

"Saving is the portion of income not spent on current expenditures. In other words, it is the money set aside for future use and not spent immediately"

SAVINGS

HOW TO CREATE SAVINGS



When starting a savings plan it is good to review your overall financial position and set a budget so you know how much you can start to set aside.





Firstly, you need a good budget

Finance plan that allocates future
personal income towards

- expenses
- savings
- debt repayment





Two main aspects to a budget

Understand your income: Understand your payslip



Employed

- Salary / Wage
- Weekly, fortnightly, Monthly
- Pay that is regular
- Commission / Bonuses – paid periodically and not guaranteed



Self-employed

- Revenue less Expenses equals actual spending income
- Tax and possible GST to allocate



PAYE income

Gross

- before tax and other commitments

Net

- after tax, Kiwisaver, Student loans, child support etc (what hits your bank account)

"Expense is the money that something costs you or that you need to spend in order to do"

EXPENSES



Expenses can occur daily, weekly, fortnightly, monthly, quarterly, bi-annually or annually



Fixed

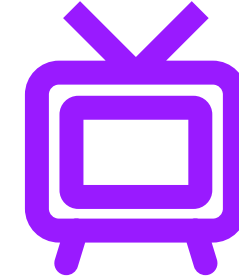
- Mortgage / rent
- Loan payments
- Child care



Variable

Are costs that can be reduced or changed with planning eg:

- Food with meal prep
- Providers for power, phone and internet that can provide better outcomes for cost reduction

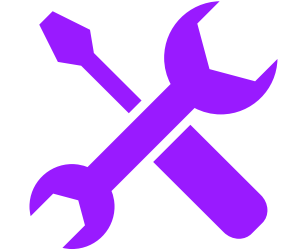


Discretionary

Expenses that are a luxury

- Subscriptions eg. Netflix, amazon
- Dining out

They are nice to have not a need to have



Periodic

Things that occur once or twice a year

- car maintenance
- rates
- Birthdays

Things that most people forget to plan



Bank Account Structure

Create structure to your day to day spending.
Set up bank accounts in buckets.



