

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

Lesson 14 –Quick Validations

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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 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.

Course outline

This document is "Lesson 14 –Quick Validations" of the comprehensive course material supporting our simple step by step approach to creating your financial retirement plan.

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.

"Don't ever forget, that the main plan in life is always to enjoy 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 14 – Data Validation

The fourth step in our retirement planning process is to start investigating options to bridge the financial gaps in retirement and to agree on a strategy.

John and Jane spent some time validating their assumptions to ensure they clearly understood the size of the Gaps they had to navigate and now had some really good information they could use to refine their retirement plan, and we suggest you do the same. To move forward you need to ensure:

- You know how much it costs to currently live (i.e. your current weekly costs)
- That your current income is enough to cover your current costs
- You know how much it will cost to fund the lifestyle you want in your retirement (lifestyle weekly costs)
- You have these numbers decomposed by common budget categories so you can refine and change them as needed, and see what impact the changes make
- You know what assets you currently have that could be used to generate income in your retirement
- You know what debts you have that you need to repay before you retire
- You know when you want to retire, how many years away that is, and have had a pretty good guess at how long you will live during your retirement, both together as a couple, or alone
- You have identified any financial gaps you have in retirement and estimated their size.

You should now know a lot more than you did when you started your retirement planning.

You also know if you need additional income to survive retirement, and you also know you don't need it all on your 'retirement date' (for many that is their 65th Birthday).

These numbers are basically "today's numbers" or "in retirement numbers". You haven't yet worked out how you will bridge the gap. But you now know 'when' you need the money (income or assets) that you are missing, as you have split your planning horizon into phases.

You don't have to be a financial genius to appreciate that you are less likely to be wanting to travel the world at 95, than you will be at say 65. Your lifestyle changes over time, and will definitely change during your retirement. And with each change in lifestyle, the costs of each phase change.

With this understanding, you can plan an investment strategy to align with these timeframes.

In Lesson 6 you learnt about the need and importance of having a Balanced Budget. Ideally this would be:

- Your income is greater than your expenses each and every year

As:

- Your income gap is greater than zero (i.e. you have enough income generating assets to bridge any shortfall of Government Super)

- Your Asset Gap is greater than zero (i.e. you have no asset gap as you have wealth to leave to our children when we die)

Unfortunately for the majority of people in New Zealand this is not the case.

The best they can hope for is:

- The total value of their assets is greater than their income gap. (i.e they have the potential to sell everything they own to bridge the income gap.)
- By selling stuff (releasing capital) their Income is greater than their expenses

Options most pre-retirees have to consider are:

- Generate more income (or reduce expenses) in pre retirement to buy income generating assets
- Work longer in retirement (more hours or more years)
- Make assets work harder (target a higher overall % e.g. 7% vs. 6%)
- Sell stuff each year to fill the gap (it is difficult to sell a part of the house)
- Turn non income generating assets into income generating assets (e.g. downsize the house and invest any capital released into an income generating asset)
- Reduce lifestyle expenses (in individual phases or selected phases of retirement)

In the fourth step you need to understand the options available, to determine an overall strategy to bridge any financial gaps you have, before looking at specific investments or actions (in the later steps).

As this Step can take time to get all the ducks in a row, initial activities are focused towards sorting out everything you currently have, checking you have valid numbers and assumptions, making sure your current assets are working for you the best they can, without locking things into concrete before you understand everything you need to do.

Why Validate the assumptions

We have made a lot of assumptions to get this far. Hopefully the gaps are not too wide, but if they are, then maybe go back and check a few of the big assumptions that make the biggest impact on retirement (and any gaps identified). Hopefully the goal posts look to be within sight, but before we start more detailed planning (or decide 'all's good - we really can stop planning now') – it might be a good time to take a quick rain check. For example:

- If we assumed lifestyle costs of \$2,000, what did those costs actually include? Did they cover our rent? if we own a home – did they include maintenance? how many meals out were included? how many overseas trips – and for how long were included? and can I still afford my golf club membership?
- Are our lifestyle cost realistic? How do they compare with other people? How do they compare with what we currently spend per week?

- We also assumed a pretty average life expectancy for John and Jane. Was that a fair assumption? – maybe they are in really good health and maybe they will live longer than average. Maybe they have a family history of medical issues – and maybe their parents and grandparents all died younger than the expected average – will John and Jane die younger?

