

Spending the Savings:

What do we know about assets & incomes of the 65+?

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What do we know about:

1. New Zealanders' savings record?
2. Private provision and its impact on *total* retirement incomes?
3. Retirement wealth as a measure of 'preparedness'?
4. New Zealanders' decisions about work after age 65?

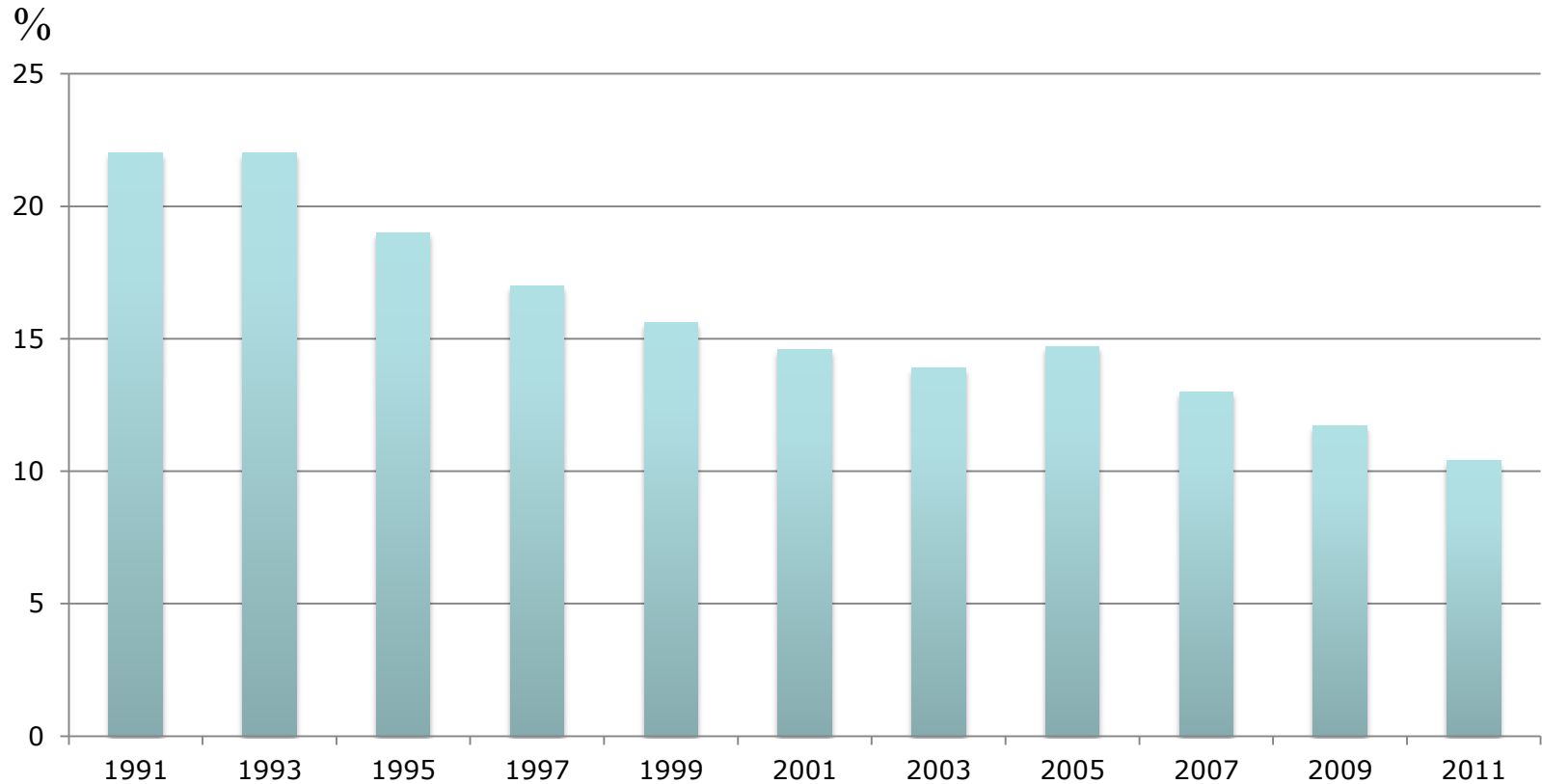
Point 1: New Zealand's retirement savings record

