

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

Lesson 1 – Why you need a retirement plan

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Introduction

This document is part of the 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 training material was also written for the younger partners in a relationship. Statistically they are likely to live longer, and are likely to be living alone in their retirement years. And if they are female, their average life expectancy is 5 years greater than that of men. They might have 10 years alone, so need to ensure there is enough in the bank account to enjoy those later years, as their partner won't be there to help them!

While these lessons can also help those already in retirement, and those where retirement is a longer way off, it is targeted towards those that still have time (for some - not much) to make adjustments, to learn some basic financial skills, make some big decisions, and positively influence the quality of their pending retirement.

They have the time and the need to make a plan. A plan that will take them into a longer and more prosperous retirement – *with buckets of money!*

The lessons provide additional help, supporting our simple step by step process to create your own retirement plan. The process is described in our planning guide and road map that will 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.

About the Authors

The authors have a long history in Financial Advisory Services. One has a Post Graduate Diploma in Financial Planning and Business Studies. The other as a Partner of one of the top global Accounting and Consulting Firms. They have run training sessions throughout New Zealand, taught other financial mentors, and have lectured overseas.

They both now give their time and experience to others through volunteering and teaching. One as a volunteer Financial Mentor – helping individuals and families through their financial difficulties, the other as a Business Mentor – helping small to medium sized businesses. They continue to run their own businesses and manage their own investment portfolio.

They both managed to retire before they were 45.

Document outline

This document is “Lesson 1 – Why you need a retirement plan” of the comprehensive additional 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, and
- 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.bizextra.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.

Each training guide contains a “Lesson” associated with the 6 Step retirement planning process that you follow to produce your Retirement Plan. You can skip any “Lesson” if you already understand the financial concepts and terminology used, or if they are not applicable to your financial circumstances.

The course uses a case study couple – John and Jane Doe (not their real names) to explain and demonstrate each step and decision in the process. The material describes their journey, outlines the steps they followed to increase their financial knowledge and provides examples of the decisions they made along the way. They agreed to anonymously make their journey available to help others prepare for, and enjoy their retirement.

The internet is your friend. A lot of advice, financial guidelines and rules already exist, and are well documented out there somewhere. But it is often difficult to find something when you don’t know what you are meant to be looking for.

We would like to thank the many internet companies and authors that are out there continuing to provide and document many of the ideas that appear in these guides. They continue to help people like John and Jane increase their financial understanding.

No commissions, gratuities, or kickbacks from any of the companies or names mentioned in this planning material have been received – and no-one is looking for any. All names are provided for clarity and to document what John and Jane learnt during their ongoing journey towards financial

freedom in their retirement. There may be better – or worse – names, examples, companies and providers that John or Jane failed to stumble upon. Use them or find others as needed, as your financial literacy grows.

“It is never too late to begin planning – and you are never too old to start.”

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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 January 2025.

Lesson 1 - Why you need a plan for retirement

Massey University's annual Retirement Expenditure Guidelines study found (in 2019) that: "Just 40 percent of pre-retirees believed they were well-prepared for retirement, and 57 percent considered retirement to be a concern".



Their findings (2019 – 2022) also confirmed "New Zealand Superannuation is not sufficient to fund the retirement most people want".

If you are part of the 57% of people concerned with surviving retirement, then this guide is for you.

According to the Ministry of Social Development (quarterly-benefit-fact-sheets-nzs,vp-tables-march-2022), in March 2022,

- 22% of all people receiving New Zealand Superannuation were also receiving additional support payments,
- over 47,000 superannuants were receiving additional accommodation support.

Over the period March 2013 to March 2022 there was:

- a 221% increase in the number of Temporary Support/Special Benefit payments made to over 65's, and
- a 54% increase in the number of people unable to afford market accommodation and were receiving Accommodation Supplement payments.

And if you needed to obtain Government assisted accommodation, at the end of March 2022, more than 26,800 households were waiting for state or social housing, over double the number in March 2019, and seven and a half times the number waiting at March 2015!

