

# Expenditure in Retirement

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## Introduction

### *Background*

The Retirement Commission (RC) aims to ensure that New Zealanders are well educated in financial matters and can make informed financial decisions throughout their lives. Part of its job is to inform New Zealanders how they can prepare for their retirement. This project is looking for information on how currently retired people spend their incomes. The information will be used to help younger people in their retirement planning.

### *Objectives*

- To develop “model” budgets for people who are aged 65 plus and currently retired.
- To examine how such budgets may vary for single people and couples, home-owners and renters, and by age within the 65 plus range.
- To develop case examples, incorporating the views of older people which the RC can use in its public material.

### *Method*

*Stage 1* of the project brought together findings from relevant literature on budget standards; statistical data from New Zealand sources, in particular from the most recent Household Economic Survey (HES); views and information from consultation with relevant researchers and government officials. From this “model” budgets were developed for use in focus group sessions.

*Stage 2* entailed a series of focus groups with people aged 65 plus, arranged through community networks. These brought together groups of people whose circumstances reflect the model budgets – single people, couples, owners and renters, people living in cities and people from small towns. The focus groups examined the model budgets and commented on how realistic they are in the light of their own experiences. Material from the focus groups, along with the findings of Stage 1, was used to develop case examples that can be used by the RC in their education campaigns and on their web-site.

## Sources of information on budget standards for older people

The budget standards method uses baskets of goods and services which, when priced, can indicate the incomes required by different households to reach defined living standards. The method has been used in many countries to promote public debate on living standards and income required to avoid poverty; to develop indicators for poverty or inadequate income; to help monitor policies aimed at providing adequate income and help in setting income maintenance levels and costs and charges. These aims differ from those of the current exercise, even though their methodology and findings are relevant. Methods and findings from the following exercises have been useful to the RC project.

### **Australia**

- **Westpac - Association of Superannuation Funds of Australia (ASFA) retirement standards** (2008) <https://info.westpac.com.au/rlscalculator/> Defines modest and comfortable standards for a single man, single woman and a couple.
- **SPRC - Indicative budget standards for older Australians.** The 1998 findings, for a range of household types, were updated in 2004. They define low cost, modest but adequate and comfortably affluent standards of living.<sup>1</sup>

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<sup>1</sup> Saunders, Peter (1999) Using budget standards to assess the well-being of families. SPRU, Sydney.

Saunders, Peter, Patulny, Roger and Lee Adeline (2004) Updating and extending indicative budget standards for older Australians. Final Report. SPRU, Sydney.

Saunders, Peter (2004) Update budget standards estimates for Australian working families in September 2003. SPRU, Sydney.

## UK

- University of Loughborough (2000) **Consensual Budget Standards**. Groups of people representing relevant categories discussed and agreed on the essential minimum necessary for physical, mental, spiritual, mental and social wellbeing. These needs were then costed by researchers with reference back to group participants.
- London School of Hygiene and Tropical Medicine (2000) **Minimum Income for Healthy Living: Older People**. This is based on “representative enquiries into prices that would meet defined health needs’ (expert opinion), as well as data from national expenditure surveys.
- **Family Budget Unit**, Age Concern England (2002), **Modest but adequate: A reasonable standard of living for households aged 65-74**. This combines normative judgements, consumer reports, national surveys and discussion groups<sup>2</sup>.
- Office for National Statistics - **Family Spending: A report on the 2007 Expenditure and Food Survey**. Household expenditure by age of reference person and household composition.
- Joseph Rowntree Foundation (2008), **A minimum income standard for Britain: what people think**. Budgets for single male, single female and couple pensioners derived from several iterations of group discussion<sup>3</sup>.
- Institute for Fiscal Studies (2009) **The Inflation experience of Older Households**. Uses data from the Expenditure and Food Survey, referring to the Retail Price Index, with different “baskets” for pensioners and non-pensioners<sup>4</sup>.
- Pensions Policy Institute (2009) **Retirement Income and Assets: Do pensioners have sufficient income to meet their needs?** Discussion paper by Daniela Silcock. Sean James and John Adams.

**An overview of recent work on Standard Budgets in the United States and other Anglophone countries**, by Gordon M. Fisher (US Department of Health and Human Services, 2007, has other examples from the USA, Canada and Ireland (see also Morris<sup>5</sup>).

## New Zealand

A range of sources were examined but could not provide the relevant data. These included –

- The **Measuring poverty in New Zealand** project by Victoria University, The Family Centre and BERL, used focus groups, but they all commented on the same budget, for a family with children<sup>6</sup>.
- Statistics New Zealand’s **Survey of Family, Income and Employment (SOFIE)** has no expenditure information.
- The **Superannuitants Price Index** (1993-1999) used the same methodology and basket of goods and services as the CPI.

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<sup>2</sup> Parker, Hermione (ed) (2002) *Modest but adequate: A reasonable standard of living for households aged 65-74*. Family Budget Unit, Age Concern England.

<sup>3</sup> Bradshaw, Jonathan et al. (2008) *A minimum income standard for Britain: What people think*. Joseph Rowntree Foundation, York.

<sup>4</sup> Leicester, Andrew, O’Dea, Cormac and Oldfield, Zoe (2009) *The Inflation Experience of Older Households*. The Institute for Fiscal Studies, London.

<sup>5</sup> Morris, Jerry et al. (2000) *Minimum Income for Healthy Living: Older People*. London School of Hygiene and Tropical Medicine.

<sup>6</sup> Stephens, Robert, Waldegrave, Charles and Frater, Paul (1995) *Measuring poverty in New Zealand* Social Policy Journal of New Zealand, Issue 5

- **Living Standards Surveys** (Fergusson et al. 2000). No expenditure information but shows what items were considered necessary to an adequate lifestyle for older people (to avoid material deprivation)<sup>7</sup>.
- **Sorted budget calculators** – none specifically for people aged 60 plus, but the categories have been used in the model budgets, for consistency (<http://www.sorted.org.nz/calculators/budget/>).

Material on particular areas was found in –

- **“Consumer”**(annual energy costs, March 2009)
- **AA** web-site (available to members) (cost of running a car, 2008)
- **Local Government Rates Inquiry**, background information (February 2007)
- **Annual Food Cost Survey**, University of Otago, Department of Human Nutrition. Costs food budgets for children and adults but no age breakdown among adults
- **Department of Building and Housing** – Tenancy Bond database <http://www.dbh.govt.nz/market-rent> 17/3/09, but nothing by age of tenants.

**The Household Economic Survey (HES)**, Statistics New Zealand, is the only source of expenditure data, the latest being for the 2006-2007 year. Special compilations were ordered from SNZ, giving expenditure for households with the reference person aged 65 plus. This was disaggregated by household composition (single people, couples); by sex; and by age (65-74 and 75 plus). Because this is a sample survey, data in some cells is suppressed as unreliable, but this did not prevent the development of model budgets.