- Occupational superannuation
- KiwiSaver
- Businesses
- Other financial assets
- Real estate

Overall record:

“Overall, 60% of non-partnered individuals and one third of couples are estimated to require no more saving for retirement. After adjusting these baseline results for more ‘realistic’ assumptions, these proportions rise to over 70% for non-partnered individuals and one half of couples.”

Occupational schemes: % coverage



Savings record ...2

Occupational superannuation in decline

	1990	2010	2011
Superannuation members			
- <u>employees</u> only	311,000	244,000	238,000
- % of <u>workforce</u>	20%	11%	11%
- % <u>workforce</u> with defined benefits	7%	3%	2%
Pensioners	35,747	21,110	22,144
Average pension paid	\$6,350 p.a.	\$10,753 p.a.	\$11,515 p.a.
Government Super Fund			
- <u>members</u>	-	14,587 (24%)	13,433 (22%)
- <u>pensioners</u>	-	46,855 (76%)	46,839 (78%)

Sources: FMA Superannuation Schemes Reports; GSF actuarial review 2010

Note: \$6,350 in 1990 is \$10,500 p.a. in 2012 dollars

Savings record ...3

- is KiwiSaver the answer?

- KiwiSaver – the headline numbers (31 March)
 - Membership: 2008 = 487,300 2012 = 1,910,200
 - Assets: 2008 = \$700m 2012 = \$12.7 bn
- ... **but:**
 - Non-contrib.: 2008 = 64,600 2012 = 858,000 (45%)
 - Children: 2008 = 49,000 2012 = 312,000 (16%)
 - Default: 2008 = 309,700 2012 = 447,300 (23%)
 - Av. Balance: 2008 = \$1,440 2012 = \$6,700
- Total taxpayers' contributions \$4.25 bn (+admin, tax break)
- Average cost of taxpayers' contributions \$2,200 per member
- Taxpayer cost as % av. balance: 2008 = 58% 2012 = 34%

Is that everything?

- Counting the dollars – better data needed
- New Zealanders' use of trusts (237,000 in 2010; forms of investment:
 - PIEs
 - Superannuation schemes
 - Companies
- All part of retirement *wealth* but not necessarily retirement *income*

Point 2: Private retirement incomes

Mean, weekly, non-government income by deciles: age 66+

Deciles	1	2	3	4	5	6	7	8	9	10
One person	nil	nil	nil	\$1	\$5	\$30	\$100	\$240	\$500	\$1,040
Individuals in couple (each)	nil	\$3	\$25	\$62	\$140	\$242	\$277	\$545	\$787	\$2,085

NZS before tax (2010):

- Single \$374
- Couple (each) \$281

*After Perry Household Incomes in New Zealand, 2012
Income from work, private superannuation and investments:
HES 2010*