Living in a motel or boarding house with strangers (who may have other vulnerable backgrounds) is not an ideal or safe location to spend your retirement years. But for many New Zealanders, it is the only option they can afford.



If you have not planned for your retirement, then this could also be you. Is that the retirement lifestyle you hoped for?

"If you feel you are not financially ready for retirement, then this guide is definitely for you."

The main reason people give for failing to plan for their retirement – is that they don't understand how much money they need, when they will need it, and how they will get it. It is too hard – so they don't do it. They don't know where or how to start.

What is retirement?

To get started, we need to make sure we have the same understanding of “retirement”. We describe retirement as:

“the date you no longer ‘can’ or ‘need’ to work for a living. You may want to continue working because you enjoy what you are doing – but you no longer ‘need’ to work.”

At some time in life, we should stop working and get out there and enjoy life i.e. ‘stop and smell the roses’. We all want this at different times and at different ages. Not all of us are lucky to be in a job or a role that we love so much we ‘want to die doing it’.

Many people look at their working life as the time they are putting money into the piggy bank for their retirement, and from some notional ‘retirement date’ they will start taking money out, hoping that it will last until they finally clock off from life.

International research has shown that for many people on their retirement date, the piggy bank is not full enough, sometimes people don’t even have one, and others rush in to break it open to have that world trip they have been dreaming of, and empty it way too early.

Research has also shown that people who do these silly things are generally financially illiterate, and that is the predominant reason they don’t have enough money in retirement. For others, it is just bad luck (acts of God, sickness, death of a loved one etc). Other common issues are things like divorce (your retirement fund gets halved), trying to help others (lending money to family and friends – never to see it again), or starting a new business in later life (and it goes under because you didn’t prepare yourself with enough business knowledge).

If you have a plan – a road map – you can navigate your way through any obstacles that get thrown at you. And there are many obstacles out there – and they are coming for you and your money!

Why you need to plan for retirement

Seven trends are rapidly converging that demonstrate the importance of making thoughtful and informed decisions about your future and finances:

1. *You are required to shoulder more of the financial responsibility:*

Retirement planning is one example of this shift. Past generations depended on social security or pensions to fund the bulk of their retirement lives. Pension funds such as Government Super, were managed by professionals, putting the financial burden on the companies or governments that sponsored them. The general public were not involved with the decision-making, typically did not even contribute their own funds (apart for tax), and they were rarely even made aware of the status of the investments held by the superannuation funds. If things changed, they might tell you. Now they expect you to tell them if things change. Today everyone is offered the ability to participate in KiwiSaver, where they need to make their own investment decisions (and most get it wrong).



2. *Complex options:* You are now required to choose from a wide range of investment and savings products. These products are more sophisticated than in the past, and require you to choose among different options offering varying interest rates and maturities, offer different contribution levels, use strange terminology and require decisions you may not be adequately educated to understand nor make. Making the wrong decision can impact your ability to buy a home, finance your education or save for retirement, adding to the future decision-making pressure.
3. *Lack of government aid:* A major source of retirement income for past generations was Government Superannuation. But the amount now paid by the Government is not enough for a long or happy retirement, and it may not even be available at all in the future. Now, Government Superannuation acts more like a safety net that barely provides enough for basic survival – rather than the hammock you may be dreaming of, or your parents enjoyed. In addition, as Governments continue to respond to global crisis via printing or borrowing money (quantitative easing), those that come after us will be burdened with this new debt for multiple generations, and Governments have limited tools to repay it (i.e. increase taxes or reduce costs - such as superannuation).
4. *Longer life spans:* We are living longer. This means we need more money in retirement than prior generations did. In 1898 a national superannuation scheme was introduced by the New Zealand Government for people 65 and over – the deserving poor. With average life expectancy at 54 – it was assumed there wouldn't be many people to need it. In 1938 the age was lowered to 60 as people were expected to retire at 60 but on average only live for a further 5 years. Today, people can receive super at 65 – but are expected on average to live until they are 85. With advances in health care this life expectancy will only continue to increase. In many relationships one partner is older than the other. Statistically females live about 5 years longer than males, and if they are the younger partner in the relationship, that age gap gets added to the length of time they will be living alone. Both partners must increase their financial literacy to survive retirement, you must not 'leave it to your partner'.
5. *Changing environment:* The financial landscape is very dynamic. We are now a global marketplace, there are many more participants in the market and many more factors that can influence it. This quickly changing environment, created by technological advances such as electronic trading, makes the marketplace seem swifter and more volatile. Taken together, these factors can cause conflicting views and difficulty in creating, implementing and following a financial roadmap. There will be speed bumps and potholes – and most of us are not ready to navigate them.
6. *Too many choices:* Banks, credit unions, brokerage firms, insurance firms, credit card companies, mortgage companies, financial planners and even retail shops are all vying to sell financial products creating confusion for consumers.
7. *Baby Boomer Bump:* Whatever money the Government may have for superannuation, it will need to be shared across a lot more people as the 'baby boomer' generation moves into retirement as a large global bubble. Treasury predicts the number of pensioners will about double over the next four decades. The population as a whole is expected to grow, but the proportion over age 65 will nearly double from about one in 6.7 to about one in 3.5.