## Variations in expenditure patterns

### By age

HES data shows that households of people in the 75 plus age group have, on average, lower overall expenditure than those in the 65-74 group. This is especially the case for people living alone. Older people spend less on food, alcohol and tobacco, meals away from home, recreational activities and transport. There is little difference by age for spending on clothing and footwear, health, utilities and personal care. Focus group participants were asked to indicate which age group they came into. Their comments were consistent with these differences in spending by age.

### By sex

This relates to older people living alone. According to the HES, men spend a little less on food, especially fruit and vegetables, but more than women on alcohol. They spend more on recreation and private transport. Women spend more on clothing and personal care. Housing costs are similar for the sexes. In the 75 plus age group single men spend less than single women, but the situation is reversed for the 65-74 age group. For women there is a smaller drop in expenditure by age than is the case for men. These patterns reflect the results from the international studies mentioned above. Equal representation of men and women was achieved in the focus groups and the discussions reflected many of these differences.

### Differences by location

Few of the international studies show variations in spending by location and, when they do, this is often between large urban centres. For example, for all household types, the Westpac budgets are similar in Sydney and Melbourne but higher in Brisbane, Perth, Darwin and Hobart. These variations

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<sup>7</sup> Fergusson et al. (2000) Living Standards of Older New Zealanders: A technical account. Ministry of Social Policy.

mainly reflect differences in housing costs. The focus groups included people in small town locations and produced some differences in spending patterns related to location.

### Differences between home-owners and renters

Housing costs are a major reason for differences in budgets, especially between owners and renters. Most of the international studies consulted assumed that retired people are home owners. This is the case for 85% of people aged 65 plus in New Zealand. HES data could not be disaggregated by tenure. Non-home owners were included in the focus group discussions and an extra session was arranged with some public sector renters.

### Differences in household composition

There should be economies of scale for couples in relation to housing and household costs, compared to people living alone. HES data shows that average weekly spending for one person households aged 65-74 is 45% that of couples and for the 75 plus age group 56%. (Figures from overseas surveys are more like 70%). The focus groups included men and women living alone as well as partnered people and sometimes both members of a couple. There were no participants who lived with people other than their partners.

### Allocation of expenditure by categories

Some spending categories – food and drink, clothing and footwear, transport, personal care – are fairly easy to define and appear in most of the budget standards studies. But there are differences which make comparisons complicated. Sometimes alcohol is included with food and drink and sometimes under entertainment or leisure. Sometimes alcohol and tobacco are a separate category (HES) and sometimes they are not included at all (as in some “modest” budgets). “Housing” and “Transport” may or may not include the capital cost of buying a house or a car and it is clearly potentially misleading to average rental costs among a group of both renters and owners (the same is true for the costs of running a car when many in the relevant group may not own one). “Utilities” sometimes includes telecommunications, but they come under “Communication” in HES, and internet and pay TV may come under “Leisure”. There are, however, similarities between the allocation of expenditure based on UK, Australian and HES data, as shown in Table 1, with HES allocations for comparison.

**Table 1 – Allocation of average weekly expenditure (%) for couples aged 65 plus in HES and international studies.**

	UK surveys				Westpac budgets		
	IFS	MBA	MIS	MIHL	<i>Modest</i>	<i>Comfortable</i>	HES
Food and non-alcoholic drinks	24	23	28	33	27	20	15
Clothing and footwear	5	7	5	12	5	6	3
Personal Care	4	4	12	7	8	4	3
Housing	10	9	13	20	13	9	12
Utilities	7	7	6		3	2	14
Household goods and services**	15	16	11	2	10	9	
Health		1		4	4	11	6
Transport	15	15	2	16	15	12	17
Recreation and culture	20	18	23	6	15	22	21
Other expenditure items						5	9*
Total expenditure	100	100	100	100	100	100	100

Note: For many categories comparisons cannot be exact because of classifications and different contexts, e.g. medical costs are mainly covered by the government for older people in the UK.

\*Includes insurance, gifts and donations.

\*\* Included in housing for HES.

## Model Budgets from the Household Expenditure Survey (HES)

HES provided the basic data for the model budgets. This gave the average weekly spending of households in which the “reference person” was aged 65 or over (Table 2), and was broken down into the age groups 65-74 and 75 plus. In each age group there was information for couples, single males, single females and single people in total. As was found in the international studies, people aged 75 plus spent less, on average, than their younger counterparts, especially on household items, supplies and services, alcohol and tobacco, recreation and holidays. They spent about the same on personal care and health and on newspapers and books.

Patterns of spending between men and women living alone show that, at age 75 plus, men spend less on food, clothing and footwear, household supplies, health and personal care but more on alcohol and private transport (they are more likely to run a car). Spending on recreation is about the same for men and women. In the 65-74 age group, spending patterns by gender are about the same as for older single people except that men and women spend about the same on food and men spend more on recreation. Table 2 also shows the appropriate weekly level of New Zealand Superannuation (NZS). The level is not far from that of average weekly expenditure for one person households, but represents only two-thirds of average spending for older couples

**Table 2; Average total weekly spending (\$) by age, sex and living circumstances, 2007 HES data**

Age of reference person	Couple households	One person households		
		male	female	all
65-74	808	393	350	364
75 plus	582	270	343	328
65 plus	732	337	346	344
NZ Superannuation (2007/2008)(\$)	463	298	298	298
NZS as % of average weekly spending (total 65 plus)	63	88	86	87

For the purpose of focus group discussion, two model budgets were developed, one for single people and one for couples (Table 3). The categories of expenditure were changed to conform to those used in the Sorted budget calculators. This caused some problems in the discussions, when the categories seemed illogical. For example, rates are included in Utilities, when most people think of them as part of Housing costs. Alcohol and tobacco are included in “Entertainment and Fun”; while in many studies they form a separate category. The coverage of each category was outlined on the form and the totals were rounded to the nearest dollar.

**Table 3: Models budgets for people 65 plus in \$– derived from 2007 HES data with categories from Retirement Commission budget calculators**

<b>Categories of Weekly Expenditure</b>	<b>Single person living alone</b>	<b>Couple (combined)</b>
<b>Insurance</b> Home, Contents, Car, Medical or combined	20	42
<b>Utilities</b> Includes rates, electricity, gas, telephone, pay TV, internet and mobile phones	71	96
<b>Housing*</b> Includes body corporate and service fees Repairs, maintenance, improvements, decorating Gardening and garden equipment, furniture, large and small appliances	46	81
<b>Food &amp; groceries</b> Includes bought lunches and takeaways but not dining out Excludes alcohol and tobacco	52	102
<b>Car &amp; transport**</b> Includes licensing and WOF, fuel, maintenance, parking Something towards new or replacement vehicle Bus/train/taxi fares	46	123
<b>Entertainment &amp; fun (recreation and leisure?)</b> Includes - Dining out, restaurants and cafes Alcohol (at home and outside) and tobacco Subscriptions to clubs and organisations Tickets for sports games, concerts, cinema, theatre, etc. Outdoor recreation and sports gear Newspapers, books and magazines, Pets, care and equipment	54	145
<b>Clothing and footwear</b>	14	19
<b>Personal care/grooming</b> Includes toiletries and cosmetics and hair care	13	24
<b>Medical</b> Doctor, dentist and other therapists (including alternative treatment) Prescriptions and medicines		41
<b>Gifts and donations</b>	2	25
<b>Total</b>	<b>332</b>	<b>698</b>

\* assumes that people are living in homes which they own without a mortgage

\*\* assumes that people own a car

## **The Focus Groups**

Focus groups have been used in several budget standards exercise, most notably the 2004 SPRU exercise, which concluded:

“Focus group discussions provide an effective way of obtaining feedback on the relevance of the level of the budgets and, building on this, an opportunity to validate the underlying judgments and assumptions from those whose own circumstances approximate the conditions that the standards purport to describe.”

