



**TE ARA
AHUNGA ORA**
Retirement Commission



Plan for this webinar

- Welcome
- Our sessions (20 minutes each):
 - Demographic Disruption - Professor Paul Spoonley
 - Review of Retirement Income Policies - Dr Suzy Morrissey
 - Income and expenditure in retirement - Dr Michelle Reyers
- Time to korero (break-out rooms – 20 minutes)
- Sharing (10 minutes) and wrap-up



‘The New New Zealand’ Facing Demographic Disruption

Distinguished Professor Emeritus Paul Spoonley

Honorary Research Associate

Te Kura Pukenga Tangata, College of Humanities and Social Sciences, Massey
University



A **NEW** AND **OLDER** NEW ZEALAND : FACING DEMOGRAPHIC DISRUPTION

Paul Spoonley

Distinguished Professor Emeritus, College of Humanities & Social Sciences

Older Persons Forum

September 2021

SETTING THE SCENE

The 21st Century will bear witness to a sea change in population growth, composition, and dispersal.

–Sarah Harper, Mercer, 2013

In 2030 there may be six million of us. One and a half million of us will live overseas. We will be clustered in Auckland, dependent on migration, and worried about a shortage of workers. **We haven't planned for this.** We need to.

The New New Zealand.
Facing demographic disruption.
Paul Spoonley.

Demographic Disruption

DEMOGRAPHIC TRANSFORMATION AND DISRUPTION

1. **Ageing population** – and communities
2. **Declining fertility** (sub-replacement fertility rate)
3. **Ongoing urbanisation** – with concentration in top of the North Island (**Auckland effect**) and regional population stagnation/decline in many regions and smaller towns
4. **Immigrant-led diversity** (rapidly growing diversity plus Māori-led economic and cultural development)

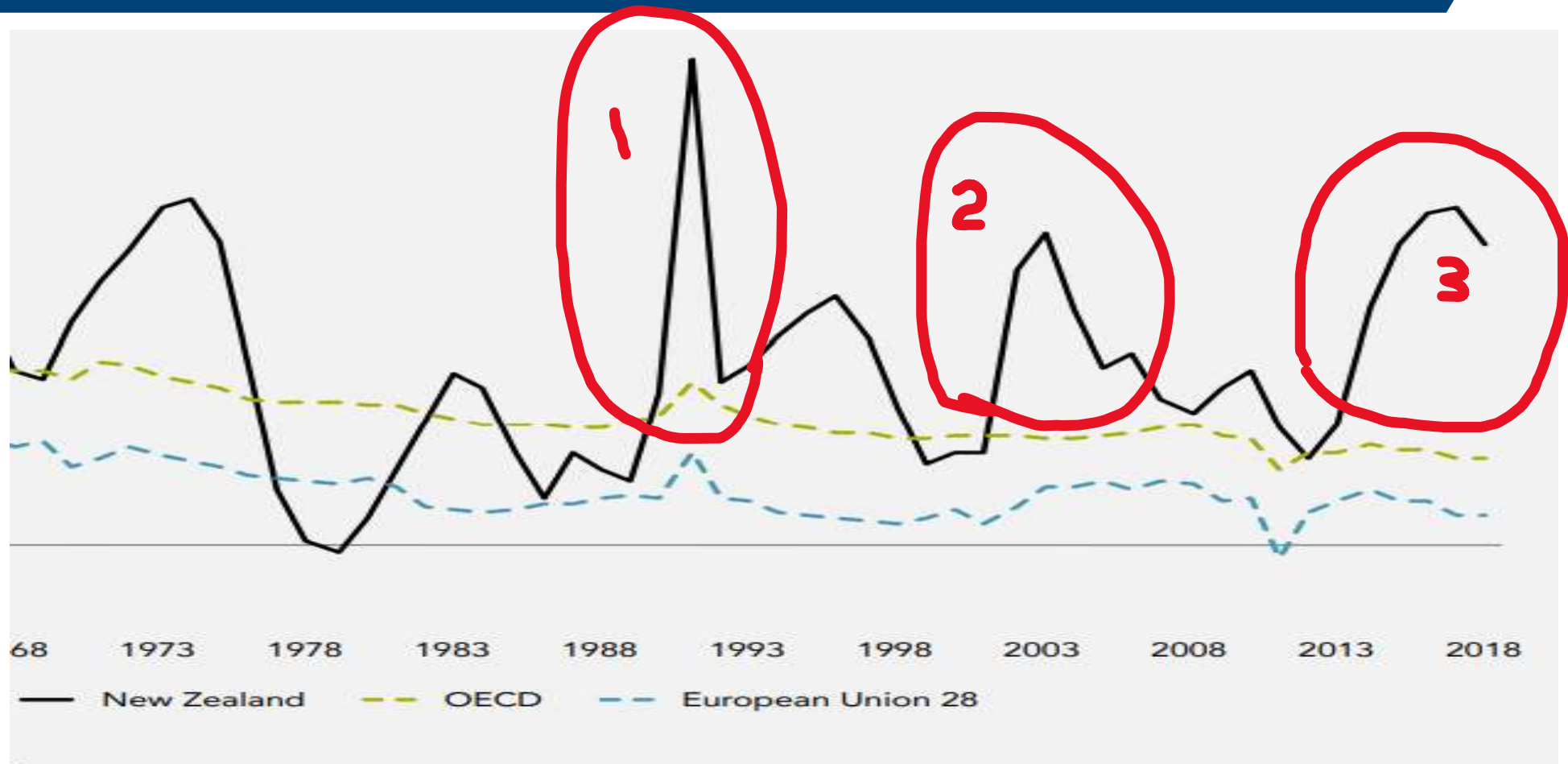


DEMOGRAPHIC TRANSFORMATION : OLD-DOMINANT

- 1. Old-Dominant** : more than 20% of a population or community over the age of 65 years
- 2. Entry : Exit Ratios** : the numbers entering or exiting a workforce
- 3. Dependency Ratios** : the ratio between those in paid work and those who are on a fixed income from the state or who are dependents



POPULATION – ANNUAL GROWTH RATE (PC, JUNE 2021)



#1 Declining fertility

SUB-REPLACEMENT FERTILITY LOW FERTILITY COUNTRY?