“This means that if you hope to retire at 65 (or earlier) and have any quality of lifestyle, you will need a lot more money in your retirement piggybank than your parents did. And what is worse – you will need to provide most of it yourself!”

Failure to act now may mean you have insufficient money available to enjoy your retirement. You may not even be in a position to survive your retirement.

When thinking about retirement, there are other key risks you need to consider:

8. *Political change is coming:* There is a growing intergenerational tension as older taxpayers moving into retirement, expect younger taxpayers to continue to support present levels of superannuation and health care, with no guarantee that these younger age groups will enjoy the same benefits. The amount of New Zealand Superannuation paid rose more than 25% from \$10.9 billion to \$13.7 billion between June 2014 and June 2018. According to the latest Budget forecasts it will total \$17.4 billion in the June 2022 year – an increase of 59.6% since the June 2014 year. And these numbers are predicted to keep growing as the baby boomer bubble makes its way into retirement.

Somewhere, sometime, politicians will have to wake up to this. While it is a political minefield that politicians from all parties try to avoid, at some stage in the future this ticking timebomb will need to be addressed.

Although the bubble of over 65yr olds is large (and growing) – eventually the number of under 65's will have greater voting power than the over 65's – and could at any time unite to vote for change. And that change could be swift and severe.

In 2020 the Government borrowed 50 billion dollars to try and minimise the impacts of the Covid-19 pandemic and the effects of their subsequent lockdown. Repayment of this Government debt will impact multi generations, and at some stage they might start to ask why they (and not the older generations) need to keep paying for the debts of their grandparents.

We can no longer rely on the Governments of tomorrow to look after us. We need to be prepared and have the skills to financially look after ourselves.

9. *Low inflation:* Prior to 'Covid-19', inflation had been falling, not just in New Zealand, but globally. The 'printing of helicopter money' in many countries has resulted in a sharp rise in inflation (and National Debt). And while Central Banks struggle to control inflation, globally it is anticipated to return to the 2% - 3% range in 2004. The timeframe is likely to be longer in New Zealand.

When we have low inflation, any money we may have been able to squirrel away will be receiving less interest. This could mean the piggy bank is emptying faster than it is being topped up. Or, the costs of things we need, are going up faster than our income.

We need to learn the skills to top up our piggy bank as needed – as no one else will be adding to it for us. We will cover inflation again in more detail in a later section.

10. *Our savings have to last for longer:* People are living longer. When National Super was introduced, it was to help people in the ‘twilight years’ of their life. People had predominately come out of manually intensive labour jobs, had been working in what today we would call unsafe workspaces, and didn’t have the opportunities for travel and ‘having fun’ in their retirement as are available today.