The purpose of the focus groups in the RC project was to canvass comment on the model budgets by as wide a range of older people as was possible within the resources available, and to explore comparisons between the model patterns of spending and those of the participants themselves. All participants were given an information sheet about the project, which they were able to keep; an informed consent form; and a short questionnaire about themselves (these are attached in the

Appendix). The discussion began with an explanation of the project and its aims and an opportunity for participants to ask questions before they signed the consent forms. They were then given the model budgets for single people or couples, according to their own circumstances. After a general discussion, the session moved into consideration of each category of expenditure, and finished with an assessment of total weekly spending for the designated households. The sessions lasted for about two hours each, including morning or afternoon refreshments. They were recorded, and written notes were taken. The discussions were full and rich, with many examples of spending behaviour, economising strategies, how to obtain value for money, advice about local costs of good and services and comments on how spending behaviour varies by age (including how younger people spend their money) and over time.

The author is extremely grateful to those who arranged and participated in the group discussions, for their interest and willingness to share information about their expenditure patterns. Six focus groups were conducted, with a total of 31 participants. They were arranged through community groups, as follows:

- 20<sup>th</sup> April - **Wellington City Seniors Centre** – facilitated by Helen Young, Community Adviser-Seniors, Wellington City Council, 6 participants.
- 28<sup>th</sup> April – **Age Concern Kapiti** – facilitated by Rachel Cronin, coordinator for the Friendship Group, 7 participants.
- 14<sup>th</sup> May – **Wairarapa Organisation of Older People (WOOPS)**, at Masterton, facilitated by Diane Chapman, 7 participants.
- 14<sup>th</sup> May – **Wairarapa Organisation of Older People (WOOPS)**, at Featherston, facilitated by Diane Chapman, 4 participants.
- 15<sup>th</sup> May – **Karori Bridge Club**, Wellington – facilitated through Peter Delahunty and Verna Schofield, 6 participants.
- 18<sup>th</sup> May - **Wellington City Seniors Centre (WCC renters)** – facilitated by Helen Young WCC, 2 participants.<sup>8</sup>

Tables 4-6 show the characteristics of focus group participants, derived from the questionnaires.

**Table 4: Focus Group Participants by Age and Sex**

Age(years)	Male		Female		Total
	Single	Partnered	Single	Partnered	
65-74	4	5	5	2	16
75 plus	2	3	9	1	15
Total	6	8	14	3	31

There were similar numbers of male and female participants; younger and older people. Single people, living alone outnumbered partnered people (20 as against 12). In three cases both husband and wife attended the focus group sessions.

<sup>8</sup> **Acknowledgements** - I would like to thank all those who helped in conducting this research. In addition to those who facilitated the focus groups and the participants, these include David Feslier, Alison O’Connell and Kathy Glasgow, who was the note taker for the focus group discussions.



**Table 5: Focus Group Participants by Living Arrangements and Car Ownership**

	<b>Single</b>	<b>Partnered</b>	<b>Total</b>
No car	7	2	9
One car	13	2	15
More than one car		7	7
Total	20	11	31

Two-thirds of the single people owned a car. One couple had no car and one couple had one (both partners in the focus groups). The rest of the partnered people had two cars in their households.

**Table 4: Focus Group Participants by Sources of Income and Sex**

	<b>Male</b>	<b>Female</b>	<b>Total</b>
New Zealand Superannuation (NZS) only	4	5	9
NZS plus income from investment or other pensions	4	11	15
NZS plus income from investment or other pensions and work	6	1	7
Total	14	17	31

All the participants were receiving New Zealand Superannuation (NZS). In three cases people also had other welfare benefits – usually Disability Allowance. The majority had NZS plus income from savings or investments or from other pensions. Seven people had some income from part-time work (often intermittent). All except one of these were men. Two people had income from property.

## **The Case Studies**

From the focus groups material, supplemented from the international studies, a series of case studies were constructed. These do not reflect the circumstances of any particular participants, but are composite pictures of older people in different circumstances, by age, sex and living arrangements, and with differing levels of income on which to base their spending. There are eight case studies, three of couples and five of single people<sup>9</sup>:

1. Relatively affluent couple – home-owners, two cars
2. Low income couple – home-owners, one car
3. Low income couple – home-owners, no car
  
4. Single man – home-owner, relatively affluent
5. Single man – renter, low income
  
6. Single female – home-owner, relatively affluent
7. Single female – home-owner, low income
8. Single female – renter, low income

People are described as “relatively affluent” when they have significantly more income (\$10,000 per annum or more) than NZS. Low income people are those living on NZS for the majority of their income, sometimes with a little extra from their savings and investments. For each case a short description of their circumstances and spending patterns was developed, with a summary weekly budget.

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<sup>9</sup> Pseudonyms have been used in the case studies.

### ***Case Study 1: Marguerite and Phil, a relatively affluent couple***

Marguerite and Phil, in their mid seventies, live in an outer suburb, own their house without a mortgage and run two cars. In addition to the married rate of NZS, Phil has an occupational pension and income from consultancy, linked to his previous professional work. They also have income from their savings and investments, but expect this to halve with lower interest from their term deposits. Their total income is just over \$52,000 per annum, about twice the married rate of NZS. They said they would struggle on the level of income suggested in the model budget.

Marguerite and Phil have a full range of insurances, including medical insurance. They are thinking of cutting back the latter to surgical cover only. They spend about \$75 per week on power and \$20 on their telephone account, which includes broadband internet and pay TV. These are all facilities they had become used to before they retired. 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, Phil tries to help, but found that painting the roof was too much of a physical strain.

Even on their high income, Marguerite and Phil economise on their food budget, which is comparable to that of older people with much smaller incomes. They eat less meat, buy in bulk and buy “specials” when they can, to stock their freezer. They each have a car, which they realise is expensive, but they have different activities and interests and neither wants to give up their independence. Clothing is not a major item in their budget. Phil has several suits, which he doesn’t wear much “except for funerals and weddings”. Recently he had the collars turned on shirts which he had had made for him on a business trip in Asia. “For \$15 I had a new shirt.” When he gets home he always changes into his ‘house clothes’. “I won’t throw out a well-loved jersey”. Marguerite still buys clothes, so most of the budget is for her, but she is not “brand conscious” like her daughters.

