

A step by step guide to obtaining a long
and prosperous retirement

Lesson 2 – Setting Retirement Goals

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Introduction

This document is part of the comprehensive training material written to assist Kiwi's in their 50's or 60's that are looking at retirement but have no idea what to do, what is needed, and how or where to get help. Or those that already have some ideas of how to survive retirement, are looking at alternatives, or just checking they are on the right path. They might even be looking on behalf of their 'elderly' parents, to ensure they are considering all options available to them.

This course provides a simple comprehensive step by step process to create your own retirement plan. It includes a summary guide, road map, lessons and discussion topics to help you prepare for your retirement. It will help you answer questions such as:

- *How much money do I need in retirement?*
- *How much money will I receive from Government Superannuation?*
- *How, and from where, can I get more money?*
- *Where can I safely investment my money?*
- *How much should I put into KiwiSaver?*
- *Should I buy a 2nd property, a business, or invest in the share market?*
- *How much do I need to keep aside for a rainy day?*

all from a very New Zealand perspective.

Lesson outline

This document is "Lesson 2 – Setting Retirement Goals" of the comprehensive course material supporting our simple step by step approach to creating your financial retirement plan.

All course material is free, and comprises:

- a summary 'Retirement Planning Guide'
- a 'Retirement Roadmap'
- a supporting 'Retirement Planning excel spreadsheet'
- more comprehensive training guides ("Lessons") for various tasks along the way if you need them
- additional supporting spreadsheets if you need any further assistance

All material can be downloaded and printed from the downloads page on our website:

<http://www.bizxtra.co.nz/>

Most people complete their retirement plan using just the Planning Guide, Roadmap and the Excel spreadsheet that supports the guide. Additional information is provided to support you along the way if you get stuck, don't understand a concept, or just need some further ideas to try out as part of your planning.

“If you follow our easy step by step guide and RoadMap, you will increase your financial literacy while preparing your own retirement plan for a long and prosperous retirement.”

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Latest Version

Market prices, superannuation and benefit rates, Government policies, inflation, costs of living, house values etc. all change on a regular basis. The numbers in this document have been updated to reflect the market position as at July 2025.

Lesson 2 – Identify Retirement Goals



In Step 1 of our 6 Step planning process, to start planning for retirement, you need to know:

- a start date
- who the plan is for
- date(s) of birth
- your life expectancy
- planned retirement date(s)

When preparing a retirement plan, we need to calculate the amount of dollars needed each week, month or year, to live comfortably throughout retirement i.e. the money needed for 'Financial Freedom in Retirement'. We may get it wrong first time, but we will know how to get it right as we move through the process.

Print 'Form 1' from the end of this training guide, and use it to capture the initial information required. Alternatively, if you have already downloaded our free retirement planning spreadsheet, you can enter the data directly into spreadsheet. Or if you have a copy of your planning Roadmap handy, you can enter it directly onto that.



Each of the areas required to be captured are explained below. Further instructions on using the spreadsheet are provided on the 'Get Started' worksheet.

Gather initial information

Confirm the Start Year

Every good plan has to start somewhere. Usually this is 'now' – the current year. If you are starting partway through the year you may want to set this to the following year. The 'Year' is used to calculate the amount of time (years): until retirement, in retirement, eligibility for Government Support, and the length of time you may be living alone (vs. living with your Partner).

Agree who the plan is for

Is the plan just for yourself, or for you and your partner? If it is just yourself then you only need to collect and calculate things for yourself. If you are in a partnership, then a retirement plan is typically prepared for yourself and your partner. This is important as different genders and ethnicities have different life expectancies, there is no point planning to have the money run out before you both get to the end of 'the game of life'. Also, the amount of Government Support received can change based on the status of your Partner.

Gather some basic information

You will need to enter the name, gender and date of birth for yourself and optionally your partner. If you are entering data for both yourself and your partner, ensure you enter the details of the eldest person as 'Person 1'.

Guess your life expectancy

It is very easy to just take the average life expectancy and hope for the best, but once we start looking into this area, we will start to understand that it is impacted by many factors. And what is guessed today – will change tomorrow. Sitting behind a desk 40 hours a week doesn't make you fit and healthy, but when you start playing a round of golf a week in retirement, your fitness and health may change. To start planning you need a realistic starting point. As you increase your understanding, you may refine your assumptions about life expectancy.

Using your favourite internet browser, search for “life expectancy calculator”, select one that looks appropriate and calculate the life expectancy for both you and your partner (or just go to <https://www.stats.govt.nz/tools/how-long-will-i-live> and use that one). The Roadmap has a table that is based on the information from Stats NZ.

If you want to understand more about how life expectancy is calculated, you will start to understand that different ethnic groups, people from different countries, people with different habits all have different life expectancies.

