

Don't just hope, leave a legacy

JULY 2023



DecisionMakers

Investment Advisers & Portfolio Managers



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Important Information: Translation

“**Knowledge** is knowing that a **tomato** is a **fruit**.
Wisdom is not putting it in a **fruit salad**.” *Miles Kington*

Equally, **information** is a series of **facts**; whereas **advice** is applying those **facts** to a **person’s unique circumstance**.

DecisionMakers do offer **advice**, but today is all about **information**.



Colin Austin

Certified Financial Planner (CFP^{CM}), GradDipBusStud (Personal Financial Planning) Massey.

- DecisionMakers Director and Adviser,
- 25 years advising clients through retirement,
- Past IFA National Council & Regional Chair
- Member of:
Financial Advice NZ (was IFA)
Responsible Investment Association of Australasia



Bruce Anderson

B.Com (Accounting and Commercial Law), B.Acc (Accounting), Member Chartered Accountants Australia and New Zealand, New Zealand Certificate in Financial Services (Level 5), Investment

- DecisionMakers Adviser,
- Board member of Family Life NZ,
- Treasurer of BB New Zealand,
- Served on the Board of Rhema Media for seven years, including five years as Chair,
- Christian Savings CFO for six years,
- Member of Windsor Park Baptist Church for over 20 years.