This couple’s 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 subscribe to the local newspaper and several magazines. They have a small dog whose food costs up to \$20 a week, and \$120 a year for a license. The dog provides a reason for exercise and a source of entertainment.

Both Marguerite and Phil keep fairly good health, but have regular prescriptions and find that generics can have unpleasant side effects, so they pay more for branded items. Recently they moved to annual dentist appointments instead of six monthly, to save money. Phil feels that older people are often put off seeking health care and special equipment because of the cost, but - “If you can turn up at the hospital in an ambulance, then you are away.”

Marguerite and Phil are generous with gifts to family and also give selectively to charities, mainly to those they have had some connection with or which they think they might need, like ambulance services. They remember the economising efforts of their parents and consider that their own saving and spending habits have been gained over the whole of their lives. “Not like young people now who expect everything first time.”

### **Case Study 1: 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
Total	1008

### ***Case Study 2: John and Jenny, a couple mainly dependent on NZS***

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 NZS for almost all their income. Overall, their budget is tight. They had to give up their medical insurance – “just when we were beginning to need it”. 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. For cooking they have bottled gas which costs \$35 per month.

John and Jenny are mortgage-free home owners; they try to budget for house maintenance but often find that something else comes up which is more important. Both are diabetic and qualify for a Disability Allowance, which pays for two hours of gardening and an hour of house-cleaning per fortnight. They recently needed to buy a reclining chair, as Jenny had had a knee replacement. They sold their old lounge suite, but still had to take an interest-free loan from WINZ, which they paid off at \$10 per fortnight. This took them a year. John and Jenny 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. When they go to town they try to do several things, even combining shopping trips with going to church. They sometimes have lunch out in town and John goes to darts once a week, spending \$25 on transport, subs and drinks. Jenny belongs to a knitting club and various social organisations, but the subscriptions are very low. Very rarely would they go to concerts, cinema or theatre – they are just too expensive. The local newspaper costs \$12 per week, but they make sure they get their money’s worth by doing all the crosswords. Adding in the cost of their cat (which recently needed vaccination and neutering at a cost of \$140), their entertainment budget comes to \$70 per week.

Not much of their money goes on clothes, which are usually hand-me-downs or from second-hand shops. Jenny says that the clothes in the “op shops” are more to her taste anyhow and those in the shops are all for younger people. Shoes are a considerable expense. Jenny is prone to falling and a pair can cost \$200, at least once a year. Personal grooming costs are less than \$10 per week for the two of them. Jenny has her hair cut and styled every six weeks costing \$25.

Medical costs can be considerable. Until Jenny got a high user card, she was paying nearly \$100 every three months for GP consultations and prescriptions. Both have to pay something towards podiatry treatment and John had to have a hearing aid recently. This cost \$5000, plus \$18 every month for batteries. Jenny and John have three children and six grand-children. Taking into account their children’s spouses, they have 12 people to buy Christmas and birthday presents for. The minimum they feel they can spend is \$20 per present, so this comes to at least \$500 a year. But they don’t like cutting down on their celebrations.

## Case Study 2: 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
Total	526

## Case Study 3: Graham and Wynn, an older couple reducing their spending

Graham and Wynn are 84 and 80. They have a small nest egg and derive some income from it in addition to NZS. A couple of years ago they decided to move to 'trade down'. They thought it might be cheaper to live in a provincial centre and looked at options all over the country. But in many of the small towns they were attracted to there was no GP, chemist, public transport (except perhaps morning and night), banks or supermarkets. They heard from friends that it was much harder to get tradesmen. Living costs would be higher, so instead they moved to an ownership flat close to the centre of the city.

Their rates are low because they are levied on the block as a whole, but there is a small amount in body corporate fees. They share clothes washing facilities, which saves on power, and because they have no car they rent out their garage. One disadvantage has been that they could not install a heat pump because a neighbour complained about the appearance of the vent. They also had to replace a hot water tank and this cost \$2500 because some walls had to be removed and valves replaced. Graham and Wynn paid for this out of their capital.

In addition to spending about \$55 on food per week, Graham and Wynn have pre-prepared meals delivered, costing \$7.50 for a main course. They can get five meals each a week in their freezer and cook for themselves otherwise.

Wynn has never driven and Graham decided to stop because he had lost confidence in driving. They use their Gold Cards for public transport. What they save on transport they spend on their grandchildren and not having to think twice about having a cup of coffee and other small luxuries while they are in town – "we are close to coffee shops now". Taking three grandsons to the cinema in the school holidays cost \$70, including lunch and snacks. "But it's as pleasure to 'treat' your grand children" said Wynn.

Graham's approach to clothes buying is to ask himself, "Do I need it. Will it benefit me in my lifetime?" He has been known to turn down offers of new clothing from his children. But he does find he needs warm clothes for the winter, especially heavier underwear – "long johns". Wynn is also fairly constrained when it comes to clothing and footwear.

Graham and Wynn gave up medical insurance because of the cost. But recently Wynn needed cataract surgery. She would have been two years on the waiting list and she felt that in the meanwhile she could have a fall and suffer serious injury, so she went privately. The result has been good, but it cost

\$8000. They had to use their savings for this and as a result they could not go to visit family overseas as they had planned. They go to a doctor in a PHO which costs \$15 for a consultation, so their medical costs are not high. They get teeth taken out rather than filled or crowned, even though this requires some assertiveness – “Dentists don’t like taking teeth out.” They have found that fillings have to be redone and root fillings don’t always work.

Graham and Wynn give to charity to the extent that they can, and also make contributions in other ways, like “holding the box” in street collections. Their annual budget comes out at about \$1000 below the married rate of SNZ. So Graham and Wynn are able to save for unexpected events and charges, but their capital has been eroded in recent times.

**Case Study 3: Weekly Budget (\$)**

Insurance	35
Utilities	80
Housing	60
Food & groceries	130
Car & transport	0
Entertainment & fun	75
Clothing and footwear	20
Personal care/grooming	20
Medical	15
Gifts and donations	25
Total	460

**Case Study 4: Mark, an affluent single man**

Mark, aged 68, has single rate NZS and about the same amount from interest on his savings and investments. He runs a car and owns his own apartment. His insurance payment is high because it includes \$3200 yearly for medical insurance. He began this when he was still working and decided he needed to keep it on as it covers pre-existing conditions. The rates on his apartment are \$1200 a year and he pays \$184 a month for other utilities – electricity, phone, internet and mobile phone. Mark expects to pay about \$5000 a year on his house and contents and so puts this aside. If, at the end of the year, he has not had to replace an appliance, or do some decorating, then he buys himself something non-essential, like an up-to-date TV.

Mark’s food and groceries bill is not high, but he eats out a lot, reckoning to spend about \$50 a week and sometimes can spend \$150 for himself and a friend on a special night out. With cinema, concert and theatre tickets, and wine to drink at home, “entertainment” is a large item on his budget.