Everyday



Bills



Savings



Mortgage

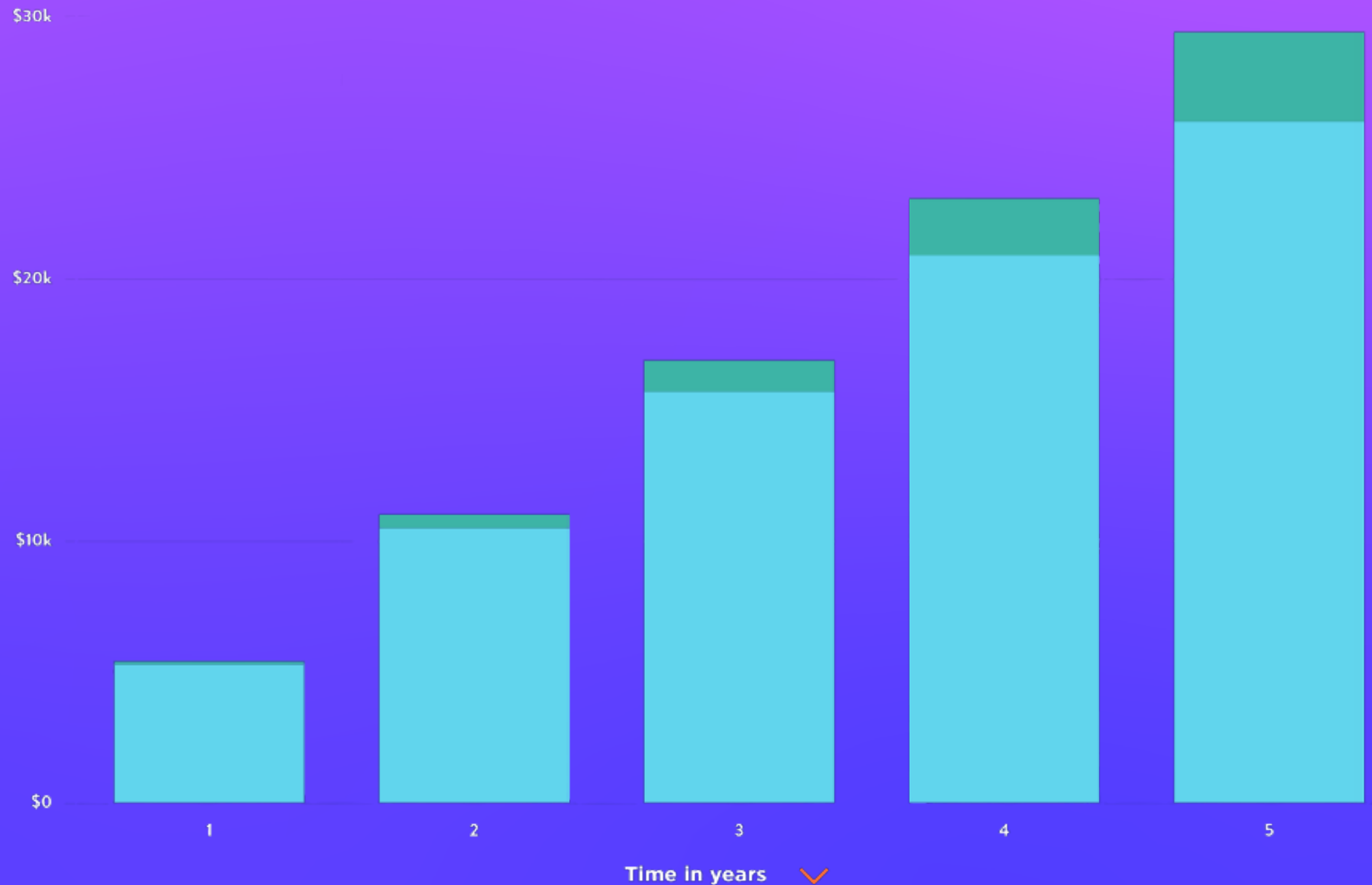


Example of a Savings Plan

\$100 per week @ 5% return for 5 years - \$29,432

Compound interest is the eighth wonder of the world.

Once you have your budget under control start a savings goal. Key is to start small so you will have longevity.