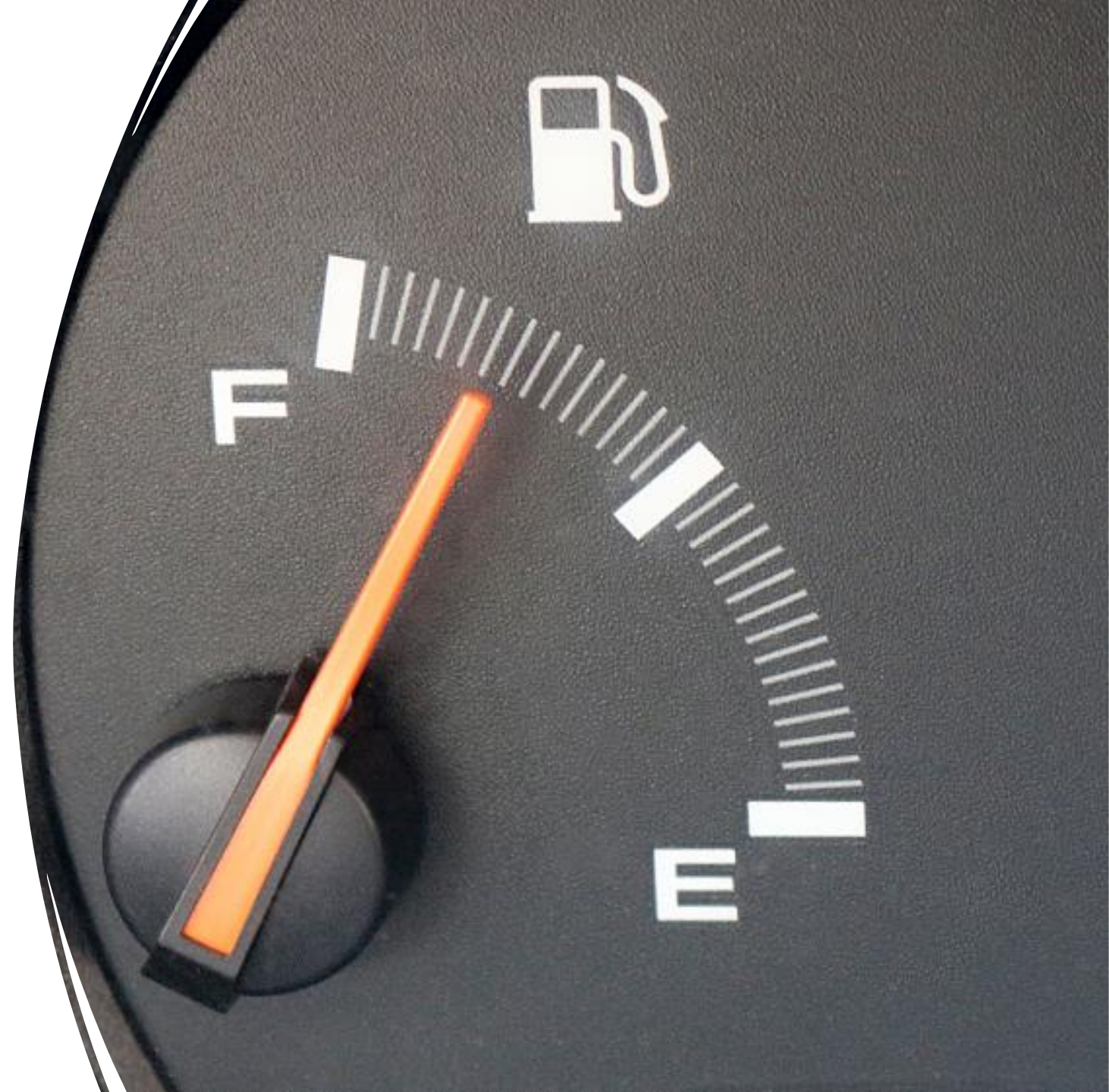


Agenda

- What is retirement planning and what does leaving a legacy look like?
- What savings are required for retirement?
- Thoughts on KiwiSaver
- What are my options?
- Next steps
- Your Questions



What do you need
in the tank to finish
the life journey and
to leave a legacy?



What does the bible say?

→ 1 Timothy 5:8 (AMP)

If anyone fails to provide for his own, and especially for those of his own family, he has denied the faith [by disregarding its precepts] and is worse than an unbeliever [who fulfills his obligation in these matters].

→ Proverbs 13:22 (AMP)

A good man leaves an inheritance to his children's children, And the wealth of the sinner is stored up for [the hands of] the righteous.

→ 2 Corinthians 12:14 (AMP)

Now for the third time I am ready to visit you. I will not burden you [financially], because I do not want what is yours [not your money or your possessions], but you. For children are not responsible to save up for their parents, but parents for their children.



What does Retirement in NZ look like?

- You get what you plan for,
- NZ Superannuation rates and dates
- Longevity studies
- Spending patterns through retirement



Longevity

- We are living longer than previous generations
- Men 80 (70.4 in 1982),
- Women 83.5 (76.4 in 1982)
- Māori approx. 6 years less
- www.MyLongevity.com.au considers your Surroundings, Health, Attitude, Parents and Eating
- Plan to live to age 100 ! (Carol from Church and Grandpa)



RETIREMENT REALITY AND EXPECTATIONS – PLANNING AND PREPAREDNESS

A quarter of retirees do not have the money to do the things they want in retirement.

Nearly half say they can afford some spending on top of the basics. Just over a quarter have the money to do all the things they want.

While most of those nearing retirement have some savings or investments to supplement NZ Super, a minority of 11% of those aged 50+ say they currently have enough to deliver the sort of lifestyle they want.

A third think they maybe have enough. Nearly half say they would need to accumulate more before they retire.

A large number of New Zealanders nearing retirement do not have a financial plan in place to enable them to live the sort of lifestyle they want.

Nearly half (46%) of those nearing retirement don't have a financial plan to live the sort of lifestyle they want in retirement, and only a quarter (25%) have given 'a great deal' of thought to the sort of lifestyle they want when they retire.

Most people with a financial plan say they've 'factored in' NZ Super, and the expected time they will spend working. However, only a minority of those nearing retirement have actually calculated their desired income and required expenditure.

Only a third (34%) of those nearing retirement have worked out how much they will need, in addition to NZ Super, to have the sort of lifestyle they want.

Less than half (42%) of those nearing retirement have actually calculated what their regular expenses could be.

Eight in ten (78%) non-retirees plan to own their own home when they retire. Among those who plan to rent or to continue mortgage payments, nearly half (45%) have not calculated what those payments will be.



Age and income are key differentiators when it comes to retirement planning.