Like many men in his circumstances, Mark does not spend a lot of clothing, apart from underwear. He will buy good shoes and perhaps a new jacket every year. Toiletries generally come into his groceries bill and, apart from this, “personal grooming” will be frequent hair and beard trims.

Mark’s medical costs are low, because of his insurance, but this does not cover dental costs and he is considering an estimate of \$15,000 for dental implants which should let him avoid having dentures. He is wondering whether it is worthwhile to reduce his capital to this extent. He recently also had a treadmill test, not covered by insurance, which cost \$280.

Mark has no close family to buy gifts for, but supports several charities. His annual spending he estimates at just over \$27,000. About \$13,000 comes from NZS (net of tax) and \$11,000 from interest

and dividends. So every year he is taking about \$3,000 out of his nest egg. This does not worry him, as he has no one he wishes to leave his money to.

**Case Study 4: Weekly Budget (\$)**

Insurance	77
Utilities	69
Housing	92
Food & groceries	72
Car & transport	30
Entertainment & fun	150
Clothing and footwear	15
Personal care/grooming	10
Medical	9
Gifts and donations	10
Total	526

**Case Study 5: Ben, a low income renter, living alone**

Ben is 80 and has lived in a bed-sitter flat rented from a public sector agency for 13 years. He lives on NZS with a Disability Allowance and a small subsidy on his rent of \$105 a week. His only insurance is on his house contents – he gave up medical insurance because of the cost. Because of his delicate health, Ben has to keep his small apartment warm, which costs about \$30 a week, even though some of this is covered by the Disability Allowance. He has a phone and internet and pay TV (for the sport), and this costs another \$30 a week. Apart from his rent, Ben does not spend much on his housing apart from some painting and small carpentry jobs, which he does himself. To cover large appliances Ben puts \$25 a fortnight into an interest-bearing savings account. This builds up and recently he was able to buy a new computer which, with accessories, cost \$2000.

Because Ben is diabetic he has to have special food. He does a “big shop” on pension day and spends \$117 a week at the supermarket, which will deliver. Ben doesn’t have a car; he gave that up many years ago, and travels mainly on the buses during the free period for pensioners, plus getting lifts with friends. He doesn’t spend money on drink or gambling, and doesn’t go on holidays, but he is active in several clubs. He plays bridge two or three times a week, which costs him \$5 a time and \$50 for his subscription. He shares a newspaper with a neighbour and hires DVD films from the local library at a reduced rate of \$2 each.

Clothing is not a major item in his budget as he only replaces items when worn out, not caring about fashion (although he is always well “turned out”). When he needs shoes he looks for bargains in the sales. His family will give him socks and handkerchiefs as gifts. Haircuts cost \$18 every month. Ben has quite a few health problems, but receives subsidies for his GP consultations and prescriptions. He needed a new top plate denture recently and was lucky to get it for \$400 through the hospital – he could not have afforded full price. He has developed asthma and has heart problems, so he sees a specialist every six months and may be considered for a by-pass operation. He is more concerned about a developing cataract (which may be related to his diabetes). He was recently “bumped off” the waiting list, but there is no way he could afford \$4000 for a private operation. Without the subsidies, Ben’s medical costs would be considerable.

Ben feels it is important to continue his support of four charities and also to give gifts to his four grand-children on birthdays and Christmas. Without running a car, and with significant subsidies,

even at this abstemious standard of living, Ben’s weekly costs come to \$356. He lives on NZS, and little more from savings, by dint of very careful budgeting, which has always been part of his life.

**Case Study 5: Weekly Budget (\$)**

Insurance	5
Utilities	50
Housing	130
Food & groceries	117
Car & transport	4
Entertainment & fun	20
Clothing and footwear	8
Personal care/grooming	7
Medical	10
Gifts and donations	5
Total	356

**Case Study 6: Jill, relatively affluent and living alone**

Jill (77) has income from a rental property as well NZS and interest from her savings of about \$100,000. Her total income is about \$37,000 per annum, or \$700 a week, so she can save and has a reserve for unexpected purchases such as replacing major appliances and paying high dentist’s bills. She has a low level of medical insurance – just to get a diagnosis, she says. Then she decides whether to wait for treatment in a public hospital or save up for private care. She spends \$31 a week on electricity, on average, saving by sharing a hot water cylinder with the adjoining flat which she owns and also by using an electric blanket for personal warmth when she watches TV. She recently had a heat pump installed, but has not seen any decrease in her power bill, although the house is warmer. Jill needs internet links as she is studying and also has a cell phone which she takes everywhere with her, using it instead of a personal alarm (which she has found would cost \$40 a month). Jill’s rates are comparatively high, as she lives in a high-value suburb (nearly \$50 a week) and she spends \$20 a week for a gardener and \$25 for house cleaning – which she acknowledges is a luxury which she doesn’t really need. She economises in other ways, like using a small oven and not using her clothes dryer. “I only wash when it is windy”.

Excluding alcohol and eating out, Jill spends about \$85 a week on food. She buys in bulk when she can and then “eats out of the freezer.” She has cut down using her car for several reasons. She thinks about her health, about the environment and the cost, and appreciates free access to public transport (“it’s a shame it cuts out at 3 pm”). She lives very near a bus stop and does not drive outside her suburb now because of her eyesight and because parking is a hassle.

Jill enjoys dining out with friends and does this regularly; she spends money on going to concerts, theatre, films and on her hobbies. In addition she enjoys taking university courses, which cost about \$1000 a year. She could afford regular holidays, but usually chooses not to go. She realises that all these activities are optional and the expenditure could be cut down, but is determined to enjoy her life and has the means to do it. She has pet birds and their food costs about \$10 a week. She shares magazines with friends. Jill does not spend a lot on clothes except for her shoes and her main cost for personal grooming is a hair-cut at pensioner rates every 6 weeks. Toiletries tend to come out of the supermarket shopping total and “people always give you soap”.

Jill keeps good health and does not spend much on medical expenses. A GP consultation would cost her \$42 if she did not have medical insurance. This does not, however, cover the dentist, which costs

\$80 for an annual clean and about \$200 a year for fillings. Higher costs for remedial work are coming up. This is likely to cost \$3000 but Jill can take this in her stride. Dietary supplements also come out of the “big shop”. Jill gives to charity “just a hand in the pocket when I am passing,” but does not spend a lot on gifts.

**Case Study 6: Weekly Budget (\$)**

Insurance	25
Utilities	49
Housing	70
Food & groceries	85
Car & transport	30
Entertainment & fun	175
Clothing and footwear	14
Personal care/grooming	10
Medical	10
Gifts and donations	5
Total \$24,000 pa	463

**Case Study 7: Alice, a low income, single, home owner**

Alice is 79, lives in a rural town and her only income is NZS. She insures her home and car but not her other property. She says she will always need a house, but will cover the contents herself in case of flood or fire. She thinks she has paid enough tax in her life for medical cover and could not afford medical insurance anyhow.