- Further declines in **fertility rate** (1.5 births per woman in 2021?)
- **Absolute decline** (2000 fewer births in total, year-on-year)
- Declining school population nationally
- Smaller cohorts entering workforce through 2030s, 2040s
- **What are the implications of low, low fertility?**

Fertility rate: 'Jaw-dropping' global crash in children being born

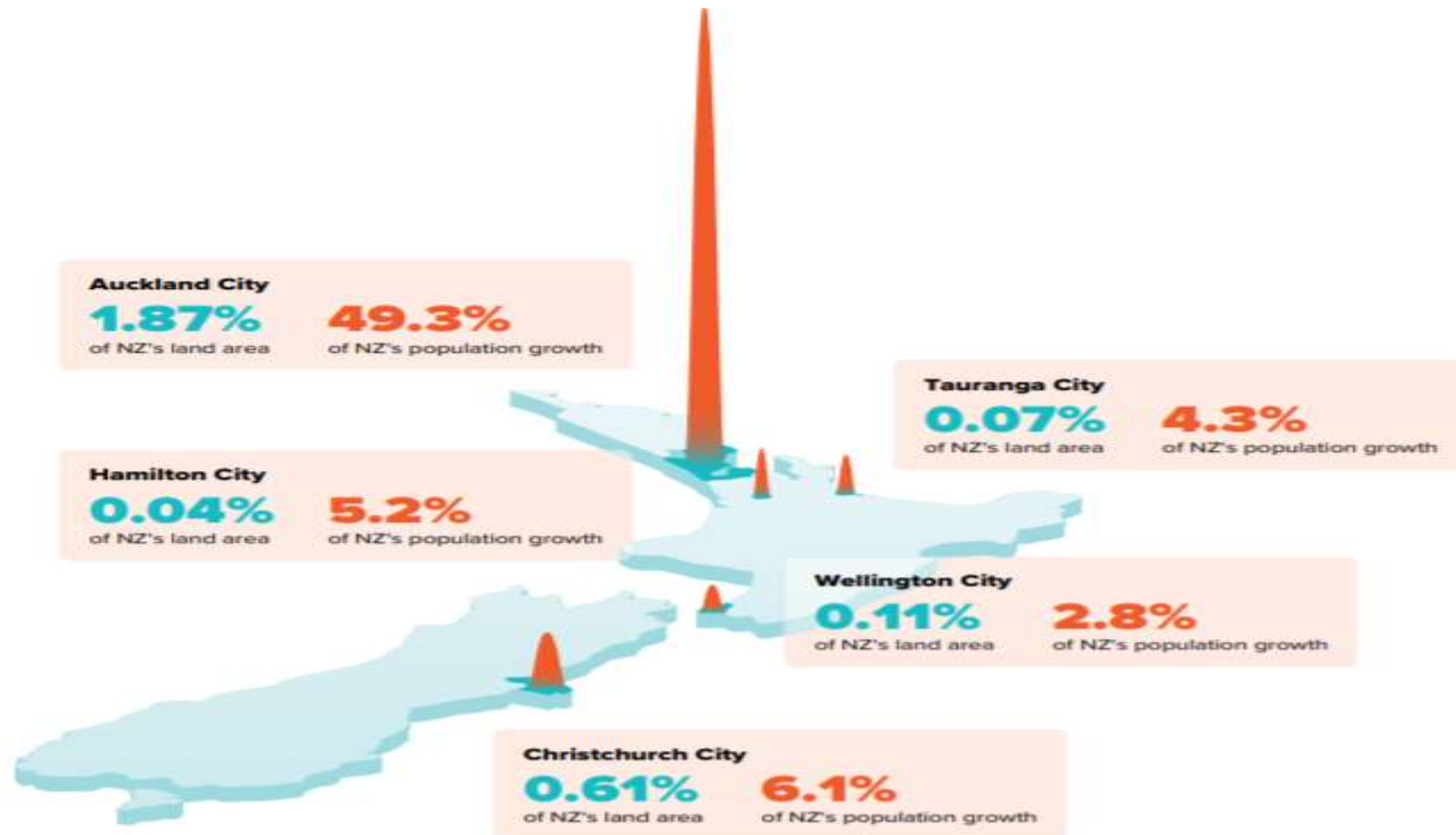
By James Gallagher
Health and science correspondent

15 July 2020 | [Comments](#)



#2 Growth for some – and population stagnation for others

GROWTH CENTRES IN NEW ZEALAND OVER 2 DECADES



#3 A shrinking workforce

WORKING AGE POPULATION – GROWTH AND DECLINE

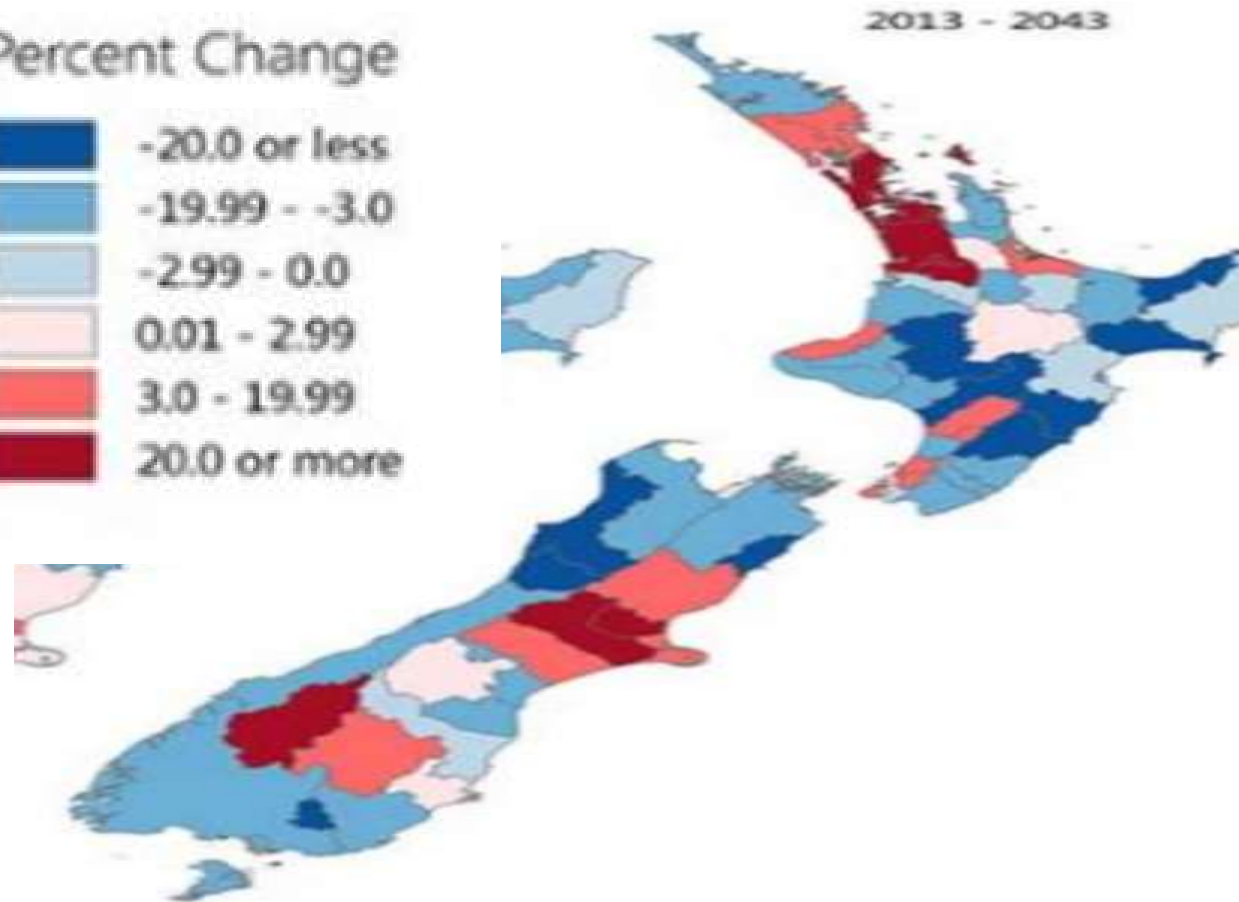
Teuila Fuatai: Orchard scheme needs to be picked apart