As we now live longer, we need to have the skills to make our money last longer. We need the skills to make our money work harder for us. And if we want to ‘really enjoy our retirement and see the world’ – we will need more of it.

11. *Actually – we are alone:* As previously mentioned, New Zealand is not alone in facing these issues and in trying to work out what is needed to address them. Most of the focus is towards raising financial literacy in schools so people are better equipped for the financial journey throughout their life, rather than targeting those about to enter retirement (often without the necessary skills) that need them urgently.

Information is still available to those that go in search of it – but a lot of pre-retirees don’t know what they don’t know, so don’t go looking for it.

Hoping that the Government will look after us, superannuation will be sufficient to keep us in the lifestyle we desire in our retirement, and extra money will grow on trees if we ever need it – are all false hopes. A Lotto ticket is not a retirement plan.

You need to take responsibility now for your own future if you want to be happy and enjoy your retirement. No one else is going to help you.

You need a plan for our retirement that considers all these trends and risks if you want to have any resemblance of financial freedom in our retirement.



When to start planning

Benjamin Franklin once said, “there were only two things certain in life: death and taxes”. I guess in his day he hadn’t thought of retirement and what it could look like.

To be ready for retirement, or if we are already retired - to survive retirement, we need a plan to help us navigate the various roadblocks we may encounter along the way. As much as we may be scared thinking we have to learn about such dry topics as compounding interest, good debt vs bad debt, bonds, yields, inflation, investments, global trade etc. we don’t have to become financial experts but unfortunately we do need a basic understanding of some of these areas.

Franklin also said, “an investment in knowledge always pays the best interest”.

Make a plan

The sooner you start planning for your retirement, the greater the chances that you will survive it.

Planning should be seen as an iterative process. We can start very simple, and as our knowledge increases, we can add and refine the plan. When we start planning, we often make lots of broad-brush assumptions, then as we get better at it, we can refine those assumptions, and our plan then starts to take on a greater level of certainty. We can then use our plan to monitor our progress, tweak it and refine it further as we need to, or as we understand more.

Planning is the process that we need to do before and during our retirement – so we can respond to those converging trends, risks and the ever-changing environment we live in.

“Failing to plan – is planning to fail”

It is never too late to begin planning – and you are never too old to start.

Learn along the way

You don't need to be a financial expert to make a plan. In fact, by planning for your retirement – you will gain financial understanding along the way. Many people say the “process of planning” (i.e. writing the plan) is more important than the end result (e.g. a “My Retirement Plan” document), and we agree with them.



The sooner you start, the more opportunities you will get to refine it, enhance it, validate assumptions, add new concepts, and correct it as your financial understanding grows, and, as you start to get greater financial freedom.

To support your planning, we provide some financial lessons. You are partway through the first one.

Prior to each step, we will explain any new financial terminology we will be using and provide some examples. If you already understand these concepts feel free to skip these educational sections and move forward with developing your plan.

How to start your retirement plan

A common quote often (incorrectly) attributed to Lewis Carroll from Alice in Wonderland, goes along the lines of:

“if you don't know where you are going, any road will take you there”

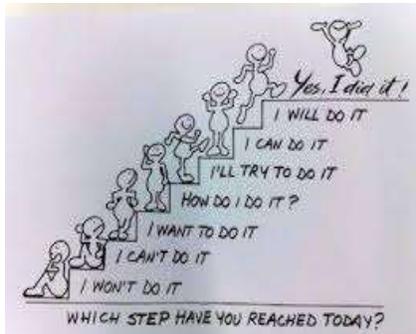
This quote is actually part of the lyrics from a song written by the late George Harrison. But it sort-of paraphrases the conversation between the Cheshire Cat and Alice – although it never appears in Carrolls' book.

It is a good reminder that if we want to prepare a plan – we need to know where we are heading, and in our case that is “Retirement”.



Retirement Planning is not as difficult as you think

Hoping that money will just fall out of the sky, the Government will look after us, or that set of lotto numbers you have been betting on for the last thirty years will finally come in – is not having a retirement plan.