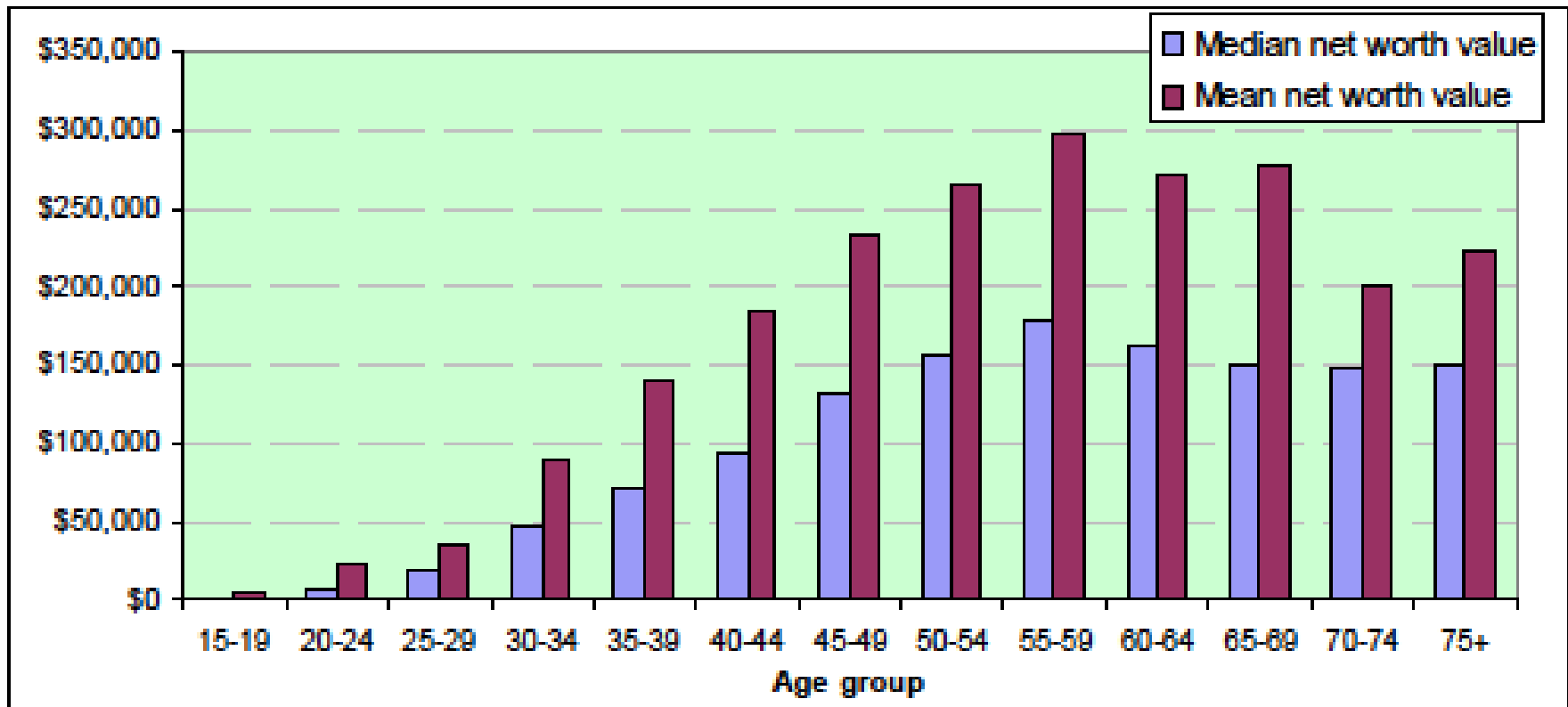
Point 3:

'Retirement wealth'

- Only proper way to measure retirement resources
- Includes state-provided and private wealth, including housing
- Individuals in different countries have an intuitive sense of requirement:
 - New Zealanders (SoFIE 2004, 2006)
 - Australia vs New Zealand
 - Australia vs Germany