Utilities costs are going up in Alice’s area; rates are \$1500, but she gets a rebate of \$500. Electricity costs \$30 a week and sometimes more in a hard winter, but “I am too old to cart wood.” In addition she has gas for cooking, and a gas bottle – to fill and deliver – costs \$35 a month (she can’t carry a bottle herself). The telephone costs at least \$15 a week, even though she has a good rate for calls to Australia, where most of her family live. Alice has no mobile phone, pay TV or internet.

Alice owns her home but “tries not to think about” the cost of home maintenance and repairs. She saves what she can to tackle one job every year. She thought she was going to have to leave her house because of maintenance costs, but her family came to the rescue and arranged to do the painting and repair the driveway. Alice can’t kneel very well so she pays for gardening work and lawn mowing. She hopes she can get a Disability Allowance to help with this.

Recently Alice’s washing machine ‘died’ and she bought a re-conditioned one, even though she had to pay it off on time payment. Furniture is not a significant cost; in fact she has been trying to sell some items she doesn’t really need. Alice buys cheap cuts of meat, reckoning on \$2 per day, but finds fruit and vegetables very expensive. When family visit “that really knocks you back”- paying for a traditional roast dinner.

Alice has a car “which will have to do me until I am pushing up daisies”. She could not afford to replace it. She dines out with her Probus club once a month, doesn’t smoke, but has a can of beer most evenings. She belongs to various social organisations with low subscriptions - \$5-20 a year. Alice has a cat whose food costs about \$10 a week. “Charlie” badly needs his teeth cleaning, but this is going to cost \$300. Alice feels very bad about putting this off, but is worried about the cost.

Alice buys a pair of shoes about once a year, although she can make sandals last 3 to 4 seasons. She buys her clothes in sales or at op shops, but underwear can be expensive. Alice describes herself as



“only a bar of soap lady” – and does not spend a lot on cosmetics. She has a perm four times a year and a ‘set’ once a fortnight. These are cheap because a friend does her hair at home.

Alice tries not to go to the doctor, but she visits the podiatrist every month, which costs \$45. Her doctor recommended a heat rub for her sore knees and a supplement for joint care. Even buying these at the supermarket costs \$70 for two months supply. Gifts for her grandsons take the form of \$30 vouchers twice a year. Overall Alice hopes to save \$10 a week. She would like a new TV, but “something more important may come up.”

**Case Study 7: Weekly Budget (\$)**

Insurance	10
Utilities	53
Housing	63
Food & groceries	70
Car & transport	33
Entertainment & fun	40
Clothing and footwear	10
Personal care/grooming	13
Medical	26
Gifts and donations	10
Total	328

**Case Study 8: Mary, a low income renter**

Mary is 89, lives alone in a rented pensioner flat and her sole income is NZS. 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 – a \$5 card lasts six months. Her food purchases rarely amount to over \$50 a week unless she stocking up on less commonly purchased items such as toilet paper. 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 to places which give pensioner discounts and a meal cost \$10, 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.”

Mary belongs to several social clubs which have outings about once a month (including a meal, and costing \$30-40). The subscriptions are only \$10-15 a year. Mary likes an alcoholic drink at night, although never did this when younger and bringing up children. People compliment her on her clothes but she doesn’t tell them they have been bought at second-hand shops for \$2 a jersey and \$1 a shirt. Another luxury which Mary has always allowed herself is to have her hair done about every ten days, costing \$22, with a perm for \$80 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 – but doesn’t know much about it. She goes to an acupuncturist and still pays \$40 a session. Her hearing aid cost \$3000 and she has to pay this off in small amounts. Mary manages to live on NZS of about \$300 a week. 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, at \$130 quarterly.

## Case Study 8: Weekly Budget (\$)

Insurance	20
Utilities	71
Housing	46
Food & groceries	51
Car & transport	46
Entertainment & fun	54
Clothing and footwear	14
Personal care/grooming	13
Medical	14
Gifts and donations	2
Total	331

### Observations and Economising Strategies

The focus group discussions threw up a wide range of comments on the spending patterns and behaviour of older people, many of which could not be incorporated into the case studies and included many were suggestions for economising strategies. Comments which appear to have more than individual relevance are listed below, under the headings of the weekly budgets.<sup>10</sup>

#### Insurance

- House insurance appears to be almost universal among home owners.
- Some people have cut out contents insurance, taking the risk themselves.
- Many have never had medical insurance and many have given it up because of the cost. Some feel aggrieved that medical insurance could even be considered necessary after a lifetime of paying taxes. There are examples where older people have cut down on medical insurance coverage to make it more affordable. Others, who can afford it, keep it up to cover pre-existing conditions.

#### Utilities

This gave rise to considerable discussion; the cost of utilities varies by region and between suppliers.

#### Rates

- There is great concern about increases in rates.
- Rubbish bags and water meters add to payments to local authorities.
- Many older people feel that the rates rebate income limit is too low - only a little above the level of NZS.

#### Power

- Electricity costs vary around country; no one mentioned shopping around between suppliers.
- Where gas usage is low, it is cheaper to use gas bottles than to pay a daily charge for a meter, although these have to be changed and refilled regularly. In some areas there is no reticulated gas.
- The cost of gas and bottles is increasing rapidly and many older people cannot lift the bottles so they need to be delivered.
- Carrying and chopping wood may also be too much for older people.

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<sup>10</sup> The comments are as reported by the participants and may reflect misunderstandings on their part about costs and access to benefits and concessions.

- Heat pumps are expensive and may actually increase electricity use, but they warm the house well and are easy to use. People may need to consider if they are worth the considerable expense of purchase and installation.
- Old houses can be draughty and harder to heat; smaller units are easier to heat.
- Many older people cut down on heating to save money and resort to using electric blankets and hot water bottles as personal heating sources. But some feel that keeping warmer may save money on doctors' bills.

### ***Communication***

- By shopping around you can find cheaper telephone rates and packages for telephone, internet and pay TV.
- Others ways of economising on telephone charges are to ring when special rates are available; get people to ring you; buy phone cards.
- In some areas people need pay TV to get better reception and all channels.
- Cell phones can be used for emergency only, like a personal alarm.
- Personal alarms can be costly.
- Having an internet connection is important not just as a means of communication but also for entertainment and education.

### **Housing**

There were four renters among focus group participants, all of them in public sector housing. Their rents were low compared to private renting. According to the Department of Building and Housing's Tenancy Bond database, the average weekly rental for a one bedroom flat is currently \$202.<sup>11</sup> The focus group renters were paying only half of this. Comments on home maintenance mainly relate to home owners although all commented on the cost of furnishing and appliances.

