

9 July 2020
Media alert

New research reveals Kiwis are in the dark about the cost of retirement

Research* by National Capital, a financial advisory firm providing digitally generated, personalised KiwiSaver advice, has revealed that three out of four (71%) Kiwis are unsure how much money they will need to retire when the time comes.

The survey of more than 1,000 respondents (aged 18 - 65+) was designed to uncover attitudes and behaviours towards KiwiSaver, retirement planning, personal goals and financial security after discovering only 1 in 3 New Zealanders felt financially secure.

Most New Zealanders aspire to achieve a better standard of living in retirement than can be supported by superannuation** - yet, according to National Capital's research, New Zealanders only start planning their retirement as they approach the 'traditional' retirement age of 65. Clive Fernandes, Founder and Director of National Capital think this is far too late.

The research found of those aged 45-54, 66% revealed that they'd thought they'd be in a better financial position than they are currently, with 14% embarrassed by their current position and 44% anxious about the future.

Alarmingly, despite their anxiety, Kiwis continue to remain passive when it comes to retirement planning with only 20% labelling it as a priority within the next six months and only 12% answering with 'sorting out my KiwiSaver'.

"KiwiSaver could and should be playing a more significant role in helping people retire with more, yet the research shows it is not being maximised," said Clive.

While more than 36% of respondents agreed that KiwiSaver would be their main income source for retirement outside of their superannuation, only 14% of all respondents had sought advice from a KiwiSaver financial professional.

According to the research, one of the reasons why many people still do not know where to get help.

"Greater accessibility to free, personalised KiwiSaver advice is necessary to ensure New Zealanders are better prepared financially for their retirement.

"Advice could mean the difference between two very different retirement outcomes but traditionally, financial advice has been accessible by very few. I started National Capital to help anyone else, and potentially those who would benefit from it the most," said Clive.

The age group of biggest concern:

Of biggest concern to Clive was those aged 45-54 years old. Included in this age group's goals for the rest of the year, and prioritised ahead of planning their retirement and KiwiSaver management, were weight loss and learning something 'new' such as a language or an instrument.

“Being ten to twenty years off retirement may sound like a long time, but these years provide a crucial opportunity to set yourself up for the future.

“It’s no wonder that the Financial Markets Authority and Retirement Commissioner [added the estimated retirement balance](#) at the bottom of KiwiSaver statements. While this measure is a start and may help more people realise the potential of their investments, it is not nearly enough, and in some cases could even be misleading,” Clive explained.

Further highlighting the issue, over 37% of respondents said planning for retirement is not a priority because they are simply “too busy dealing with the now, to worry about (my) retirement”, with Clive explaining that greater priority needs to be given to retirement, so it becomes a more equal split.

“The devastating impacts of COVID-19 have thrown an incredible spanner in the works for the short and mid-term plans of many individuals, businesses and the economy. It’s no surprise that many are in a state of survival and that’s understandable. However, it’s just as important to secure your long-term financial position and future retirement. Fifteen minutes is all it takes to complete a KiwiSaver health check and get advice - do it now and you’ll have one less money worry down the track.”

Visit NationalCapital.co.nz to take the free health check now.

ENDS

Notes to editors:

*Independent research commissioned for National Capital on behalf of Perceptive, interviewing more than 1,000 candidates

Additional money required for retirement, based on weekly expenses (from age 65 to age 90)				
	Weekly Expenses	NZ Super	Weekly Exp needed from KiwiSaver	KiwiSaver funds (total sum) required at 65
Single Person <i>no frills</i>	\$ 600.00	\$ 391.22	\$ 208.78	\$ 194,081.00
Single Person <i>choices</i>	\$ 1,200.00	\$ 391.22	\$ 808.78	\$ 751,839.00
Couple <i>no frills</i>	\$ 900.00	\$ 652.04	\$ 247.96	\$ 230,503.00
Couple <i>choices</i>	\$ 1,500.00	\$ 652.04	\$ 847.96	\$ 788,260.00

Weekly expenses based on ****** [Massey University NZ Retirement Expenditure Guidelines 2019](#).

NZ Super, based on [current rates after tax at rate 'M'](#). Also taking into account inflation and returns on investment.

KiwiSaver balance scenarios based on calculations done by National Capital:

Scenario one:

A 40 year-old earning the average weekly wage of a full time employee, seeking advice to maximise her KiwiSaver in 2020 could result in an extra approximately \$87,000 come retirement.

Working detail:

- Annual Income = \$67,886 (Avg weekly wages for 40 year old in full time employment = \$1,305 acc to Stats.nz 2018)
- KiwiSaver Balance at 40 = \$36,000 (Starting age 30, balance 0, salary \$40k, contributions 3%+3%, 4% return)

- Income increases by 2.5% per year
- Conservative Fund Returns = 4%
- Growth Fund Returns = 6%
- Advised Fund (Growth till 59, moves to Conservative at 60)

Calculations

- KiwiSaver balance at 65 in Default/Conservative Fund = \$310,503
- KiwiSaver balance at 65 in Advised Fund = \$397,195)

Scenario 2: A 25 year old earning \$50,000 seeks advice to maximise their KiwiSaver in 2020 versus at 55 years old. The difference in their balance at 65 could be approximately \$308,718.

Based on a 25 year old in 2020 moving their KiwiSaver from Default (Conservative) to Growth fund at 25 vs 45 vs 55 and back to Balanced at 60.

Scenario 2			
Based on a 25 year old getting advice in 2020 vs 45 vs 55 years of age			
	25-60-65	45-60-65	55-60-65
Balance at start (20)	\$ -	\$ -	\$ -
Balance at time of advice	\$ 17,875.22	\$ 137,501.69	\$ 242,294.57
Balance at 60	\$ 598,395.58	\$ 449,936.09	\$ 356,506.73
Balance at 65	\$ 798,348.98	\$ 608,872.87	\$ 489,630.70
Assumptions:			
1) People start to earn an income of \$50,000 at 20 years old.			
2) Salary inflation is still 2%.			
<i>Based on a broad, generalised KiwiSaver strategy.</i>			

About National Capital

National Capital is a financial advisory firm based in Auckland, New Zealand that provides personalised investment advice to its clients. Our mission is to help one million Kiwis become financially secure using technology and the principles of pūataata (transparency), tikanga (ethics) and taurikura (prosperity).

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