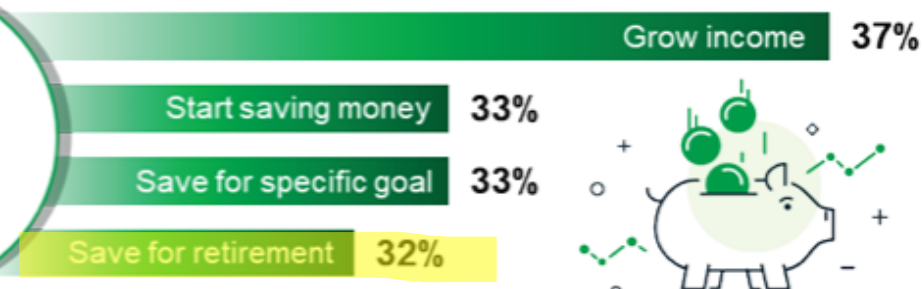
- Those who've planned most thoroughly tend to be aged 60 years or more and on a higher annual household income.
- Single people, those on low household incomes, and those aged in their early 50s are less likely to have done any planning for retirement.

Summary of key findings

On average, New Zealanders have **just under 3 financial goals** they are actively working towards



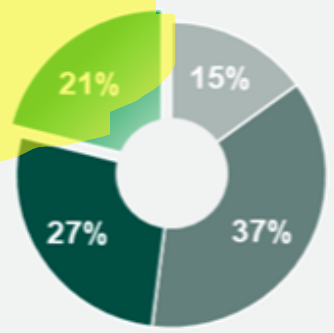
AVERAGE NUMBER OF FINANCIAL GOALS
2.9



Regrets older people have

Saving for the future isn't fun or exciting, but the harsh reality is that you'll need some sort of savings to sustain you later in life. This is one area where a lot of older people find themselves wishing they'd saved more, or planned a bit better, according to a study by Natixis Investment Managers. **They found nearly half of baby boomers (47%) regret not starting to save for retirement sooner.**

Just **21%** of New Zealanders feel they are in a secure financial position



- Flying ahead / swimming happily
- Starting to swim comfortably
- Just treading water
- Sinking a bit / sinking badly



65% feel confident in their ability to make financial decisions



Yet only **48%** of this group are comfortable with their financial position



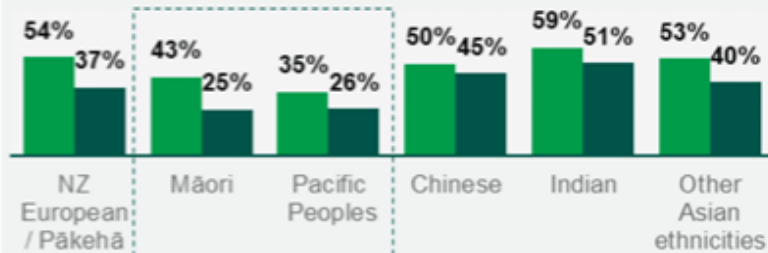
Young people are less confident in their financial knowledge across a range of aspects

- I feel completely in control of my day-to-day finances
- I feel nervous about speaking to financial services providers
- I don't know where to start when it comes to learning about finances



Māori and Pacific peoples feel less knowledgeable and are less comfortable with their financial position

- Self-rated financial understanding (% rated 4/5 out of 5)
- I'm comfortable with my financial position today (% agree/strongly agree)



Excerpt from, Sunday, TVNZ 23rd April 2023



Financial WOF Check

One point for each box ticked as a yes

Your total out of 36 points is: _____

Goals	I/We regularly think about and talk about money	I/We have some shared financial goals	I/We have some small goals that I/we are working towards	I/We have clear, written, lifelong financial goals	I/We know when I/we will retire, and how much capital I/we need	I/We regularly review my/our written financial goals
Cash flow	I/We have a budget	I/We have a written budget – and stick to it	I/We have a budget and have reviewed it in the last 12 months	I/We have a budget and review it monthly	I/We have a budget and reviewed it when there was a material change in income	I/We have a budget, and I/we are confident that it is optimal for where I/we are right now
Debt	I/We have no credit card debt	I/We don't have any Hire Purchase or Finance company debt	I/We have renegotiated my/our home loan in the last 12 months	I/We shopped around and got at least three options	I/We are repaying debt as fast as possible	My/Our debt is structured to complement my/our unique needs and goals
Savings & investment	I/We belong to KiwiSaver	I/We Know my/our Investment Risk Tolerance	I/We selected a KiwiSaver that is right for me/us	I/We am contributing the optimum amount into KiwiSaver	I/We have other investments to compliment KiwiSaver	I/We know that I/We am making the monthly progress required to meet my/our goals
Risk Management	I/We have insurance for my/our home and belongings	I/We compared insurance options from at least three companies before choosing cover	I/We have appropriate life insurance to cover debt and to provide the capital required in my/our plan	I/We have appropriate income/trauma protection insurance	I/We have a comprehensive insurance plan to keep me/us on track	I/We review my/our insurances annually and adjust to reflect current needs
Asset Protection	I/We have Will(s)	My/Our Will(s) are updated to reflect marriage status	My/Our Will(s) reflect current situation (children etc)	I/We have discussed Trusts and EPOAs with my/our legal adviser	Everybody involved knows my/our Estate plan	I/We have a clearly documented Estate and Asset Protection plan