If you are happy with the assumptions you have made, feel free to skip ahead to the summary of this step and then into learning about options to bridge the gap. If the gap looks a bit daunting, maybe a quick read is needed.

The assumptions you should confirm include:

Confirm who the plan is for

Ideally you are already planning for yourself and your partner. If you need to add your partner, do it now.

Update any changed basic information

If you added an additional person to your plan, don't forget to gather their basic information. If you have any dependent children or relatives, you will need to start considering how long they will be financially dependent on you – will it be their life expectancy, your life expectancy, or some other date when someone else may take over caring for them. You will need that to work out costs in a later step.

Confirm life expectancy

We hope by now you appreciate the impact of correctly guessing this assumption, not that we are trying to make a forward booking with an undertaker.

The life expectancy calculator initially used provided an initial estimate for male and female New Zealanders based on tracking their date of birth with their date of death, to calculate an average life expectancy.

An alternate calculator can be found at <https://media.nmfn.com/tnetwork/lifespan/#0> this one goes through about 20 questions re age, health, exercise, diet, drinking and drug habits, and how often you get medical check-ups. This calculator added five more years to John Doe's life expectancy and another two years to Janes. They liked this one more!

There are lots of alternative life expectancy calculators out there – so try a few and refine your estimate for all those involved in your plan. Check with your relatives, are there any known medical issues (they forgot to tell you about)? how long did your parents live? how long did your Aunts and Uncles live?

Reaffirm Retirement Date

Also saving all that money from another year of working may change the amount of income generating assets you will have at retirement, and therefore the income you have during retirement. Maybe you can retire a year earlier? We will investigate this a bit deeper in a later stage of looking for additional income sources.

When you have a Partner, and you have an age difference, have you discussed and agreed the suitability of the retirement date: does your Partner want to retire when you do? Can you afford if they stop work and are not eligible for superannuation? Do you want to keep working until you both get Super? And do you want to wait that long before you can travel and see the grandkids?

Try changing some of these assumptions on the initial forms, and see the impact the changes make to any financial gaps you have.

Confirm your Retirement Costs

This is another area you really need to feel comfortable with. Most likely you didn't read the report the initial range of cost numbers came from, nor fully appreciated what was included in the initial "retirement lifestyle cost estimate".

That is fine. You at least now know why you need a number – and how important getting it right (or at least in the right ballpark) is. As your planning skills grow, you will develop a more accurate feeling for this number – as it really is a very important one

Sort out any pre and early retirement problems

If you have a gap between the money you want in the first phase of your retirement, to meet your lifestyle expectations, and the money identified you will receive, you already have financial problems, and these need to be resolved before moving forward.

We have already discussed these options, you may have skipped over them, or decided to look into them later. But if you have problems in the initial phases of your retirement, you cannot realistically plan for the later phases. Obvious things you need to look at include:

1. Continue Working
Do you or your partner want to work beyond your notional 'retirement date' to generate any additional worked income? This could be in the same job you do now, it could be for more or less hours (you could work part time for a while), you could do something you enjoy more e.g. things that will still end up paying you some additional income.
2. Confirm your current costs in more detail
This can be a tedious task, looking through your bank statements, trying to remember what category each expense item relates to, and adding them all up. But if you have current money management issues, you need to correct them now. You also need to confirm your plans and assumptions in early retirement e.g. Do John and Jane really plan to jump on a plane the day John finishes work? What if they worked a few extra months, or just went to a pacific island for a week instead of the UK for a month, then go to the UK the following year when the kids have finished renovating their house and can put them up for free?

3. Converting non income generating assets
If you are going to travel, why do you need such a big house to maintain? Maybe an inner-city apartment or a smaller/newer house could free up some money that could be put to better use? Did you look seriously enough at Lesson 6 and have a strategy in mind you could implement earlier?
4. Using the years in pre-retirement more effectively
Is there anything you can do in your pre-retirement phase that sets you up in a better position for retirement? If you have time, can you use it more wisely?
5. Checking if you have all the Government Money you are entitled to receive
Are there any additional allocations/benefits that are available to older people that you are not aware of? Maybe now is a good time to visit WINZ rather than relying on their online systems.

If you have short term financial issues you need to resolve, you need to start looking at 'trade offs', 'what if' scenarios, and you need to do quite a bit of investigation into your short term options.