7 Oct, 2020 05:00 AM

5 minutes to read



Percent Change



#4 The ongoing growth of (super) diversity

IMMIGRANT-LED DIVERSITY

Major **arrival** groups (June 2020):

1. New Zealand (45,500)
2. India/UK (16,200)
3. China (13,400)

PALT	153,900
Net Gain	+79,400 (PALT)
Temporary Migrants	+221,298
Students	+81,999



#5 An ageing country

AN AGEING COUNTRY

- **Structural** ageing of population (25% aged over 65 by 2030s)
- **Numerical** ageing of population (1.2 million 65+ in 2030s)
- **Longevity** and new ways of ageing
- Delayed **fragility/dependence**

Britain is an ageing country - so maybe it's time we started seriously to cater for people's needs

As baby boomers start to outnumber children under five, a social crisis is looming that will affect every generation



A middle-aged couple on the beach: the global spending power of the baby boomers will reach £9.6trn by 2020, but many will be isolated and broke. Photograph: Jeff Hutchens/Getty Images

Talling birthrates and the lengthening lives of baby boomers born between 1946 and 1964 produce an extraordinary statistic. On current trends, from

AN AGEING POPULATION

- Baby boomers **redefine** ageing
- **Healthier, wealthier** and more **active** – and living much longer
- New **consumption** and **leisure** patterns
- A significant part of the **workforce**

How will this impact on how our communities, businesses, nation?

Life expectancy at age 65

	Men	Women
Japan	19.6	24.4
NZ	19.5	21.7
UK	18.9	21.1
USA	18.1	20.7

LONGEVITY

- Average life expectancy 90+
- “Best practice life expectancy” – no plateau soon anticipated
- Living alone (no. of adults without children) will double by 2030
- Multigenerational households as more care is provided in the home

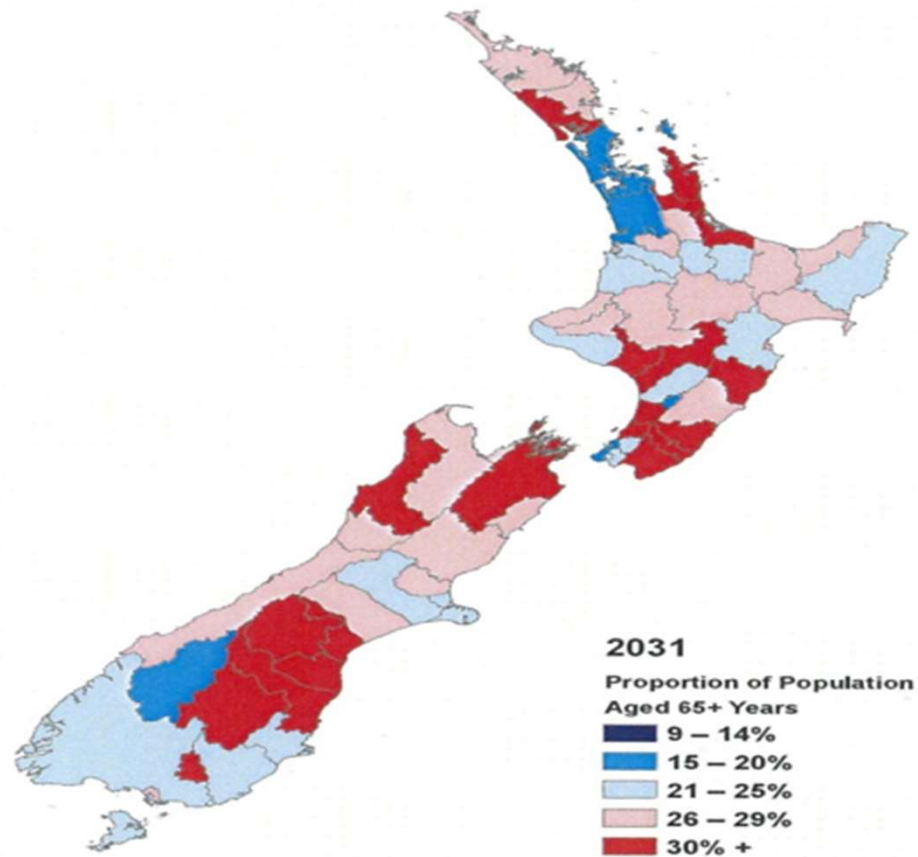
Our lives will be much longer than has historically been the case, longer than the role models on which we currently base life decisions