The only thing you can rely on to get you ready for retirement – is yourself. You need to take the actions you need to obtain financial freedom in retirement. It's not hard – in fact you probably already know a lot more than you think you do. It is just that no one has helped you understand when to use the knowledge and skills that you already have.

A lot of people get to be bottom of a hill, and decide it looks too high to climb – so they walk away. Retirement planning can appear difficult, but hopefully if you follow our guide we will make it easy for you.

Worry about what you can control

When making any type of plan, be it a holiday plan or a retirement plan, the important thing to remember is you can't control everything. You hope your flights will take off on time – but that is somewhat out of your control. There are so many things that can cause a flight delay that you cannot influence – so you don't waste time trying to change them e.g. weather, staffing, plane maintenance, runway maintenance, luggage handling, and food services to name a few.

The same applies with retirement planning. There are things you have control over, things you can influence, and other things you have no control over. That doesn't mean you ignore them, you just need to ensure that as they are 'out of your control' you need to just monitor them and ensure you have minimised the impacts that any sudden changes to them could cause.

Things you have total control over are:

- the amount you save,
- the amount you spend,
- the type of investments you make,
- where and when you make investments,
- when you sell your investment,
- the amount of financial education you undertake.



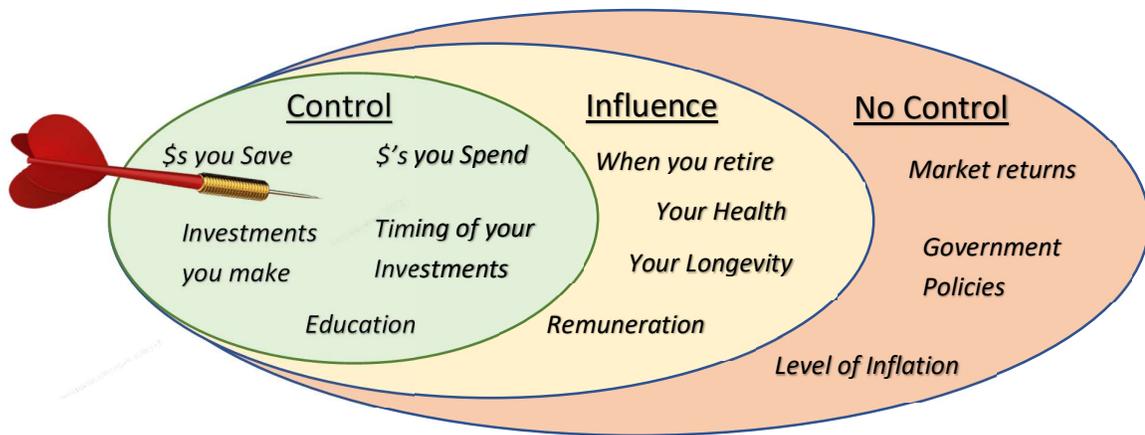
Things you have some control or influence over:

- the duration you want to work for,
- the amount you get paid for that work,
- your longevity and health.

Things you have no control over:

- Government Policies on Benefits, Superannuation and Tax,
- market returns on your investments.

Learning how to create, monitor and maintain your plan, means you can take control over and understand as many of these areas as you can. Even if you cannot control or influence them, you need to take the time to at least understand them.



Focus on what you can control

If you had heard that baggage handlers were going on strike at Auckland Airport the week you were planning on going to Australia for a holiday, you would look to see if you could fly in/out of an alternate airport – or not take a suitcase.

While you can't stop the strike, you can still look to minimise any impacts it may have on you and your holiday plans.

The same concept applies when you have a Retirement Financial Plan – you understand your options.

What is needed to start planning

An open mind

The steps to achieving financial freedom in your retirement include understanding when you want to retire, the costs of retirement, taking a snapshot of where you currently are, looking into the future to understand what you may need, creating a plan to bridge any gaps, having the ability to track progress, learning the techniques to pay off debt quicker, and effectively planning and positioning yourself for your retirement. That's a lot.