NZ Retirement Expenditure Guidelines

+HRE

Estimated savings needed at retirement

'Choices' retirement

- City: \$755,000
- Regions: \$480,000

Massey University NZ Retirement Expenditure Guidelines

NZ Super won't cut it



- “New Zealand's superannuation most likely won't be enough for people to retire with”
Auckland University of Technology's Senior Finance Lecturer, Ayesha Scott July 2022
- "While NZ Superannuation may cover the basics of life in retirement, but it requires a strict 'No Frills' budget."
Massey University, Business Professor Claire Matthews
https://www.massey.ac.nz/documents/476/nz_retirement_expenditure_guidelines.pdf
- Hoping to live to a ripe old age? Better start saving as NZ Super won't cover it. Author Katrina Shanks, CEO Financial Advice NZ Article originally published in Stuff.co.nz.
<https://financialadvice.nz/2022/09/19/hoping-to-live-to-a-ripe-old-age-better-start-saving-as-nz-super-wont-cover-it/>

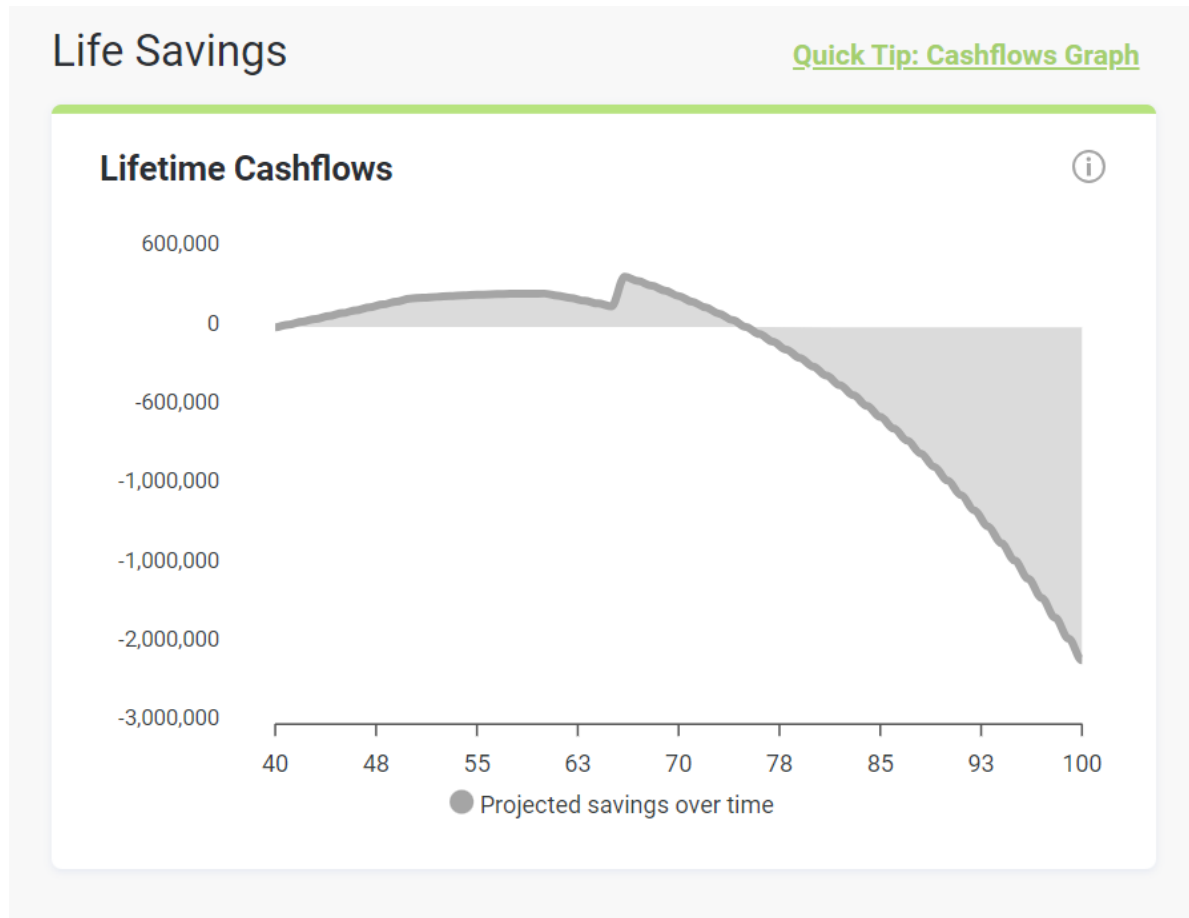
NZ Superannuation Shortfall



Standard NZ Super Rates (for tax code M) as at May 2023

	<i>Annual Super</i>	<i>Annual Spend</i>	<i>Shortfall</i>
Single - No Frills, Metro	\$25,811	\$40,615.64	-\$14,804.64
Single – Choices, Metro	\$25,811	\$57,570.24	-\$31,759.24
Two person households - No Frills, Metro	\$39,709	\$48,420.84	-\$8,711.84
Two person households - Choices, Metro	\$39,709	\$82,063.80	-\$42,354.80

Expenses exceed income and savings at age 75



How are you going to fund this shortfall?

Please use the “Sorted”
website tools
<https://sorted.org.nz/>

6 Steps

Tools

Guides

Blog

More

SEARCH 

Log in



All
Tools



Budgeting
tool



Goal
planner



Money
personality quiz



Debt
calculator




Mortgage
calculator



Retirement
calculator



Smart