Gratton and Scott, **The 100-Year Life**

**Young-
dominant to
old-dominant**

AN AGEING POPULATION

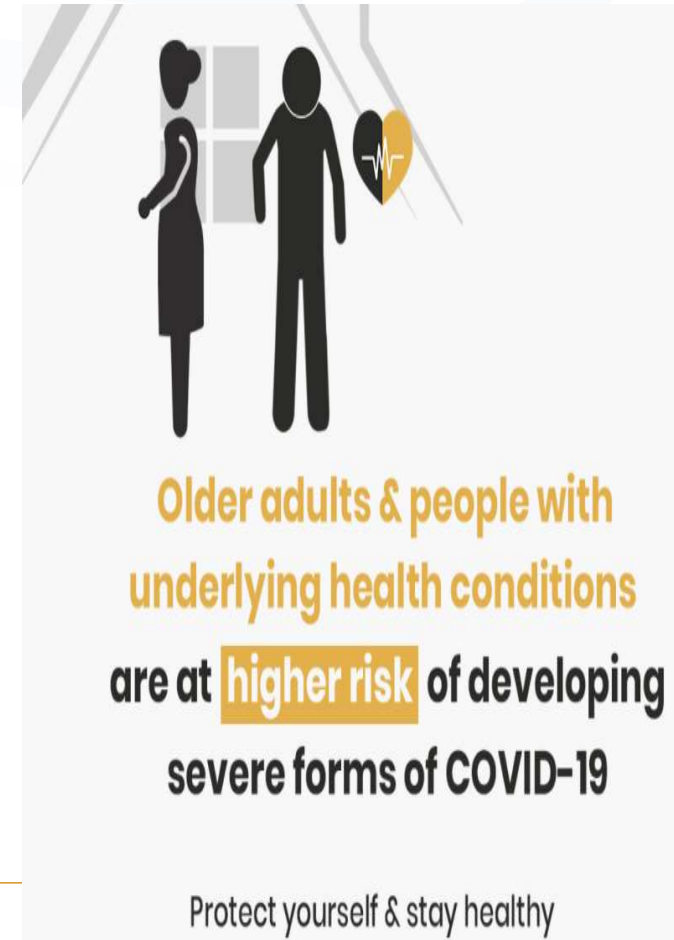
Proportion of population aged 65+, by territorial authority area, mid-range projection 2031



Source: Statistics New Zealand

Will COVID-19 Alter These Demographic Changes?

- Minimal immigration and slower population growth
- Ageing : more over 65 than 0-15 yrs
- Regional population stagnation and decline will increase
- Highlighted **vulnerability** of older populations



CHALLENGES OF AN OLD-DOINANT SOCIETY

- **Income security**
- **Access to quality health care**
- **Enabling environments** (an age-friendly physical environment)
- **Appropriate care system** (rights-based, good governance, workforce conditions for carers)



**Royal
Commission
into Aged
Care Quality
and Safety**

**Final Report:
Care, Dignity
and Respect**

In 2030 there may be six million of us. One and a half million of us will live overseas. We will be clustered in Auckland, dependent on migration, and worried about a shortage of workers. **We haven't planned for this.** We need to.

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- ❖ Are the **social** needs of an ageing society being met?
- ❖ Are **physical** needs being met?
- ❖ Is **community infrastructure** planning and provision appropriate in terms of location and adequacy?
- ❖ Are the various **costs** – and **opportunities** – being factored in and catered for? By whom?
- ❖ Do we incorporate **best practice** (local or international) appropriately?

Review of Retirement Income Policies 2022

Dr Suzy Morrissey

Director, Policy, Te Ara Ahunga Ora Retirement Commission



Review of Retirement Income Policies

- One of the statutory functions of the Retirement Commissioner
- Conducted every three years
- Terms of Reference set by the Minister for Commerce and Consumer Affairs
- Report tabled in Parliament then considered by Minister/s



2019 Review of Retirement Income Policies



2019 Review of Retirement Income Policies

ToR:

- vulnerable and low income people
- policy development and trends
- impact of changing nature of work
- public perception of KS fees and ethical investments
- fiscal sustainability of NZS
- public perception of purpose and principles of NZS
- decumulation



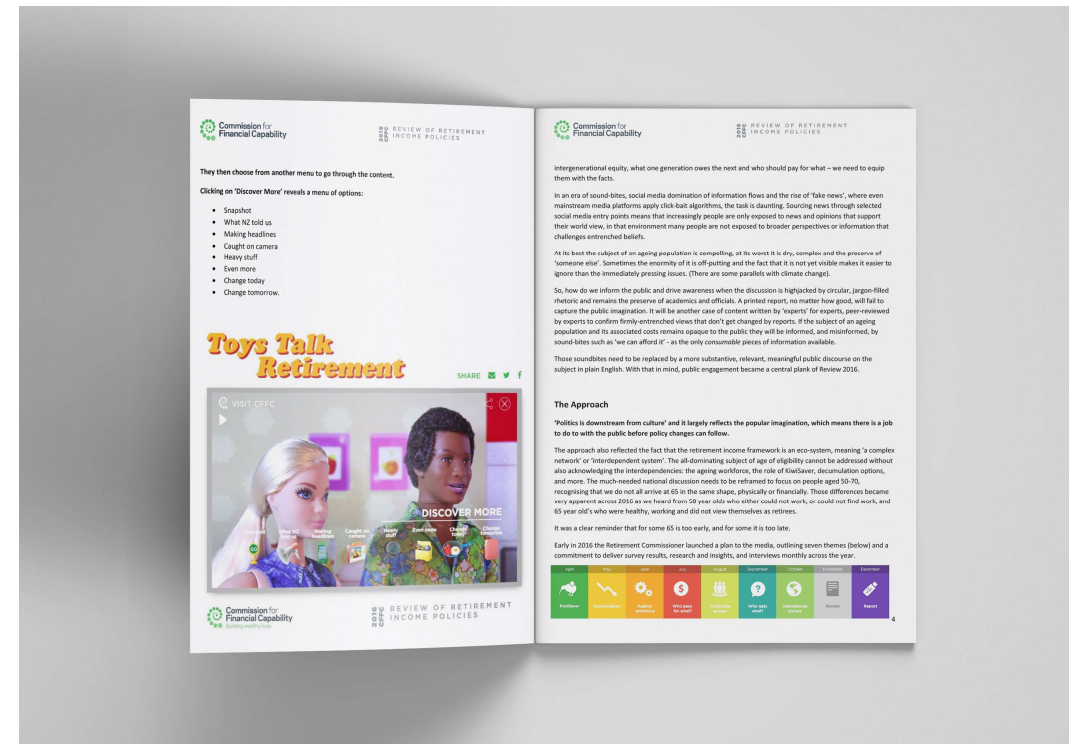
2019 Review of Retirement Income Policies

Recommendations (selected):

- Value and ensure provision of NZS at current settings
- Employment connection service
- KS incentives for non-employees
- Employer KS contribution for under 18s and over 65s
- KS hardship application financial capability hub
- KS 'sidecar' emergency savings
- Purpose statement for retirement income system



2016 Review of Retirement Income Policies



2016 Review of Retirement Income Policies

ToR:

- policy development and trends
- fiscal sustainability of NZS
- KS trends and developments
- decumulation
- ageing workforce
- financially vulnerable groups



2016 Review of Retirement Income Policies

Recommendations (selected):

- KS employer contribution increase
- KS options for employees to increase their contribution rates
- Retraining and career transition for over 50s
- Resume Crown contributions to NZ Super Fund
- Improve financial capability
- Increase provision of suitable housing for older people



2013 Review of Retirement Income Policies



2013 Review of Retirement Income Policies

ToR:

- policy development and trends
- intergenerational impacts of retirement income policy
- private savings including KS trends
- contributions of housing and health
- women's future retirement income prospects
- financial education and literacy



2013 Review of Retirement Income Policies

Recommendations (selected):

- KS auto-enrolment day for employees not currently members
- Remove tax on inflation component of interest on savings
- MBIE to report on increasing supply of age-friendly housing
- MBIE to work with business and unions to encourage recruitment, retention, retraining and mobility between jobs of older workers



Review of Retirement Income Policies 2022

What will be the focus this time?

