted.org.nz).

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## Wills

A will formally spells out how our assets should be dealt with after our death. It can also include instructions for our funeral. Everyone should have a will. If we don't have a will when we die, the law decides who (from among family) gets our assets. They may be divided differently to the way we would have wished, and the process may take longer and be more expensive.

Wills should be drafted by someone with experience. They must be signed and witnessed – if the proper procedures are not followed a will may not be valid. Many people use a lawyer or trustee company to make sure the legal requirements are met. Some lawyers and trustee companies also write wills for free, providing we name them as executor (responsible for administering our estate and carrying out our instructions). They then usually charge our estate a fee for acting as executor of the will.

## Enduring powers of attorney

An enduring power of attorney is a formal document giving someone the power to act for us should we lose the mental capacity to make decisions for ourselves.

This is different from a power of attorney where we would appoint another person to temporarily act for us, such as when we are overseas.

There are two types of enduring power of attorney – one for money and property affairs, and the other for personal care and welfare. We may wish to appoint a successor attorney for each – in case our first attorney’s circumstances change and they are unable to continue the role.

If we are assessed by a health practitioner as being mentally incapable and unable to make decisions for ourselves, our attorney will have the power to act for us.

### Our money and property

We can appoint more than one attorney for our money and property affairs. We can activate this enduring power of attorney straight away and if we do, our attorney(s) can act for us on our instructions. Without an enduring power of attorney, no one else can deal with our property or financial affairs on our behalf. Our family, partner and even our spouse may need to go to court to get this power.

### Our personal care and welfare

We can only have one attorney for our personal care and welfare, and this enduring power of attorney is only activated once we are assessed as mentally incapable and unable to care for ourselves.

### Creating an enduring power of attorney

We are required to get independent legal advice before creating an enduring power of attorney, and to have any documents witnessed by a lawyer, qualified legal executive or representative of a trustee corporation.

An attorney may need to show a medical certificate confirming that the person they are acting for has lost the mental capacity to make decisions about their money and property or affairs.

## Trusts

People usually set up trusts so they no longer legally own their house or other assets, but can continue to use and enjoy them as beneficiaries of the trust. The most common types of trusts used by retirees are family trusts and funeral trusts.

### Family trusts

Family trusts involve the sale to a trust of our house and perhaps other assets. They may be useful to:

- Protect assets against claims and creditors
- Help with tax planning
- Set aside money for special reasons, such as a grandchild’s education
- Ensure children, not their partners, keep their inheritances
- Ensure there are no unwanted claims on our estate

Family trusts can be complex and time consuming to administer. It costs money to set them up and there are ongoing legal and accounting fees. It’s worth shopping around, as different organisations charge different amounts both for the establishment and ongoing management of a trust. We need to think carefully about who will be the trustees, as they will be responsible for managing the trust properly. Our will should nominate people to be trustees after we die.

It helps to discuss the advantages and disadvantages with a professional adviser, and talk to other retirees about their experiences of using family trusts.

### Prepaid funeral trusts

Prepaid funeral trusts are a way to pay funeral expenses in advance. Funeral trusts worth up to \$10,000 are not considered to be assets when Senior Services is assessing eligibility for a Residential Care Subsidy.

There’s more information on the Age Concern website at [ageconcern.org.nz](http://ageconcern.org.nz), or community law centres and lawyers can also help.



## Marguerite and Phil

Marguerite and Phil, in their mid-70s, live in an outer suburb, own their house without a mortgage and run two cars. In addition to their NZ Super, Phil has an occupational pension and income from consultancy, linked to his previous professional work. They also have income from their savings and investments. Their total income is about twice the married rate of NZ Super.

Marguerite and Phil have a full range of insurances, including medical insurance. They are thinking of cutting back the latter to surgical cover only. Recently they moved to annual dentist appointments instead of six monthly, to save money.

When they retired, they decided not to move into a smaller house because ‘so much of themselves’ was wrapped up in the family home and they wanted to have space for the children to stay. Their home maintenance costs are therefore high.

They spend about \$75 per week on power and \$20 on their telephone account, which includes internet and pay TV.

Even on their high income, Marguerite and Phil economise on their food budget, which is similar to that of older people with much smaller incomes. They eat less meat, buy in bulk and buy on special when they can, to stock their freezer. They both have a car, which they realise is expensive, but they have different activities and interests and neither wants to give up their independence.

Their entertainment budget is spread over dining out about once a fortnight, going to concerts and films (but they consider these as ‘treats’), and meetings of organisations like SeniorNet and Lions.

They have a small dog whose food costs up to \$20 a week, and \$120 a year for a licence. The dog provides a reason for exercise and a source of entertainment.

### Marguerite and Phil's weekly budget

Insurance	\$92
Utilities	\$100
Housing	\$195
Food & groceries	\$115
Car & transport	\$69
Entertainment & fun	\$136
Clothing and footwear	\$33
Personal care/grooming	\$24
Medical	\$83
Gifts and donations	\$69
<b>Weekly total:</b>	<b>\$916</b>
<b>Annual total:</b>	<b>\$47,632</b>



# Kiwi stories

The following ‘Kiwi stories’ and budgets were developed from conversations with retired New Zealanders about their spending patterns.