These steps can also include obtaining help from financial experts, understanding how money works, creating and achieving financial goals and learning how to plan to avoid those internal and external financial challenges we mentioned.

The road to financial freedom involves having an understanding of the various financial areas including topics related to managing your money and making sound investments for your financial future. These areas focus on the ability to manage personal finance matters in an efficient manner, and it includes the knowledge of making appropriate decisions about personal finance such as budgeting, investing, insurance, real estate, paying for tertiary education (student loans), having an emergency fund, retirement planning and tax planning.

Within this guide, we will introduce (in a simple way) financial principles and concepts such as financial planning, compound interest, managing debt, profitable savings techniques, choosing investments and the time value of money. A lack of understanding in these areas may lead to making poor financial choices that can have negative consequences on your financial well-being. That 'retirement dream' can quickly become a 'retirement nightmare'.

Sounds like a long list. Don't panic! We'll cover these concepts more in later chapters. And we will cover them in a very simple way with lots of examples. Once you know the basics you will be part way along the road to financial freedom in your retirement.

Many people fail to plan for their retirement, as they think they don't understand 'anything to do with money or finance'. They never start planning as they think they don't have the skills to prepare a plan. This document will guide you through a simple planning process using broad assumptions that are based on other peoples real data, costs, and experiences. People similar to yourself in expectations, age and current financial situation.

Forms for data capture

We have also made capturing the required information simple. Within each step of our retirement planning process we have developed simple forms that you use to capture the information required for your Retirement Financial Plan.

By having separate forms, you can print the forms and discuss the information with your partner (over a glass of wine) to reach a consensus on the key assumptions and information needed in each step while you prepare your plan. Forms are included at the end of each lesson, or can be downloaded and printed from the downloads page on our website: <http://www.bizxtra.co.nz/>

Access to a spreadsheet

As you can guess, creating a retirement plan involves a lot of numbers – and a fair bit of time with the calculator. The bad news is that this will increase as we get deeper into the plan and start wanting to tweak or test our assumptions. "What if we do this", "What if we try that...." etc.

Now is a good time to think about using a spreadsheet instead of pen and paper (and the calculator). With a spreadsheet (and appropriate formulas) we can easily change assumptions and see the impact of our choices: how big is our financial gap if we lowered our lifestyle expectations a bit? what happens if we live longer? what if superannuation rates or other costs change?

Creating your own Excel Budget Spreadsheet is always a good idea, as you will 'own' the assumptions, understand the formulas you add, understand the layout etc. But many pre-retirees are not familiar with Excel nor understand how to create a financial plan and budget with Excel.

If you are ok using someone else's spreadsheet, then we have made our retirement planning spreadsheet available to be used for free. It works through the steps outlined in this guide, lets you capture the data from the forms as you complete them, lets you insert the numbers as you locate them, does most of the calculations for you, and ultimately provides you with a filled in financial

plan for you to own and modify moving forward. It is free, and should be downloaded from our website: <http://bizxtra.co.nz/downloads/>

The spreadsheet will use data from the many suggested websites listed in this document to “pre-populate” numbers and assumptions. While these may (or may not) represent your own circumstances, they will assist you gain an understanding of what is required to be thought about, discussed, collected, validated or modified.

The budget template is not your retirement plan. It allows you to update the template using your own numbers and assumptions as needed. You must still discuss and own your own numbers to create your retirement plan. Just because, on average, people over 65 in 2022 spent \$130 per person per week on food, if you want to spend \$150 per week – you should. You should update the template with your numbers and assumptions to make it ‘your plan’. It is just a starting point to help those that don’t want to create their own spreadsheet. It will also let you see the implications of spending \$130 per person per week, compared to say \$150 per week, or \$110 per week on food. It will let you see how the lifestyle decisions you make today, impact the quality of your retirement in the future.