- Housing (the subject of tomorrow's webinar)?
- Other retirement expenditure?
- NZ Super?
- KiwiSaver?
- Decumulation?
- Something else?



Income and expenditure in retirement

Dr Michelle Reyers

Retired Persons Lead, Te Ara Ahunga Ora Retirement Commission



Background

- "deep dive" into retiree expenditure in NZ
- Commissioned Ipsos to carry out the study
- In depth qualitative case studies to understand and provide detail of income and expenditure during retirement
- Ipsos conducted a pilot study of 2 case studies and proceeded to complete and additional 10 case studies which included a range of locations(urban vs rural), demographics, ethnicities, family situations (living alone / couple / living with other family) and socioeconomic positions.



Approach

- One-on-one qualitative depth interviews (or paired depth interviews if appropriate) - understand expenditure at a personal level
- Asked respondents to complete some pre-interview homework.
 - review of their current bank statements and bills,
 - remind them of any regular or unexpected purchases they have made over an agreed period of time and
 - a reflection of current lifestyle and spending habits.
- This document provided a good starting point for the interview, ensuring respondents had done some prior thinking and reflection.



Pathways into retirement & post retirement events

- There are various paths to retirement....and once in retirement things don't always go as planned
- divorce, housing decisions, redundancy, supporting family have all played a role in determining financial wellbeing in retirement for those interviewed



Family matters

Certainly when we thought about our retirement we didn't plan on having grandkids or great grandkids or even our children coming to live with us.

...sometimes we share a bit of our money with families when they need us. It's not easy to bring up 8 adults and not contribute to making them more happier instead of sadness.

We lent our daughter money for to build their first home...this IS a loan, so we are hoping for this money back

As much as you love your family, you do get taken advantage of. I didn't realise at the time, but I have done far too much for them



Housing matters

We were freehold before retirement, and we had purchased the property with an asset (land that could be subdivided).

I've probably been lucky in some ways. Like, a lot of people did very badly out of the earthquake. We ended up being a bit lucky out of it. But that's just the way the cookie crumbles sometimes.

It was devastating for the owners. That was my savings all gone. It was a very hard time of my life (Leaky buildings).



“Planning” for retirement

We probably have never really discussed it...maybe we don't have much forethought compared to some people. The years go by and all of a sudden you reach 65 and you can get superannuation

It didn't feel necessary to have retirement planning – you spend what you have and save what you can

Retirement suddenly appeared. So now we have to take things day by day and be prudent. Family used to tell us, but we didn't listen

People say we are 'lucky', but we are not lucky – we went without and sacrificed, we have been careful and have made good investments.



How are people supporting themselves in retirement?

- All rely quite heavily on NZ Super to meet their expenses (for some this is their only source of income)
- This is supplemented by savings for some, and continuing to work for those who can



I'm afraid of
planning for such
a long time.

Decumulation strategies

You don't know
how long you are
going to live

- Calculating a yearly amount
 - "I take out a yearly sum from our savings of around \$20k. That's what we spend per year as a supplement."
 - "I've banked on spending \$12,000–\$15,000 to supplement my pension."
- Living off income from assets
 - "We live off the \$1,500 per week interest."
- Selling assets
 - "I've got assets you can sell if you need the money."
- Other approaches
 - "I'm not one of those people that wants to keep saving and stop spending. To me, that's miserable...my kids will get a freehold home, and if I do make it to 80, there won't be much left in the bank."



Additional savings for retirement

- Two-thirds report having some additional savings
 - property sub-division, divorce settlements, inheritance, redundancy payouts
- KiwiSaver investments seem limited among those interviewed
- One person reports having \$17,000 in KiwiSaver
- Others mention previous investments in KiwiSaver:
 - “I had KiwiSaver for a bit and I have taken money out, it’s not easy to get it out or apply for it.”
 - “I took the lump sum out of KiwiSaver when I stopped full-time work.”



Working in retirement

- Work is a choice for some, for others it is a necessity to meet costs (especially those who still have a mortgage or are renting)
- Only two people in our case studies still work, more were working pre-Covid but lost jobs or were unable to continue working during Covid



Working in retirement

I've never actually said I'm retired, to be honest. I don't know what it means. It's a dirty word for people my age, we just say 'not working full time now'. (worked in childcare, education and as an Uber driver since turning 65)

It's hard to keep working, employers compare you with younger and cheaper people. I wonder if I could get a job that's not too physical..?

I haven't worked since last May due to Covid, but I'm going to have to go back, I can't afford to live on what I have.

The moment they know your age they think – well, you won't be here much longer. I like meeting people and going out. I feel useless now.



Expenditure in retirement

- About half of those interviewed are spending more than their income
 - The gap is being financed by some from savings, others are incurring debt
- Most are spending more than the standard rate for New Zealand Super (M tax rate)

Working gives me more on top of the pension, which can be hard to live on.

Financially we couldn't afford to retire.