KiwiSaver
fund finder



KiwiSaver
calculator



Savings
calculator



Investor
profiler



Net
worth calculator

Spending patterns through to retirement

- Separate 'day to day' from 'one-off' spending
- Day to day spending is generally stable,
- Plan separately for the one-off items,
- One-off spending is higher in early retirement: travel, appliances, replacement cars,
- Don't forget to plan for repairs and maintenance, and hobbies.



Investing options

- Stewardship means NOT putting money in a hole in the ground, but putting it to good use.
- Ethical investing does NOT compromise your returns
- Match your investments to your risk profile and timeline
- Show me an ethical bank...



Investing options

Fund categories/benchmarks	2020				2021			
	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
RIAA certified products: Managed growth**	^	^	^	^	19.3%	19.1%	16.8%	25.7%
Responsible investment fund average-multi-sector growth funds	7.2%	7.4%	7.9%	8.2%	16.1%	14.0%	10.6%	10.9%
Morningstar category: Australia fund multi-sector growth*	2.9%	5.3%	6.4%	6.9%	14.1%	10.9%	7.9%	8.8%
RIAA certified products: International equity**	^	^	^	^	24.1%	21.2%	16.7%	29.2%
Responsible investment fund average: international share funds	8.3%	11.0%	11.4%	10.1%	18.1%	17.3%	12.3%	11.3%
Morningstar category: Australia Fund Equity World Large Blend*	5.7%	9.5%	9.8%	11.7%	24.6%	18.1%	13.4%	15.1%
RIAA certified products: Domestic equity (Aus/NZ)**	^	^	^	^	17.0%	20.1%	13.2%	23.3%
Responsible investment fund average: Aus/NZ share funds	1.7%	5.3%	7.4%	8.1%	16.6%	14.8%	11.8%	11.2%
Morningstar category: Australia Fund Equity Australia Large Blend*	1.7%	5.5%	7.5%	7.0%	18.3%	13.7%	9.3%	10.1%
S&P/ASX 300 Total Return*	1.7%	6.9%	8.8%	7.8%	17.5%	14.0%	9.9%	10.8%