### ***Home maintenance and repairs***

- Old houses need more maintenance and are harder to insulate.
- Unexpected costs related to housing often arise (for example replacing a water tank); these may need urgent attention and be very expensive. Their choices are to use their capital (if they have it); take out a loan or mortgage or use equity release schemes. These last two are not favoured, but "saving up" may take too long.
- Many older people defer house maintenance, especially for very expensive items such as repainting and re-roofing.
- Some people budget for one major piece of house maintenance per year. But unexpected costs can still arise.
- Maintenance costs may push older people out of their houses when they don't want to go.
- Older people are often unable to do house and garden work themselves even if they know how to. There is a risk of injury.
- Cheaper and reliable tradesmen can be found through organisations such as Grey Power.
- Often what is needed is a handyman (to do small things like changing light bulbs) rather than a tradesman.
- Help in the garden and house may be seen as a luxury, but some older people see this as a priority. Sometimes help can be covered by a Disability Allowance.
- Some house adaptations are important if people become less mobile and also for security.

### ***Furnishing and appliances***

- It is often uneconomic to repair appliances; simpler ones are more reliable.

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<sup>11</sup> Average market rent Sept 2008- Feb 2009, <http://www.dbh.govt.nz/market-rent>, accessed 17/3/09

- It pays to look after appliances and try to extend their lives. Older people tend to use washing machines less frequently and may not use clothes dryers.
- Re-conditioned appliances can be good buys.
- Taking out extended warranties is a way of offsetting appliance repairs.
- Paying off hire purchase can take a long time but some things you have to replace, for example, a fridge.
- Discount stores and sales are good for buying small appliances.
- Friends and family may pass on appliances when they renew theirs.
- Small bench-top ovens, separate grills and slow cookers may be appropriate for older people, especially those living alone, and are more economical on power.
- A reasonably large freezer is important for frozen meals and buying in bulk, to save money on food.
- Older people tend to spend little on furniture and may sell off surplus items, especially if they move into smaller accommodation.
- Special chairs and beds may be needed as ailments develop and these can be very expensive.

### **Food and groceries**

- Meat, fruit, vegetables and dairy products are seen as essential but also as increasingly expensive.
- Many older people cannot afford meat every day (as they have always been used to), unless they seek out cheap cuts and short-dated items.
- Having a kitchen garden can help with food costs, but the work may be too much for some people.
- Even affluent people make economies on food by buying in bulk (“eating out of the freezer”) and going for “specials.”
- Shopping at supermarkets is cheaper than using dairies and local shops. Older people have time to do this and can combine a shopping trip with doing other things.
- Providing a traditional “roast dinner” for family and visitors is seen as important, and can put a strain on older people’s budgets, but they are reluctant to cut down on family visits because of cost.
- Pre-prepared and delivered meals may be a good option for older people who have freezer space.
- Being allergic or intolerant to foods or needing special diet (diabetes, low salt) can increase food costs.

### **Transport**

Transport costs vary greatly between older people who run a car and those who do not. All the focus group participants expressed appreciation for having free public transport through the Gold Card. This had clearly cut down car use and encouraged them to go out more. Many suggested that an extension of the free period to at least 4 pm would be very helpful. People living in rural areas can find their time in town limited to one hour to fit trips into the 9 am to 3 pm slot, given current bus and train schedules.

### ***Using a car***

- Where couples have become used to having a car each, this can be very hard to give up.
- Car insurance and licensing costs are increasing.
- Many older people are unable to put money aside to replace their car. If their car needs expensive repairs or is written off, that would be the end of private transport for them.
- To renew a driver’s license requires the expense of a doctor’s consultation fee.
- There are advantages in reducing car use in terms of health (getting exercise), environmental protection and economy.
- Younger older people may have eldercare responsibilities which require private transport.
- Many older people have cut down the extent and range of their driving because of reduced confidence or sight problems.

### ***Public transport***

- Using buses and trains outside the free period incurs increasing costs.
- These costs and the cost of running a car mean that many older people stay at home more.
- Waiting for buses can be hard on legs and knees – in small towns there is often only peak hour public transport so they have to be out all day.
- Community transport (Red Cross, Cancer Society) is sometimes available to get to medical appointments.
- Taxis are seen as too expensive.
- Mobility vouchers for taxis are useful for those who are eligible, but only cover half the cost.

### **Entertainment and Fun**

A variety of items are included under this heading. Many older people see recreation and leisure as an area in which they can make economies, if needed, even though these activities are important to their quality of life. There are overlaps with other areas of expenditure, for example internet use can be leisure and pet supplies are often included in the weekly “big shop.”

### ***Dining out***

- Meals away from home are a rarity for many older people, unless they are lunches at the shopping centre in cafes which give pensioner discounts or group dining, associated with clubs and organisations. More affluent retired people, especially single people, are more likely to dine out (“you can’t entertain in a bed sitter”).
- Families often “treat” older relatives to a meal out.

### ***Events and holidays***

- Going to live performances would be seen as very special occasions by many older people, although the more affluent still include them in their activities.
- Going to the cinema is more common, where pensioner concessions are available. This can be combined with the weekly trip to the shopping centre.
- Older people can travel at less popular times and take advantage of cheap air fares.
- Holidays can often be visits to relatives or to the holiday homes of friends and family.

### ***Clubs and organisations***

- Some club subscriptions can be costly (up to \$1000 per annum for golf or bridge) and may involve buying meals and drinks (service clubs, indoor sports). Some older people feel they have to withdraw from activities they have been in for decades, because of the cost.
- A useful strategy is to join a club where drinks and meals are reasonably priced. Then visitors can be taken there for less cost.
- In contrast, many social organisations have very low subscriptions and may organise outings which take advantage of group rates.
- Excursions with clubs can provide holidays for older people (for example bridge, darts or bowls tournaments).

### ***Newspapers, books and magazines***

- Many people use libraries rather than buying books and magazines.
- Newspapers and magazines can be shared between friends and neighbours.
- Newspaper may be valued for other than news – death notices, crosswords.
- Mail order DVDs can be a boon for older people.

### ***Pets***

- Pets provide entertainment and companionship, but can entail high costs for care and treatment. Making decisions about these costs can be stressful for older people.

### **Clothing and Footwear**

- In general older people's spending in clothes is low; men often have plenty of clothes from their working days and the women are not so fashion conscious.
- Older people are not averse to buying second-hand clothes, from sales or "seconds" or even "hand-me-downs" within families.
- Being at home more means that "good" clothes are needed less. Women don't need to wear skirts, which reduces the cost of hosiery.
- Clothing is often given to older people as gifts, especially socks and jerseys.
- Buying shoes can account for most of the clothing and footwear budget as these should not be second hand. Good shoes are seen as an investment and may be essential for people prone to falls or who have "bad feet".
- Shoes bought at discount stores can be satisfactory, but are less likely to be durable.

### **Personal care/grooming**

This category includes toiletries and cosmetics and hair care. It is not a major item of expenditure for older people, but patterns vary between men and women. For both, the main item is hair care.

- Some older people may have to have help with their hair as they cannot do it themselves, but others cut their hair themselves or have it done cheaply by friends, at home.
- Haircuts for men are cheaper than for women, but they can still shop around to save money.
- Hair care is important for women and many still go to "their" hairdresser regularly. This is often a means of social contact and networking.
- Older women don't tend to use a lot of cosmetics and some buy them more cheaply through mail order firms or when they are on 'special' at the supermarket.
- People often receive toiletries – soap, talcum, skin creams – as gifts.