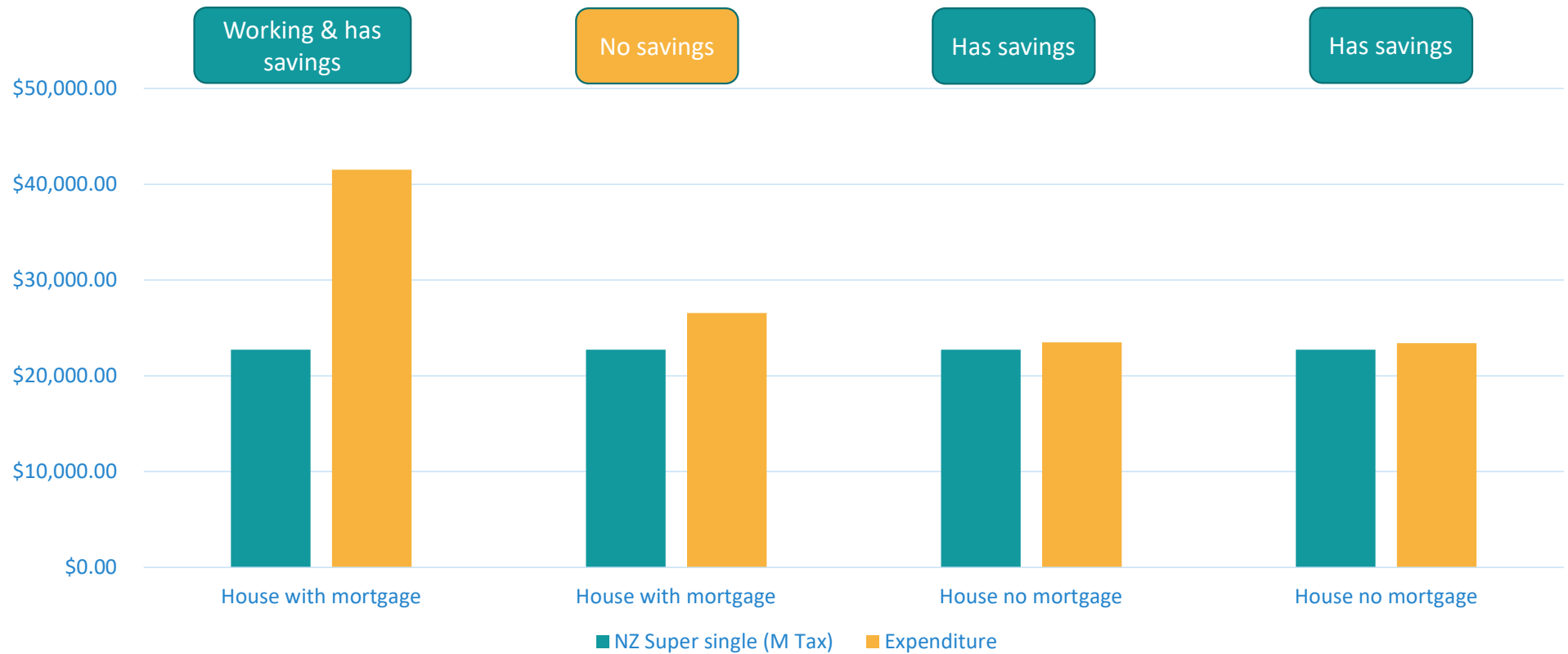
When you don't have a mortgage and you don't have a huge amount of expenses, you're able to just live off the pension.



NZ Super vs Expenditure (couples) - annual



NZ Super vs Expenditure (single) - annual



Retirement expenses

- Housing costs (mortgage, rates or rental) are a key component of expenditure for some varying from 6 – 55% of expenditure depending on whether someone owns their home with no mortgage, or is still paying off a mortgage, or renting.
- Groceries, takeaways & eating out varies from 10 – 33% of total expenditure
- Transport related expenses from 2 – 18% of expenditure
- Other key expenditure dental costs, and medical/life insurance for those who still have these policies
- About 1-2% of expenses for Lotto 😊



Housing

- Property ownership prior to retirement provided some with opportunities to enhance retirement savings e.g. property sub-division
- Some who end up renting in retirement previously owned properties
 - One couple sold home 15 years ago to 'get rid of' a mortgage, subsequent property development plans fell through & they ended up renting
 - One couple rent a home on the back section of subdivided land they used to own – following some misguided property and business decisions



Rental concerns

If we can't live here, what do we do? Pray?! We could possibly get an RSA flat – they are cheap, but we'd have to get rid of everything

Our landlady is lovely and we are happy to stay, but what if she sells? So you are living with that, but also that it's someone else house. I don't want to live in a retirement village, and I couldn't afford to get into one now.



Downsizing concerns

People in my community are worried about where they are going. There are no culturally appropriate retirement homes, if I was to go into an NZ retirement village I would feel lonely and with the language barrier I couldn't make friends

I bought this house as it had a nice flat section – when I get old I will still be able to safely walk out the door.”

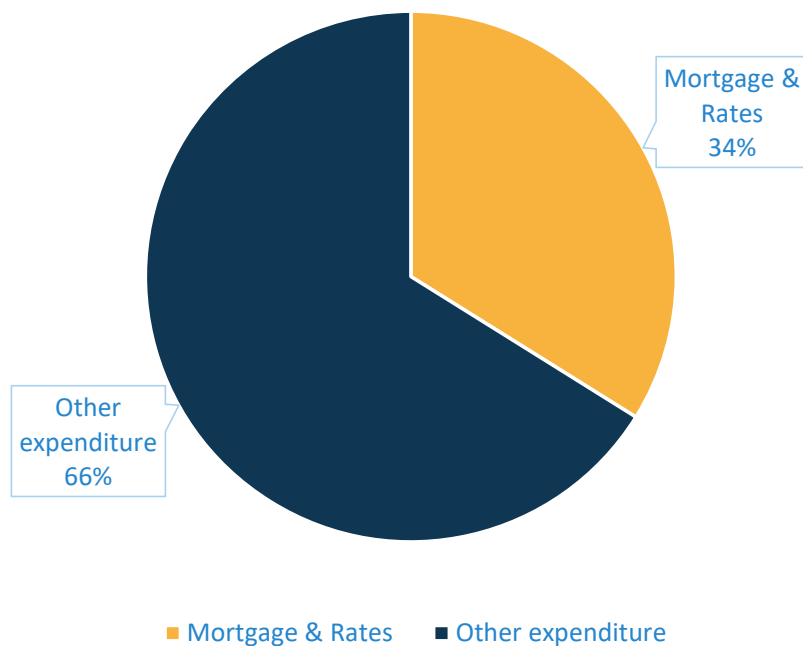
I don't think they are building one-level smaller homes, and while we would make a good profit on our home, we would have to buy in the same market

70 was the number for me, I should think about things at 70. Maybe I should look at retirement homes. There are lots being built and you can't get into them until you are 70