Retirement wealth....3

Median & mean wealth by age groups



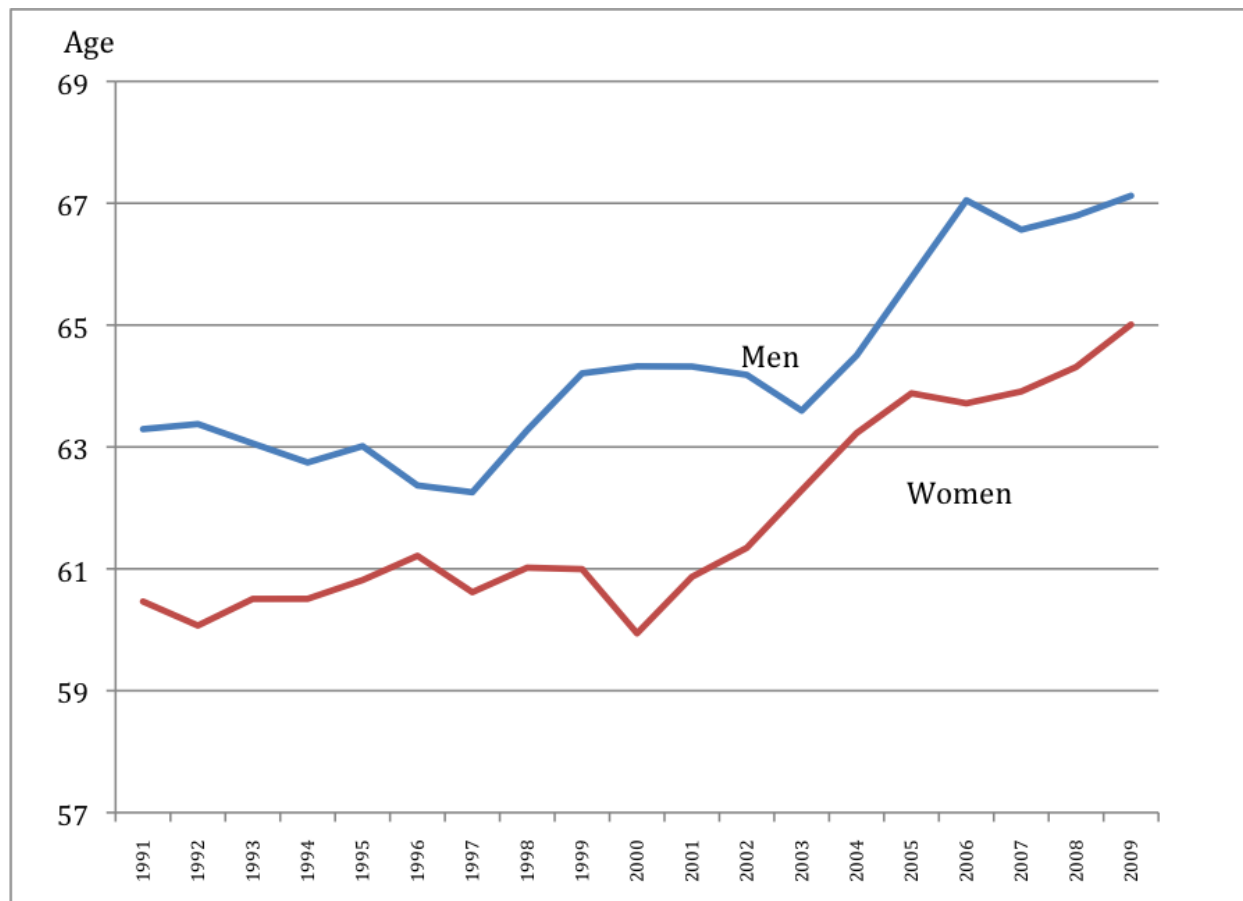
From Cheung: *Wealth Disparities in New Zealand, 2007*
Data from SoFIE 2004

Point 4: Is work part of the answer?

- Deferring retirement:
 - allows a longer *accumulation* period
 - and a shorter *decumulation* period
 - Reduces the income and mortality risks of a longer retirement period
- Preserves access to skills and a sense of belonging
- However, that only defers the issue

Is work an answer?....2

- New Zealanders respond 1991-2009



Overall...

- Lowest elder poverty levels amongst 30 countries using 50% average wage, ex-housing test (OECD 2009)
- Bottom 20% (probably) of age 65+ by retirement wealth have no private income/assets
- Next 20% have a home but little private income
- The top 20% can look after themselves
- The middle 40% are the main target today



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