Check you have identified all Government Money

Confirm Superannuation Rates

Unless there was a change of Government or they announced some new changes to superannuation policy or payments while you were checking your life expectancy and recalculating your retirement lifestyle costs, the number you previously identified should not have changed.

However, benefit types and rates do change as living costs change, the Government changes, or your personal circumstances change – so you should always confirm you have the latest details (\$ values) that apply to you. Work and Income won't pick up the phone and call you to advise you "*we noticed that your circumstances have changed, and you are entitled to more money each week*", it is up to you to advise them when things change.

Remember the trends that are converging (we mentioned seven of them earlier), you need to be responsible for yourself, as no-one else will be! That is part of being financially responsible.

For each of the relevant tax codes, confirm the rates (net of tax) for a Single person living alone, sharing accommodation or living as a married couple. The spreadsheet will apply the appropriate rate based on the information you supplied (re your partner status, when you or your partner turn 65, and life expectancies) on earlier forms, but you can update it as required on the 'Retirement Plan' worksheet if needed.

Confirm appropriate tax rate

We have already looked into superannuation and seen there are different rates based on circumstances (generally the status of our partner or whom we live with) and our tax code (which is determined by any additional income we may receive).

If looking at the 'Checkpoint 1' worksheet, to meet your lifestyle expectations in retirement you need extra income, you should assume you may need the higher tax rate to be deducted from your super. If you pay too much tax, you can always change the rate – and the IRD will give it back to you the following year.

If your initial numbers indicate you need to generate additional income to support your retirement lifestyle, you should check that you are using the numbers from the correct tax bracket. If you move to a higher tax bracket – you will obviously receive less in the hand.

For now, ignore the impact of tax on your income –we will go into this topic in a later Lesson and Step of our retirement planning guide. A quick rule of thumb is that if your initial numbers suggest you need (or want) to generate average additional income greater than \$70,000 per year during retirement, you should update the income planned to be receive through Government Superannuation from the 'M' tax code net values to the 'SH' net values. A quick look at the income needed by John and Jane suggested around \$70,000 additional income would be needed to fill their gap. They changed their rate for Superannuation. Better to be safe than sorry when planning.

Check if you are eligible for any other Support Services

In New Zealand, Work and Income provide a very good website that outlines all the services available to people aged >65 <https://www.workandincome.govt.nz/eligibility/seniors/index.html>

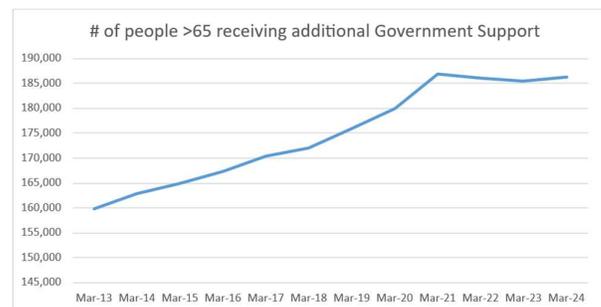
This site also outlines the additional benefits you may be entitled to if you were a war veteran, are suffering hardship, need hospital or rest home care, and for when you are planning on considering a retirement home or village (maybe keep that one for a later phase).

While you are probably not yet in a position to walk into a Work and Income office with all the answers to the questions they will ask, you should have enough to try their online calculators to see what you might be eligible for in the future. Remember, your circumstances may change, the rules may change, amounts may change etc, just as Superannuation rules and amounts can change at any time. It is always good to understand what options are out there, as you may need them in the future.

<https://check.msd.govt.nz>

The most common additional services utilised by retirees are the accommodation supplement and disability services.

As seen in the graph, there has been a steady increase in the number of Superannuants receiving additional support to help them survive retirement. While additional support is available, from a planning perspective the eligibility rules are likely to get tighter, resulting in additional support being available to only the 'more desperate' in their retirement.



Do you have an overseas pension?

If you have ever worked overseas for an extended period, and paid tax, or paid into an overseas pension fund, you should check if you are eligible to receive any payments from the overseas fund.

Overseas pensions are complex things, with lots of rules in both the originating country, and in New Zealand. Generally, you must reside in the country to receive any government assistance, but some employer schemes can 'follow you around the world'. At this stage it is probably best to just list potential areas that you need to investigate in the future. Add this to your to-do list as the research can take significant time and effort.