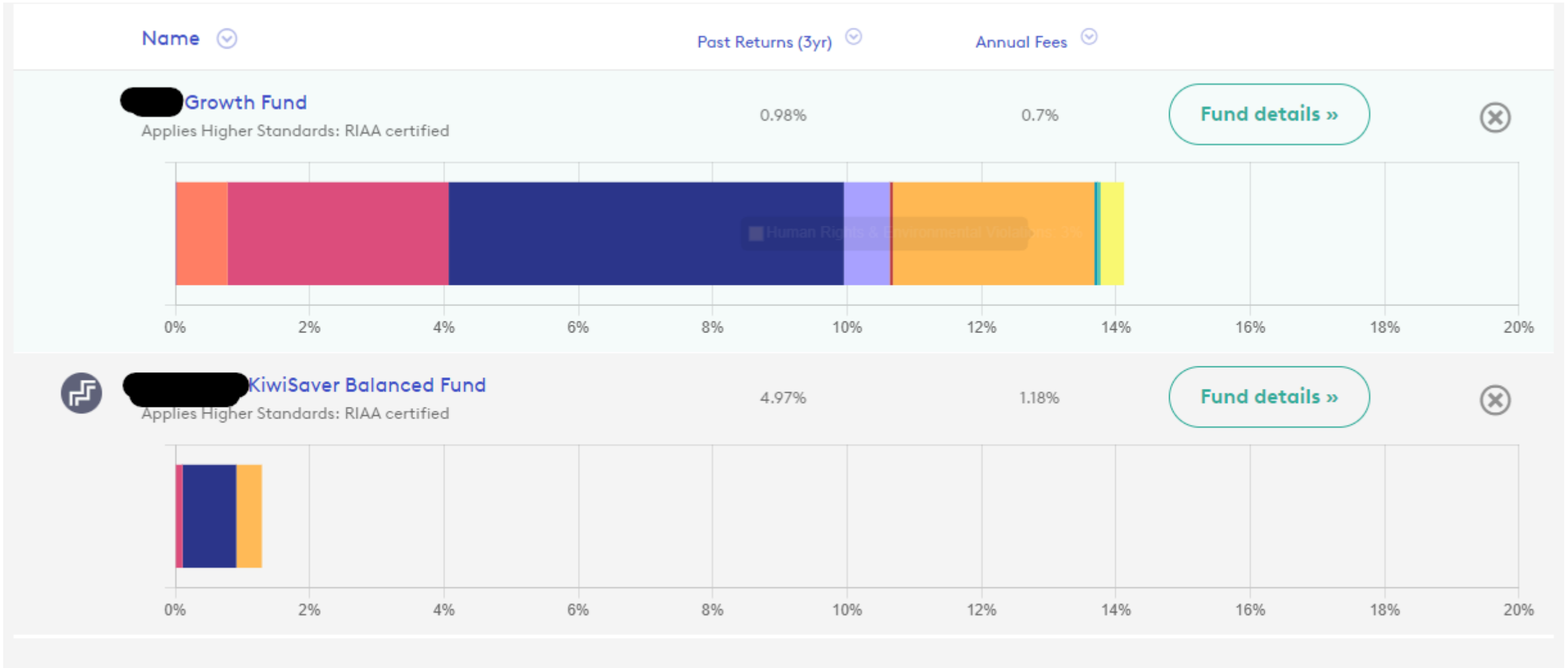
<https://responsibleinvestment.org/wp-content/uploads/2022/09/Responsible-Investment-Benchmark-Report-Australia-2022-1.pdf>

Investing options - KiwiSaver

- Earn all you can, save all you can, give all you can, (John Wesley)
- KiwiSaver puts saving on auto-pilot, but don't be fooled by names. Check what is inside the box...
- Mindful Money, <https://mindfulmoney.nz/>



Investing options - KiwiSaver



Options to think about

- Start now !
- Talk to an adviser and establish a plan
- Optimising KiwiSaver benefits, PIR rate , right fund, increase contributions
- Working part time into a phased retirement
- Getting your foot onto the property ladder early
- Minimising debt costs (revolving credit, negotiating rates, avoid high interest rates
- Regularly review your financial WOF check up



Financial WOF Check

One point for each box ticked as a yes

Your total out of 36 points is: _____

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Next Steps and Resources

- DecisionMakers.co.nz
- Sorted.org.nz
- MindfulMoney.nz
- MyLongevity.com.au
- fma.govt.nz/news/



Your Questions



Thank you