Most calculators provide a range of numbers – often based on assumed health status. If you think you are in good health – use that one, if you have let yourself go a bit – take a mid-point, if you know you are not in good health take a lower one – or even use one different to the averages. Remember you just need to get started with the plan – and you will continually refine your assumptions as you prepare your Retirement Plan.

At this stage in the planning process, you should have captured something like:

Name	Date of Birth	Current Age	Gender	Avg. Life Expectancy	My Guess of Expectancy
John Doe	23/09/1964	60	Male	86.5	87
Jane Doe	1/03/1969	55	Female	89.3	90

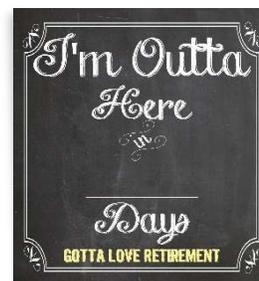
Table F1.1

If, as a result of investigating the average life expectancy of New Zealanders, you have assumed you are below average, now might be a good time to start making a list of ideas of how to improve your life expectancy, or at least ensure you retain the average. Small lifestyle changes now will have a major impact on life expectancy, and as you will soon come to realise, life expectancy (and chosen lifestyle) have a major impact on the amount of money needed during retirement.

Agree when you plan to retire

Some people want to retire at 50, others at 60, 65, 70 etc. It is your choice. If you don't set a target, you have nothing to aim for. You need to have a starting point so you can ensure you have enough in the piggy bank to get to (and safely beyond) your life expectancy. This is the date you hope to move from 'having to go to work' each day to put bread on the table, to when 'you don't have to go to work – unless you want to'. Some people say it is “when we want to get out of the rat race”, “get off the treadmill”, or “to finally start enjoying life”.

Whatever your definition, it is basically *sometime in the future when you can (or you plan to) stop working to earn money, and instead your money is working for*



you. For this to occur you need to be ready –you need sufficient income generating assets working for you to top-up any Government Superannuation shortfall.

To start planning you need a goal to aim for – and this is your Planned Retirement Date. You may adjust it as you go along (we are pretty certain you will) but you have to start somewhere. For some, this date may have already occurred. For others it can be some date in the future. If you are 20 and want to retire at 40 – use that, plan to make it happen. If you are 50, maybe 60 or 65 is a good age for retirement. You need a plan to ensure the piggy bank will last from today onwards.



What we are looking for is to set up the goal post so we can aim for it, see if we have any chance of hitting it, see if we need to move it, work out how much practice we should do to be able to hit it – but if we need to move it, we will. Let’s put a line in the sand and take our initial shot.

Once we have a retirement date – we can easily calculate the number of years the piggy bank needs to be full to support us.

Estimate your ‘Time in Retirement’

When you have identified your retirement date (which for some could be today) you can calculate:

- the number of *years until you retire*: The number of years from now until your retirement date
- the number of *years in retirement*: the number of years from your retirement date until each person the plan is for, is expected to die.

With a bit of simple math, you should now have something like:

Name	Current Age	My Guess of Expectancy	Age I plan to Retire	Years until I retire	Years in retirement
John Doe	60	87	65	5	22
Jane Doe	55	90	60	5	30

Table F1.2

Generally, both partners like to retire at the same time (to travel together, enjoy life together etc.). If you are different ages this can result in a gap of income that will need to be financed. We will investigate how we can do this in later lessons and steps.

Maybe if you think you are going to live longer - you may want to retire later, or maybe if you have lowered your life expectancy through a bit more analysis - you now want to retire earlier. We will validate this assumption quite often in our planning, as we help you look for alternate sources of income to fund your retirement lifestyle.

For example, if in future years when you revisit this step, you might have received some unexpected news regarding a health event you knew nothing about (the most common in New Zealand is “Cancer”). At that time, you could update your life expectancy, and even consider retiring earlier.

How will retirement look?

The final task in the initial information gathering step, is to think about the lifestyle envisaged in retirement. If this is your first go at preparing a retirement plan, you probably just want to take a broad brush approach and decide you want a 'no frills lifestyle', maybe have a few overseas trips in retirement, or it's a big world and you want to explore a different part each and every year. Others may be looking to plan to see if they can just survive the next 10 years.

A general rule of thumb (that we will explore more in later steps) is that although people think they will spend a lot less in retirement – they won't. What we spend today – we will generally spend tomorrow – albeit on different things. Sometimes depending upon your lifestyle choice, your spending may even go up.

If you haven't thought about the lifestyle you want – or you think it is too far into the future – then plan for the best life you can dream of. You want choices, you want fun, you may want to see the world (or at least see family that may be overseas paying off their student loans faster), you want to be able to go out for dinners, watch the sun go down while drinking wine in the spa pool – on that little secluded island get-away. You may just want "buckets of money", and if you keep reading this guide you should get them.