They are based on example case studies in *Expenditure in Retirement* by Judith A. Davey, prepared for the Commission for Financial Capability in May 2009. To read the full report visit [cffc.org.nz/assets/Documents/Expenditure-in-Retirement-2009.pdf](http://cffc.org.nz/assets/Documents/Expenditure-in-Retirement-2009.pdf).

## John and Jenny

John and Jenny (aged 72 and 68) live in a small rural town.

John was made redundant from his job as a store manager when he was 60 and never found another job. The couple had counted on his earnings to set themselves up for retirement, so they now find themselves dependent on NZ Super for almost all their income.

Overall, their budget is tight. Their utilities bill, even without internet and a mobile phone, comes to \$113 per week. Rates are high in their area and so are electricity costs.

John and Jenny are mortgage-free homeowners. Both are diabetic and qualify for a Disability Allowance, which pays for two hours of gardening per fortnight.

They have a garden and grow some of their vegetables, but usually do their main shopping on a weekly trip to a larger town; the local shops are too expensive. Even though they have 'no luxuries' they find they spend \$150 a week on food and groceries.

Living where they are, quite a lot of travelling is involved. They have a car but don't think they could afford to replace it.

Not much of their money goes on clothes, which are usually hand-me-downs or from secondhand shops. Medical costs can be considerable.

Both have to pay something towards podiatry treatment and John had to have a hearing aid recently. This cost \$5,000, plus \$18 every month for batteries.

Jenny and John have three children and six grandchildren. The minimum they feel they can spend on gifts is \$20 per present, so this still comes to at least \$500 a year.

### John and Jenny's weekly budget

Insurance	\$15
Utilities	\$113
Housing	\$50
Food & groceries	\$150
Car & transport	\$50
Entertainment & fun	\$70
Clothing and footwear	\$13
Personal care/grooming	\$10
Medical	\$43
Gifts and donations	\$12
<b>Weekly total:</b>	<b>\$526</b>
<b>Annual total:</b>	<b>\$27,352</b>



## Mary

Mary is 89, lives alone in a rented pensioner flat and her sole income is NZ Super. Her rent is \$130 per fortnight, which is 'very reasonable' and she has no worries about maintenance and repairs.

She has a phone, but no mobile or internet and uses discount cards for toll calls. Her food purchases rarely amount to over \$50 a week. The tenants in her housing complex have a communal vegetable garden and share the produce, which helps their budgets.

Mary feels she can indulge in what she sees as luxuries, such as having her midday meal in a café when she goes to the shopping centre. She goes out for dinner to places which give pensioner discounts, which also saves her cooking at night. She used to do a lot of baking for her four children, who she brought up on her own, but now 'it is cheaper to buy cakes than make them yourself'.

People often compliment Mary on her clothes, which she buys at secondhand shops. Another luxury which Mary has always allowed herself is to have her hair done about every ten days, with a perm three times a year - 'I will never give this up'.

Mary has quite a few medical problems and gets an allowance towards the costs of care. She goes to an acupuncturist occasionally and is paying off the cost of a hearing aid in small amounts.

Mary manages to live on NZ Super. She says, 'It's possible, but hard; easier if you have had a lifetime of budgeting'. Nevertheless she still thinks of others and supports two sponsored children overseas.

### Mary's weekly budget

Insurance	\$20
Utilities	\$51
Housing	\$65
Food & groceries	\$51
Car & transport	\$36
Entertainment & fun	\$52
Clothing and footwear	\$14
Personal care/grooming	\$13
Medical	\$14
Gifts and donations	\$2
<b>Weekly total:</b>	<b>\$318</b>
<b>Annual total:</b>	<b>\$16,536</b>



## Sorted booklets

Sorted is New Zealand's free independent online money guide, run by the Commission for Financial Capability.

Free booklets are available for the main topics on [sorted.org.nz](https://sorted.org.nz). These, and additional copies of *The choice years*, can be ordered online at [sorted.org.nz/order](https://sorted.org.nz/order).

### Booklets currently available are:

- *Budgeting: making a plan to reach our goals*
- *Debt: tackling it before it's a real drag!*
- *Goals: targets to shoot for*
- *Insurance: covered, just in case*
- *Investing: making money work for us*
- *KiwiSaver: how can we make the most of it?*
- *Retirement: shaping our future lifestyles*
- *Saving: paying ourselves first!*
- *Thinking of living in a retirement village?*



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The information in this booklet is current as at April 2018.

Laws or policies may change at any time.

This booklet should not be your only source of information when you are making financial decisions. It should be treated as a guide only – use it as a starting point, then seek professional advice.

The Commission for Financial Capability is not responsible for the content of the websites referred to in this booklet other than [sorted.org.nz](https://sorted.org.nz) and [cfc.org.nz](https://cfc.org.nz). We do not endorse the accuracy of other organisations' websites.

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