### **Medical**

The cost of medical care for older people varies considerably, first and foremost according to their health status. There was a lot of comment about costs in this area. A GP consultation can cost from \$15 to \$42, depending on the practice. Prescriptions can be as low as \$3 each, or up to \$70 or more for a non-subsidised medication (generic replacements do not suit some people). If an older person qualifies for a Disability Allowance, has a high user or community services card, this will reduce their medical costs significantly. They may also have subsidies on dentures, glasses and hearing aids, but, if not, these can cost several thousands of dollars. There is currently a campaign by Age Concern for financial help in these areas. The cost of dental treatment is a serious concern for many older people. Dentists tend to recommend saving natural teeth wherever possible (for example by using crowns and implants), but this usually means a large bill and some older people prefer to have teeth extracted because of the cost. Sometimes it is hard to be assertive against the advice of dentists and other health professionals.

- It can be hard to get into a medical practice where the fees are cheaper, but many older people prefer to stay with their "family" doctor, even if the fees go up or they move house, entailing more travel.
- A GP consultation is needed to renew a driving license over the age of 75.
- Discounts on glasses are sometimes available and frames can be reused to save money.
- Hearing aids are very expensive and so are the batteries. If you have a work-related hearing loss you are covered under ACC.
- Having false teeth is cheaper than going to the dentist, but keeping your natural teeth is to be preferred for comfortable eating.

- Podiatry is important for older people who cannot bend easily to cut their toe nails, or have a condition such as diabetes.
- The cut-off for the Disability Allowance is just above NZS level. This penalises older people who have some savings and they may end up worse off through having to pay for medical care, aids and home help themselves.
- Disability Allowance can pay for house and garden work, podiatry, personal alarms, but eligibility is reviewed every 12 months. If you are very old these needs will almost certainly be ongoing.
- Diagnostic tests can be expensive.
- Health supplements are expensive, especially from specialised shops.
- Older people often have to decide between being on a hospital waiting list and paying for private treatment if they have no insurance. Some may decide to use their savings for private treatment (e.g. for cataracts) as they are worried about falls and/or in considerable pain.

### **Gifts and donations**

- Many older people consider it a matter of duty and conscience to continue giving to charities, even out of much-reduced incomes. They may have contributed for many years, or received some services themselves (or people close to them have), such as emergency ambulance or hospice. Older people don't like to refuse charity collectors and "they seem to come every week". But charitable giving may have to become more selective and some people help in other ways, like fund-raising or voluntary work.
- A lot of importance is placed on marking birthdays and Christmas with gifts to family members and friends. The expectations of younger people may be an embarrassment to some older relatives. An outing with the grandchildren during school holidays to the cinema and for lunch out can cost a quarter of a week's NZS or more.

### **General**

- The model budgets do not include allocations for lawyers fees (needed to cope with the affairs of ageing relatives and estate issues) and holidays.
- Older people may find it hard to find out about discounts, concessions, financial support and ways to economise.
- Living in smaller towns can be more expensive than in large centres because they lack a range of services (only one electrician) and transport costs are higher.
- A lot of bills come out of the first pension payment of the month, which can cause financial embarrassment.
- Having "nothing to fall back on" in case of unexpected expenses is a big worry for many people. Having to take out a loan can be distasteful. They may prefer to wait until they can afford whatever is needed rather than going to WINZ for a loan and then worrying about paying it back.
- Some people draw a set amount out of their accounts every week and set themselves to live off that. Others have savings accounts for special purchases and make regular contributions.
- Couples are able to share expenses in ways not open to single people.
- Retired people have time to shops around for 'good buys' and plan ahead.
- Very old people (and some younger ones) can save on NZS. They spend less, have fewer activities and tend not to replace clothes and household items.
- The main area in which older people cut down spending is entertainment and fun. Many foresee that they will have to do this as income from savings and investment diminishes (either through lower interest and dividend rates, or because they have to erode their capital). "It is amazing what you can live without".

## **Expenditure in Retirement - Retirement Commission Research**

### **Information for focus group participants**

The Retirement Commission is an autonomous crown entity whose mission is to ensure that New Zealanders are well educated in financial matters and can make informed financial decisions throughout their lives. Part of its job is to inform New Zealanders how they can prepare for their retirement.

This project is looking for information on how currently retired people spend their incomes. The information will be used to help younger people in their retirement planning.

As part of the project, the Retirement Commission (through Dr, Judith Davey, former Director of the New Zealand Institute for Research on Ageing), is asking retired people to discuss their own spending and that of older people in similar circumstances. This is being done through focus groups, arranged through community organisations, which will take up to two hours. The participants are being asked to –

- Comment on example budgets for single people and couples, to be provided;
- Compare the example budgets to their own spending patterns.

The findings will contribute to illustrative information and case studies, which the Retirement Commission will use on its web-site ([www.sorted.org.nz](http://www.sorted.org.nz)) and in its publications.

Participation in the research is voluntary and participants may refuse to answer any questions without having to give reasons. All participants are assured that any personal details and the factual information and opinions contributed in the focus groups will be kept confidential. Notes from the discussions will be seen only by the researchers and Retirement Commission staff. The information and opinions that are provided will not be published in a form which allows individuals to be identified.

If you have queries or would like further information, please contact:

Judith Davey  
Victoria University of Wellington  
Phone 04 463 9491 (mornings)  
Email [judith.davey@vuw.ac.nz](mailto:judith.davey@vuw.ac.nz)



# **Expenditure in Retirement - Retirement Commission Research**

## **Consent to participation in focus group discussions**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

The research is being carried out by Judith Davey for the Retirement Commission. Its aim is to collect information on levels of spending in retirement that will help younger people in their retirement planning.

**We are asking you to give your consent to be involved in a focus group led by Judith Davey.**

**Please read the following and sign below -**

I understand that:

- I am not obliged to take part in this research and may refuse to answer any questions without having to give reasons.
- The information or opinions that I provide will not be published in a form which allows me to be identified.

**I have been given, and understand, an explanation of this research. I have had an opportunity to ask questions and have them answered to my satisfaction. I agree to take part in this research:**

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Focus Group Participants - Background Information

We would like to know about the people who are participating in the focus groups, so could you please take the time to complete this form by ticking the appropriate boxes.

1. Are you - male  female

2. What age range are you in? 65 – 74  75 or over

3. Which best describes your living situation?

Living alone

Living with a partner only

Living with others (specify) .....

4. Which best describes your housing situation

Own without a mortgage

Rent housing

Own with a mortgage

Rent free

License to occupy (retirement village)

5. Does your household run its own private transport?

Yes, one car

No

Yes, more than one car

Yes, other (e.g. mobility scooter)

6. What sources of income does your household have (*tick as many as apply*)?

Paid work (includes self employment)

Investment and savings

New Zealand Superannuation

Other pensions and annuities

Other welfare benefits

Other, please specify .....

**Many thanks – we hope you enjoy taking part in our group discussion.**