Time to look at options

Planning (finding information, discussing options, thinking of our future) is more important than the plan (the numbers). It is easier to have the discussion when we can see the numbers we are talking about, make some changes to the numbers and see the impacts, and then agree a strategy to move forward with more planning and more learning.

If you are using our free template, you can use the data entry forms within the spreadsheet during your discussions instead of printing them. (Just be careful not to get any wine on the keyboard).

To help generate these discussions we provide example data, calculations and decisions from real clients – John and Jane Doe, so you can see the decision making process they went through and the decisions they made along the way.

They didn’t create their plan in one sitting. They took the necessary time to discuss and evaluate the many options they encountered along the way. That way they were able to evolve ‘their retirement plan’ based on the lifestyle they wanted in their retirement.

Sometimes when a process becomes too easy (just add a couple of numbers into a form and move on to the next step), you don’t take the time to think about or understand the implications of what that number means.

We have made this process easy for you, but you still need to ensure you take the appropriate time to understand and validate the assumptions you make. Try some ‘what if’ scenarios, and think about the lifestyle you want in your retirement.



What I am actually creating

With all this talk about planning, discussions, numbers and spreadsheets, what are we actually building?

A retirement plan is basically a high-level 'cashflow' of the status of your finances from now through to the end of your life. For someone aged 50 creating a retirement plan, that could be a plan for the next 35 years of their life (15 years before retirement at 65, then based on average life expectancy another 20 years until they reach 85).

A cashflow predicts when you are actually going to receive money into your bank accounts, and when you are going to pay any money out of your accounts. It lets you know whether you have enough money to pay for the items or lifestyle you want – now and into the future.

It is the crystal ball that you need to see financial problems before they arise. Having access to a crystal ball (your cashflow) will provide visibility to any future financial gaps and enable you to plan accordingly. And if you have a 'top of the line crystal ball' you can ask 'what if' questions and it will show you the answers.

The cashflow you will create will have the value of your expected income and expenses by year, along with the estimated value of any assets (and investments) you own, plus details of any debts you may have. You will be able to quickly identify any future year where you or your partner may have potential issues (more expenses than income), or when you may run out of investments or assets to sell to maintain your anticipated lifestyle.

"We never thought making our retirement plan could be so easy. We quickly knew we could survive retirement, we just had to make some decisions on when we needed to restructure our financial affairs. Being able to try different scenarios really helped in our decision making."

John and Jane Doe 2017

Additionally, for those people that do not like looking at, or trying to understand, complex looking spreadsheets, summary graphs are provided to graphically summarise your retirement plan. These graphs are based on the information you enter during the planning process.

The spreadsheet also perform basic integrity checks over your plan, and provide suggested actions you should consider to fix your retirement plan.

Further to this, an attempt is made to create an 'English' written version of your retirement plan with any actions you have identified, plus any suggested actions you should consider along the way.

What are the Six Steps to Financial Freedom

We have developed a simple '6 Step Process to develop a Retirement Plan'. If you follow this simple process you will have financial freedom in your retirement.



- Step 1** Identify Retirement Goals: This step involves gathering some basic information about ourselves (age, how long until we retire, how long we have in retirement etc.), and deciding upon the type of financial freedom we would like in our retirement. Our Retirement Goal.
- Step 2** Analyse Current Finances: To work out where we are going, we need to understand where we are starting from. This step involves understanding our current financial situation.
- Step 3** Calculate the Gaps: "Superannuation is not enough" to support any type of desired lifestyle in retirement. You will have gaps between what you hope to have in retirement, vs. what you currently have. This step shows you how to calculate the size of those gaps.
- Step 4** Investigate Options: This step looks at common ways pre-retirees bridge any gaps identified and helps you choose the options appropriate for yourself.
- Step 5** Prepare Retirement Plan: Once we have a strategy to bridge our financial gaps, we now need to look at selecting appropriate investments that form our strategy. This step will explain how to make appropriate selections from the large range of investment options available, and how to quickly reduce the range of options to a 'manageable few' choices suitable for retirement. This stage will also produce a list of actions you need to complete to obtain financial freedom in retirement.
- Step 6** Review and Monitor: This step outlines how and when we should review our plan. There are many financial risks as we reach retirement. We need to check they will not knock us off our pathway to financial freedom, and if they will, take appropriate actions to minimise any impacts in advance. We need to ensure we have built resilience into our plan.