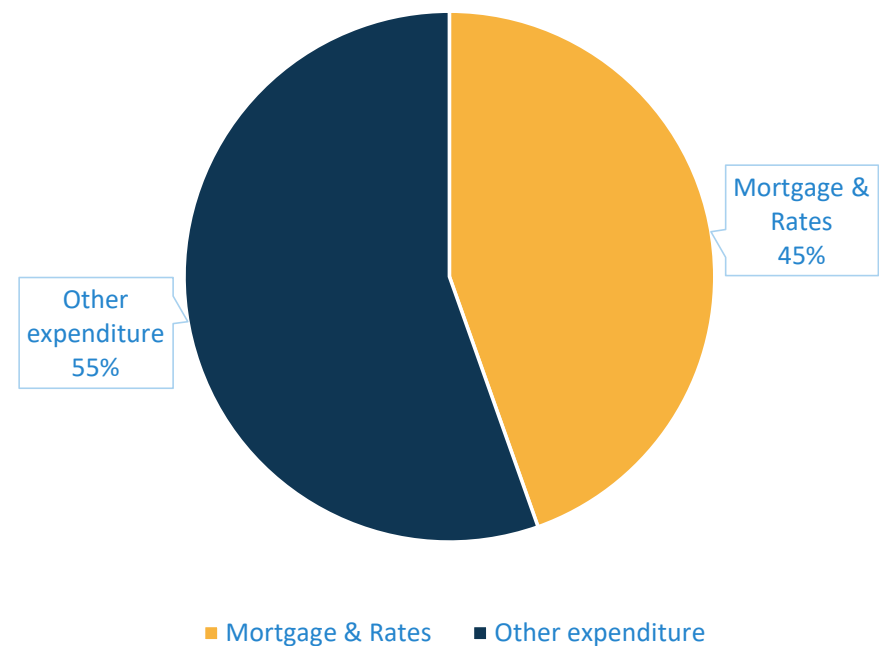


Mortgage & rates as a % of total expenditure

Single Person A with mortgage

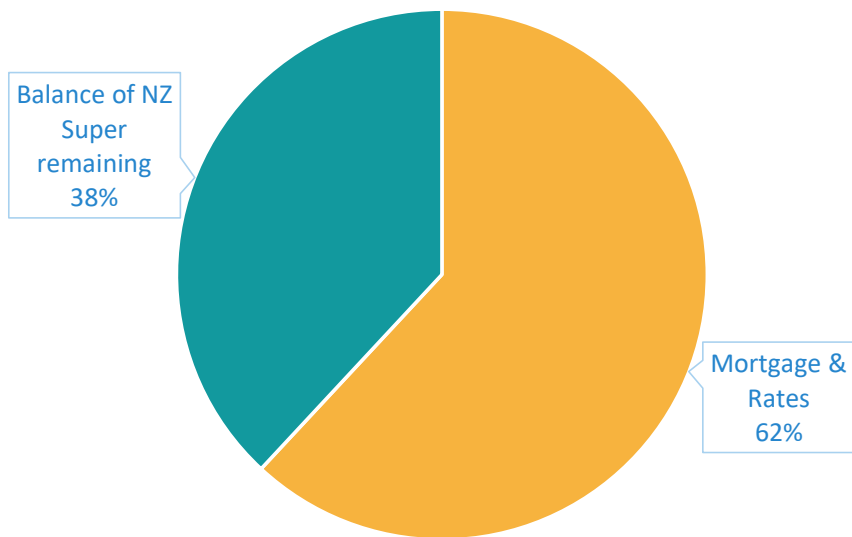


Single Person B with mortgage



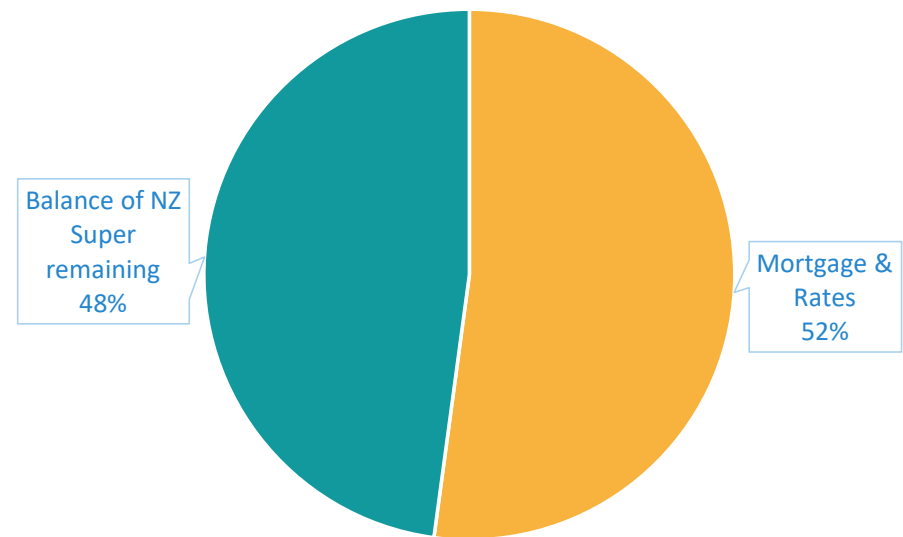
Mortgage & rates and % of NZ Super

Single Person A with mortgage



■ Mortgage & Rates ■ Balance of NZ Super remaining

Single Person B with mortgage

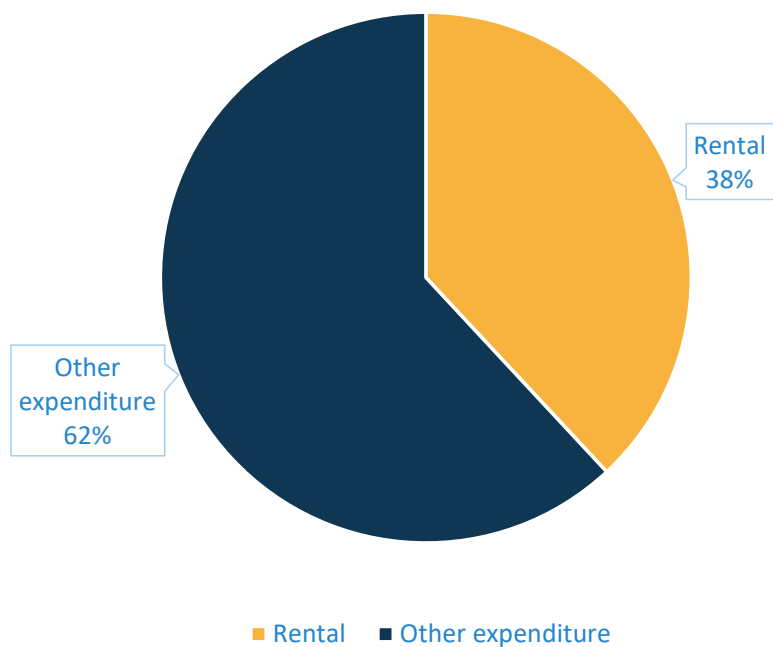


■ Mortgage & Rates ■ Balance of NZ Super remaining

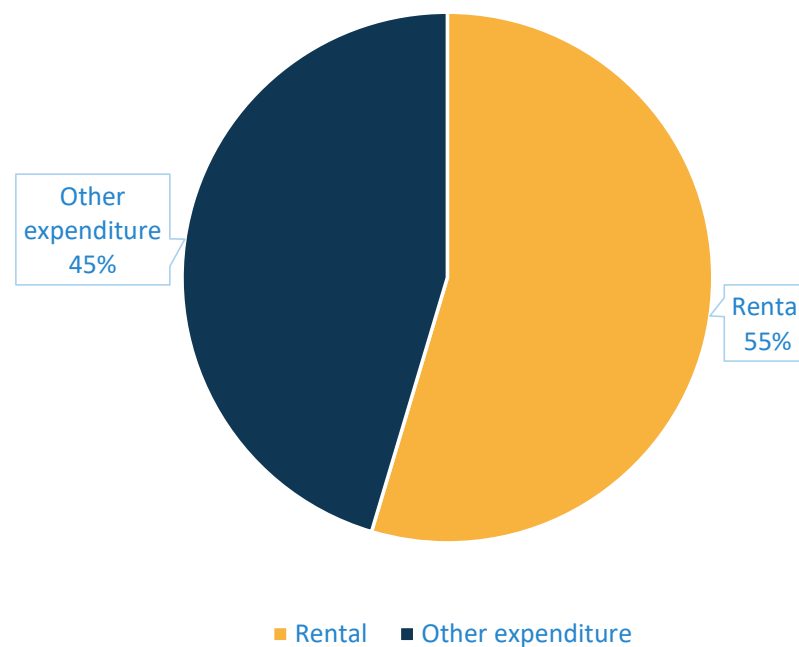


Rental costs as % of total expenditure

Couple A renting

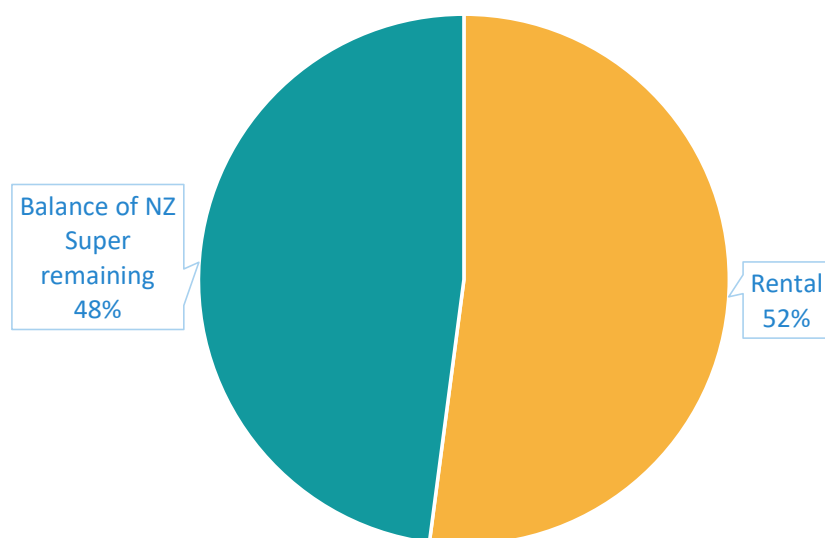


Couple B renting



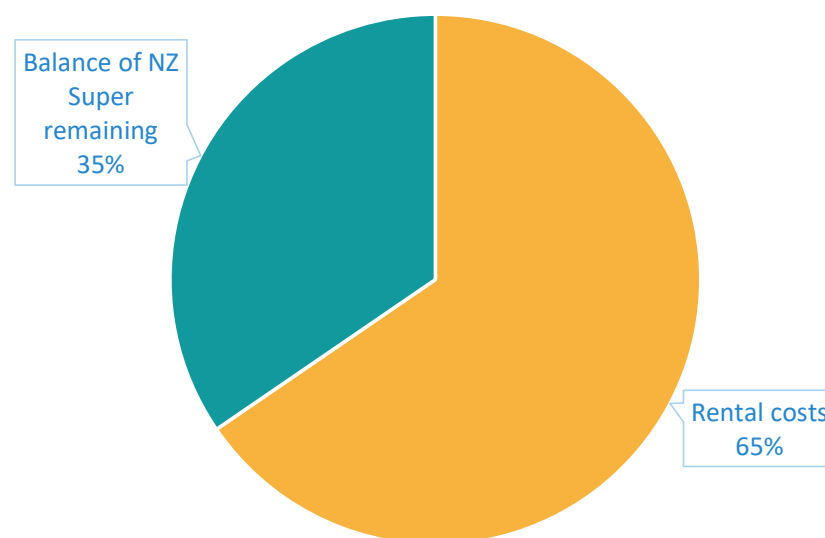
Rental costs as % of NZ Super

Couple A Renting



■ Rental ■ Balance of NZ Super remaining

Couple B Renting



■ Rental costs ■ Balance of NZ Super remaining



Debt in retirement

- Other than having a mortgage, there are other forms of debt that people still have in retirement
- 7 of the 12 participants reported having some form of debt
 - credit cards
 - hire purchase
 - personal loans

I'm in debt and only I can fix it. I will have to struggle through



Unexpected expenses

- Dental
- Family celebrations
- Travel for family events
- Family support and having grandchildren in their care
- Unpredictable medical expenses



Dental costs

One of the biggest expenses is dental care. It's not covered by your pension.

My dentist bill was \$15k. I've got \$10k still to pay. I don't like debt.

Dental is something you can't plan for – you don't know what they are going to say at your check-up. But we can use our savings to pay for it, that's what it's there for. My last bill was \$2,700