What we are trying to answer is: *how much money per year (throughout our retirement) do we need to live in the style of life we desire?*

For those that have heard of words such as inflation and time value of money, just ignore those concepts for now – we'll get to them later during our planning journey. For now, we are just trying to create a vision of our life in retirement – and our best guess of how much it might cost us.

To work out some good starting numbers, we use the latest annual study from Massey University and Westpac (2023) indicating that in New Zealand, people in retirement will need the following per week for a 'no frills' or 'a few choices' lifestyle. Extrapolating their research, we have estimated a lifestyle with 'Lots of Choices':

Lifestyle	A single person		A couple	
	Low	High	Low	High
A. No Frills	\$690	\$826	\$850	\$982
B. A few Choices	\$1,163	\$1,263	\$1,330	\$1,666
C. Lots of Choices	\$1,628	\$1,895	\$1,862	\$2,499

Table F1.3

If you are planning as a couple and want to enjoy a retirement with lots of choice, then you could select option 'C' and enter a value of \$2000 per week (somewhere near the middle of the 'Lots of Choices' lifestyle for a couple).

If we get our calculators out, we can now work out how much money we need to have in our piggy bank on 'retirement date', if we plan to take it out on a weekly basis to meet our lifestyle choices. If you are using the free spreadsheet, then select the style of lifestyle you desire ('A', 'B' or 'C'), select the default values or enter a different value in the fields provided, and the spreadsheet will calculate this for you.

At this stage – this is just a number – and most likely a very scary one, but as you continue on with your planning, we will look at teaching you the skills to keep toping it up for your retirement and throughout the entire period of retirement.

For now, we are just trying to visualise the size of the piggy bank needed for retirement.



How to initially calculate the ‘Cost of Retirement’

Using the information collected, you can calculate an initial estimate of your retirement costs as follows:

Name	Couple rate Per Person	Single Person Rate	Years in retirement	Weeks in Retirement (years * 52)	Weeks as a couple	Extra Single Weeks	Costs as a Couple	Costs alone	Total (costs as a couple + alone)
John Doe	\$ 1,000	\$ 1,650	22	1144	1144	0	\$ 1,144,000	\$ -	\$ 1,144,000
Jane Doe	\$ 1,000	\$ 1,650	30	1560	1144	416	\$ 1,144,000	\$ 686,400	\$ 1,830,400
Total									\$ 2,974,400

Table F1.4

This calculation is explained on Form 1, and is automatically calculated for you in the spreadsheet. To calculate the cost of retirement:

1. Select an appropriate Couples rate, and a Single Person lifestyle rate (John and Jane selected Lots of Choices and \$2000 as a couple (\$1000 each), and \$1650 as their individual rate)
2. Take the ‘years in retirement’ for each person we are planning for, multiple each by 52 to convert years into weeks, (Johns 22 years * 52 = 1144 weeks, Janes 30 years * 52 = 1560 weeks)
3. Work out the number of weeks retired as a couple (the smallest of the two numbers just calculated (i.e. 1144)
4. Work out the extra single weeks someone will be living alone (the difference between the two ‘Weeks in Retirement’ numbers i.e. 1560 – 1144 = 416)
5. For each person, multiply the number of weeks as a couple, by the ‘couples lifestyle rate’ you want (1144 * \$1,000 = \$1,144,000 twice)
6. And multiply the extra single weeks by the ‘individual lifestyle rate’ you selected (0 * \$1650 = \$0, and 416 * \$1,650 = \$686,400)
7. Add these numbers together to get the ‘Total Cost of Retirement’ (\$1,144,000 + \$1,830,400 = \$2,974,400)

For John and Jane this was a big scary number. Maybe those annual overseas trips, might have to be cut back a bit. Maybe the Tesla might have to stay as a Toyota. This equates to an average cost of \$1907 per week during their retirement ($\$2,974,400 / (1144+416) = \$1,907$).

Remember this is only the first step in creating your plan, and although we have only calculated one key financial assumption (the cost of your retirement) you still have a long way to go to creating a Retirement Financial Plan that will work for you.

What we have found helping clients develop their retirement plan, is that even after they refine these numbers in later steps (add some contingency, compare their weekly lifestyle costs to their current lifestyle costs, add funeral costs or that big overseas travel etc., if the lifestyle costs initially estimated are accurate, then this calculation will be directionally correct.

What is my appetite for risk?

All financial advisors (anyone offering you investment advice) will want to understand your comfort level regarding the amount of risk you are happy to take with your money. At this stage this is just a broad assumption to help calculate how long it might take to fill any financial gaps we may find. The more comfortable you are with taking risks, the higher the interest rate you might be willing to aim for, resulting in a shorter time period to generate any missing income. But if you are unhappy putting your money at risk, sleepless nights contribute to poor health outcomes, and lower life expectancy, so you may want to minimise the level of risk you are prepared to take with your money.

