

Media release

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## Ten steps to getting sorted for a more comfortable retirement

A misunderstanding of how New Zealand Superannuation works could be holding hundreds of thousands of New Zealanders back from saving and planning for their retirement.

The ANZ-Retirement Commission Financial Knowledge survey recently asked a sample of Kiwis whether they thought NZ Super was asset or income tested. Thirty-eight percent mistakenly said they thought it was income tested, while 27% believed it was asset tested. NZ Super is not asset or income tested unless you also receive a pension from an overseas Government.

Overall the survey showed that while New Zealanders had a reasonable level of personal financial knowledge, there is room for improvement.

The Retirement Commissioner, Diana Crossan, said that since NZ Super provides for only a basic level of retirement income (from \$13,700 per annum), most New Zealanders will want and need to save to top up their state pensions.

"For most people, how well off they are in their retirement comes down to how financially sorted they were during their working lives. The key is planning ahead and taking ten simple steps to these years more comfortable and enjoyable. It is never too late to start."

Those ten steps are:

- 1. Envisage the retirement you want:** Think about what kind of lifestyle you want, where you want to be and who you want to be with. Write down the steps needed to get there. The more specific and realistic you are the more likely you are to achieve your goals.
- 2. Start thinking about retirement early:** And not just about finances, but about how you want to spend your time after finishing fulltime work - hobbies, interests, family, and how or if work will fit in.
- 3. Work out your financial needs:** It's estimated that most people need about 70% of their present salary when they retire and the average lifespan at 65 is currently 81 for men and 84 for women. Work out how much income you'll need each year, and how much you have to save now to generate that income.
- 4. Pay off debts:** Pay off debt as quickly as you can, even if you just increase the frequency of your repayments.

5. **Save:** Once debt is paid off, start saving. It's never too late. Consider a workplace scheme if it's available or save on your own.

6. **Manage your nest egg:** You've worked to build it, now make it work for you. Whether long or short-term investments, bonds, shares, or property, the general rule is that the more you rely on your nest egg for regular income, the more conservative you should be.

7. **To retire or to semi-retire:** More and more over-65s are continuing to work part-time. It is good to keep active, and it is good for your pocket, but do not totally bank on being able to support yourself by working into your later years.

8. **Where to live:** There is a lot of money tied up in your house, so will you stay in the family home, trade down, sell up and rent, move in with family, buy into a retirement village? All of these have financial implications for how you will live in retirement.

9. **Protect your assets:** Update and draw up a will, and consider whether putting your house or other assets into a family trust is for you.

10. **Talk with your partner:** If you are in a partnership, talk about your retirement goals to make sure you are in synch. Women live longer than men and often end up living on their own. Couples need to include this likelihood in their retirement plans.

"Retirement can bring the time to do whatever you want, or a frightening drop in income. To make the most of the former, and less of the latter, take the time now to get sorted, financially and personally," Ms Crossan said.

You can find comprehensive information and calculators to help you make these vital financial planning decisions on [www.sorted.org.nz](http://www.sorted.org.nz)

The Retirement Commissioner, Diana Crossan, is available to discuss the Financial Knowledge Survey and the Ten Steps to a More Comfortable Retirement.

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