I've got to get a root canal done next month, which is \$800...I've got a bit of money in my drawer for that.

I haven't been to the optician for 4 years, it's just so expensive. Same with dental, I know I should go, but I can't afford it. We used to have medical insurance when I was working, but we can't afford it now.



Medical & life insurance

You have to let insurance go at the time you need it the most

Medical insurance – was more but we removed Dr and prescriptions, with our medical conditions it kept going up. We probably could get cheaper overall insurance, but we get good service from our provider. (\$5300 yearly for two people)

Life insurance is so high (\$2700 pa 2 people)

That's a bit expensive...it's a hefty amount. (Life Insurance \$1056 pa, 1 person)



Insights

- Most respondents seem to have ‘sleepwalked’ into retirement without giving financial or lifestyle planning much thought.
 - a general level of acceptance of where they are at and most are surviving if not thriving
- Significant and disruptive life events (mainly housing and family related) impact on financial wellbeing in retirement
- There is a heavy reliance on NZ Super to meet expenses - supplemented by savings for some and continuing to work for those who can
- Many of those interviewed have not entered retirement mortgage and debt free, and a lack of savings, and the inability to continue to work can lead to debt accumulation in retirement
- Housing costs are a key component of retirement expenditure for those with a mortgage or those who are renting
- Medical costs, especially dental costs are a key concern for those interviewed



Invitation to korero

Reflections on presentations in break-out groups



Sharing what we discussed

Thanks for participating!

See you tomorrow!