Options are:

- High - happy to take high risks, and accept it might be a bit of a rollercoaster,
- Medium - ok with some risks, but am really more conservative, or
- Low - I want to sleep at night and not worry what my money is doing.

Retiring Early?

If you are planning on retiring earlier than the more traditional '65', then it is good practice to record your reasons for this goal. This will help provide focus and structure to future decisions you may make surrounding your retirement planning.

Summary

If you are using our free retirement planning Excel template to create your retirement plan, you can use the spreadsheet to change things (like life expectancy and lifestyle costs) and see how these changes impact the amount of money needed for retirement.

Try changing the information in the worksheet and see what happens to your retirement costs. You should see that the three big assumptions that have the most impact are:

1. life expectancy - how long are we expected to live,
2. retirement date - as it impacts how long we must fend for ourselves in retirement, and
3. chosen lifestyle - as it predicts our costs during retirement, which in turn determines how much income we will need.

By going through all this effort to make a retirement plan, we are trying to ensure you don't run out of money needed to enjoy the lifestyle wanted, before you die. And if you have a partner or others that are dependent on you, we don't want to leave them destitute in their twilight years.

We want to teach you how to ensure your piggy bank has the potential to be the right size to support you in your retirement. You need to remember that currently while you are taking money out of the piggy bank, hopefully some money is still going in. The goal of having financial freedom in retirement is to ensure there is enough going in, to enable money to be taken out throughout all your retirement years – and beyond (remember life expectancy was just an average. You may live longer! and still want to enjoy your final years).

What we have at the moment, is an initial guess that can be refined in later steps. Planning is all about making assumptions and then testing and refining them as we go along. We will keep on challenging them as we move forward, and as our financial understanding grows. Once you have your plan, you may only revisit it once a year, or when things change.

For now, you should have set two major goals to aim for in retirement:

1. The age you plan to retire (and the year), and
2. The lifestyle you want in your retirement (and how much it will cost you)

We can now look at your current financial situation to determine how close you are to being able to achieve these retirement goals.

Form 1 – The Cost of Retirement

Enter the following information:

The year the plan should start	<input type="text"/>		Usually the current year
The name of each person	Person 1 <input type="text"/>	Person 2 <input type="text"/>	Make Person 1 the oldest. If you don't have a Partner enter your details in Person 1
Their Gender	<input type="text"/>	<input type="text"/>	
Their dates of Birth	<input type="text"/>	<input type="text"/>	
Their Current Age	<input type="text"/>	<input type="text"/>	Make sure Person 1 is the oldest
Their average life expectancy	<input type="text"/>	<input type="text"/>	Use the online calculator
Your best guess for life expectancy	<input type="text"/>	<input type="text"/>	Use the average value if unsure
Expected year of retirement	<input type="text"/>	<input type="text"/>	This is usually when you turn 65, but can be later or earlier. It is when you "no longer <u>need</u> to work"
Expected Age at retirement	<input type="text"/>	<input type="text"/>	

List any suggested lifestyle changes you can make to improve your life expectancy:

Now Calculate the following:

Number of Years until first person retires

=minimum of the "Expected year of retirement" - "The year the plan should start"

Years in Retirement

<input type="text"/>	<input type="text"/>
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= "best guess for life expectancy" - "Expected age at retirement"

Enter the following information:

Weekly Lifestyle Costs as a couple

This is the weekly cost you estimate you will spend in retirement as a couple

Weekly Lifestyle Costs for an individual

This is the weekly cost you estimate you will spend in retirement as an individual

List the reasons for this choice of lifestyle and the initial cost range you have chosen:

Based on the information you have collected so far; you can now calculate how much money you need during your retirement. Based on normal life expectancies, you are highly unlikely to both die at the same time (unless in an accident). The first step is to calculate the number of years together and the number of years one person may live alone.

Calculate the following ‘number of weeks’:

	Person 1	Person 2	
Weeks in retirement	<input type="text"/>	<input type="text"/>	= "years in retirement * 52"
Weeks as a couple	<input type="text"/>		= the lowest of the numbers above: "weeks in retirement"
Weeks living alone	<input type="text"/>		= the difference between the highest and lowest "weeks in retirement"

And finally calculate the following retirement costs:

Couple Costs	<input type="text" value="\$"/>	= "Weeks as a couple" * "Weekly lifestyle costs as a couple"
Living Alone Costs	<input type="text" value="\$"/>	= "Weeks living alone" * "Weekly lifestyle costs as an individual"
Total Retirement Costs	<input type="text" value="\$"/>	= "Couple Costs" + "Living Alone Costs"

This is the cost of your retirement. As yet it doesn't have any contingency, so if you live longer than planned it will cost slightly more than this.

If you have chosen to retire earlier than '65', then it is a good idea to put your reasoning down so you can come back to it later.
