

DECUMULATION - Month Organiser

ACTIVITY IN MAY

- The 'Tales from the Tent' mobile video recording studio captured the public's thoughts at the Waiuku Steel and Wheels festival - see 'caught on camera'.
- Decumulation forum: 80 delegates heard from local and international experts, in Auckland.
 - Forum presentations - see 'Heavy stuff'.
 - Podcasts - see 'Caught on camera'.
- An online public survey was completed by 1,240 people - see 'What NZ told us'.
- Media stories - see 'Making headlines'.
- Blogs were published online about living off savings and assets in retirement - see 'What NZ told us'.

HIGHLIGHTS

- The Commission hosted a forum on decumulation, which discussed a wide range of existing options for older people to decumulate by using their savings and assets to provide income and meet their retirement needs.
- New Zealanders are taking a conservative approach to use of their finances and investments later in life. Data supplied to the Commission from KiwiSaver providers showed that 62% of members have kept funds in their accounts on reaching the age of 65.
- A survey by the Commission found that around half of New Zealanders are concerned about living longer than their savings.
- New Zealand Society of Actuaries estimated that about half of KiwiSaver members will have a balance of \$100,000 in 25 years.

THEMES

- Many New Zealanders are postponing retiring and are working longer to save more for retirement. This delays the starting point of decumulation and living on savings and investments.
- Older New Zealanders take a conservative low-risk approach to finances: 71% of those aged 50+ were in low-to-medium risk KiwiSaver funds. About 60% of respondents to a Commission survey were interested in options and products that would provide regular retirement income.

- A new annuity insurance product was launched in New Zealand in February 2016. This followed a three-year gap in the market, with the last product closing in 2013. The new provider has innovated a product to address past concerns and is building public understanding of this retirement income option.
- Most New Zealanders' largest asset is their home. 'Right-sizing' housing in older age is important, but it is often not as easy as expected to find the right fit or release equity. Home equity product use is growing but still represents a small share of the market and has to be carefully considered. New Zealand's largest provider, Heartland Bank, reported an 8.2% increase in reverse mortgages to a total value of \$362 million at June 2016. Adapting current housing to meet needs in older age and also generate income are growing themes.
- Decumulation has become a strategic theme in Australia after 25 years of compulsory savings and increasing account balances. In 2013/14, 28% of Australians were receiving regular income from superannuation, up from 20% ten years earlier. Superannuation assets were most commonly used to pay off debt or buy a new house; invest somewhere else or rollover in a superannuation scheme; or purchase an annuity.
- New Zealand Superannuation provides a form of annuity which covers longevity and inflation risk for recipients. This role should be maintained to give a first-tier minimum level of social protection and income in retirement.
- More information on options and tools for retirement planning are necessary. Advice is vitally important as significant long-term decisions are made on the use of assets in retirement. A better range of product options will help address risks and provide financial security for older people, particularly for those with cognitive decline.
- Further product development and innovation is expected as KiwiSaver balances and therefore demand increase. KiwiSaver providers are well placed to create more withdrawal options that provide a regular income.

MORE INFORMATION

- Recommendations – see 'Change tomorrow'.
- Income Streaming in Retirement, New Zealand Society of Actuaries – see 'Heavy stuff'.
- Options for Dis-saving safely, Retirement Policy and Research Centre – see 'Heavy stuff'.

- Equity release – Realities for older people, Saville-Smith, James, Rehm – see ‘Heavy stuff’.
- Decumulation infographic – see ‘Even more’.
- What 65+ are doing with KiwiSaver funds – see ‘Even more’.
- KiwiSpend – a paper on decumulation submitted by the Retirement Policy and Research Centre – see ‘Heavy stuff’.
- Survey results and comments – see ‘What NZ told us’.