All basic planning processes start at Step 1, and guide you to work as far through each subsequent step as you can get, based on your current level of understanding and the information you have available. The next time you revisit your plan, you should start again at Step 1, quickly refine or correct any assumptions (as you will now know more than you did last time), and then move forward onto the next step.

Each time you revisit your plan – you will come away with more knowledge, things may have changed – or as some say “you will be one day older and wiser” even if the time between visits is just a couple of days, weeks, or months.

Always remember nothing is set in stone, things change, the world changes, you change and the environment and people around you change. Maybe you thought you were exceptionally fit and healthy and plan to live until you are 100. Events can happen in life that may drastically change that assumption – so if that happens, adjust the plan.

Whatever you do – make sure your plan is a living document, you update it regularly, and you don’t just create it once, put in in a drawer and forget about it. Once you stop learning you stop growing, and that is when events will overtake you.

There are many aspects to be considered for retirement, but this guide is primarily focused on getting you financially ready for retirement. While we may touch on and consider where you will live – we are not helping with the selection of your retirement home nor a suitable retirement village. While you may want to travel during your retirement – we are only concerned about the ‘how far and how often’ from a financial perspective (i.e. how much will it cost each year) –we are not concerned about the “where and when, and the friends who you plan to travel with or visit”.

Within each step you will be required to gather some information, consider various options and agree a path forward to the next step. Forms have been included to capture the information you need to obtain, or the decisions you need to make.

It is not a race to complete the forms or your plan and to get to the end of the book. Planning is an iterative process, and there is a lot to learn. It is better to revisit earlier steps with greater clarity and understanding, than to forge ahead deeper into the unknown.

If you don’t understand something, do some more reading or research. If you are unsure of the implications of a decision, try some ‘what if’ scenarios. But whatever you do, have fun doing it.

Financial ‘Lessons’ are provided within this guide to help you complete the ‘Steps’. If you are unsure of any terminology, or what the concepts mean, feel free to return to the appropriate ‘Lesson’. If you are confident with planning and financial terminology, feel free to jump over the ‘Lessons’.

“It is only through planning for retirement that you will survive your retirement.”

Introducing John and Jane

John, a 60-year-old typical Kiwi bloke – was quickly approaching retirement –and wondering what it all meant. He is married to Jane, they have two children, and so far one grandchild. They lived in Churton Park, in the house they purchased when they were married, about a 10-minute drive out of Wellington, New Zealand. They had lived in the same house all their married life.

John worked in retail. He was a manager at a major home store. His wife Jane worked part time in the office of the local primary school.

Jane is 5 years younger than John and has never travelled overseas. She was looking forward to 'seeing the world' when John retired in 5 year's time, to visit family that lived overseas.

John and Jane Doe were in the same position as you, seeking financial help from the authors, to help plan for their retirement. John and Jane acknowledged they had limited financial knowledge, lived their life conservatively, and had the understanding that Government Super would be enough to look after them in retirement, like it did their parents. When they realised Government Super wouldn't be enough, they approached the authors to obtain some help to create their retirement plan.

John and Jane wished someone had told them a lot earlier what they needed to do to create greater financial freedom in retirement. They also wished someone had taught them the basic financial concepts needed for retirement a lot earlier. They hope that what they learnt the hard way, might be useful for other Kiwis to know, as they are about to enter their retirement.

All they ask, is that if you find this guide useful, please feel free to pass it on to others that you think may also find it useful.

If you now understand the importance of creating a plan, you can download our free planning guide and road map to get started. You can download further training guides later when you know which ones you need.

"If you follow this 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."