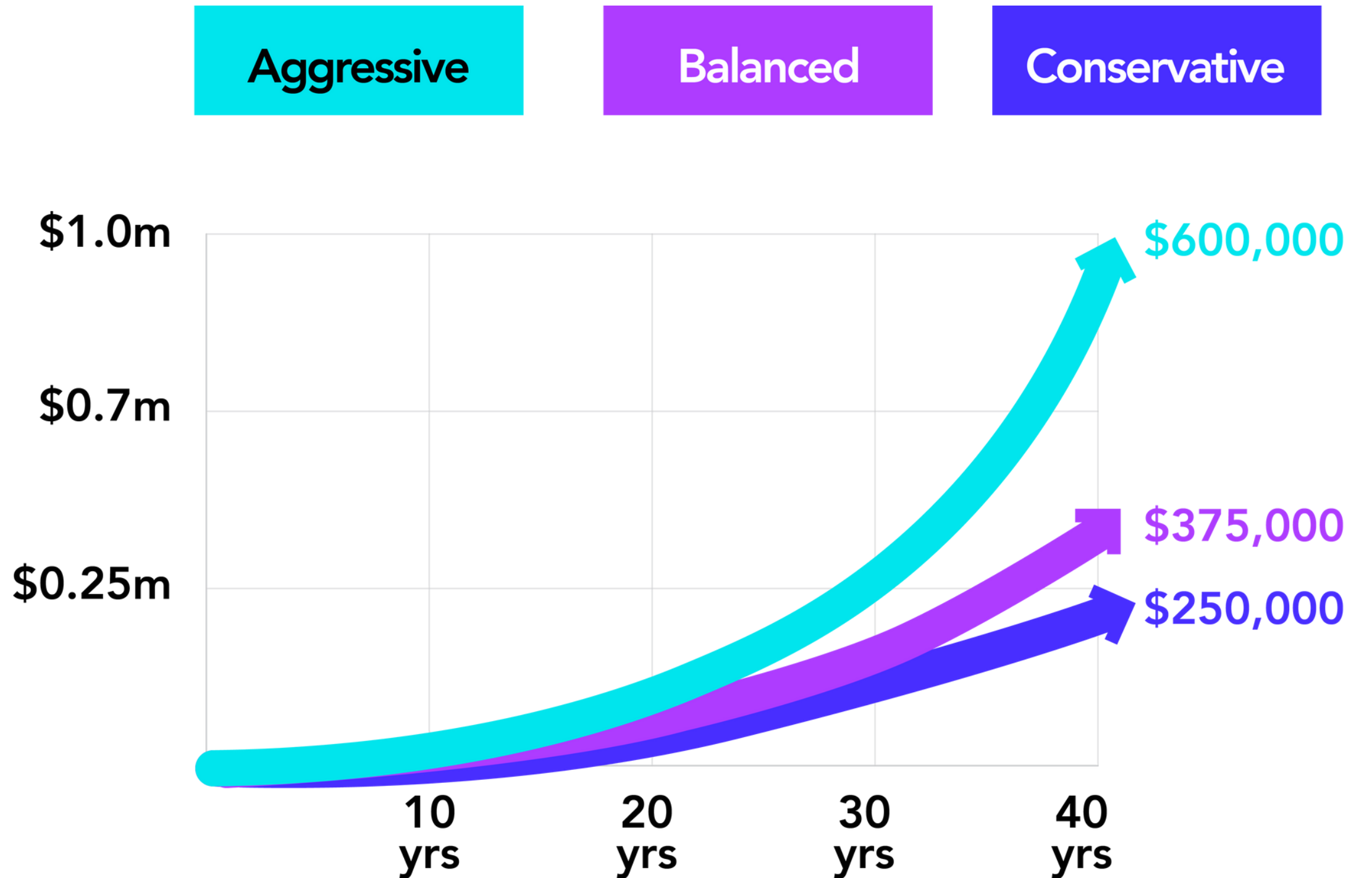




Kiwisaver is pre-tax automatic savings which is invested

Don't be a statistic and pay no attention to how it is invested you could miss out on hundreds of thousands of dollars when you retire.

Kiwisaver account balance for an employee earning \$45,000pa today, over 40 years at an average 5% contribution*





A good rule of thumb is to save 10% pa of your gross annual income

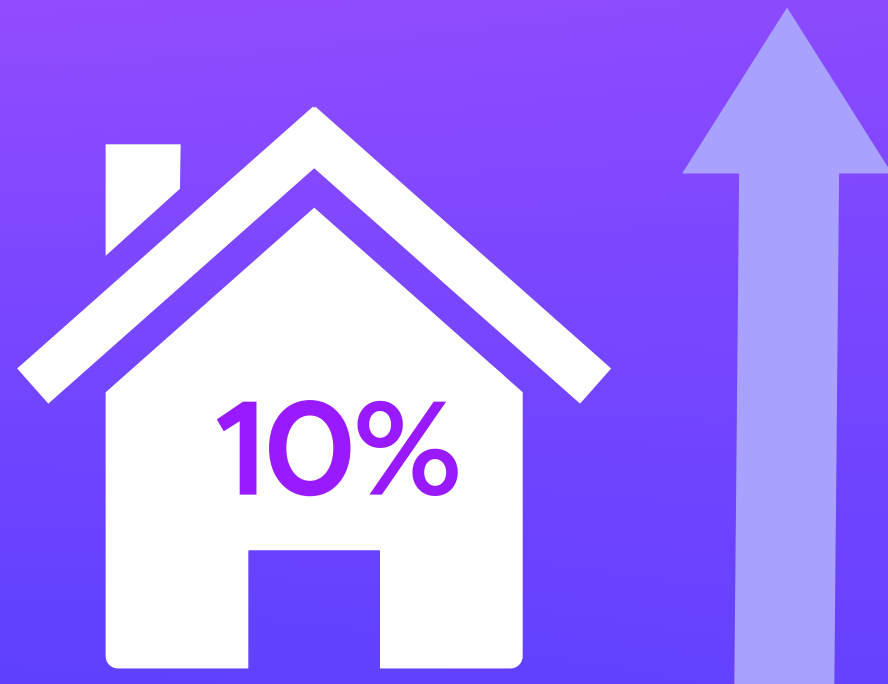
Other Types of Savings



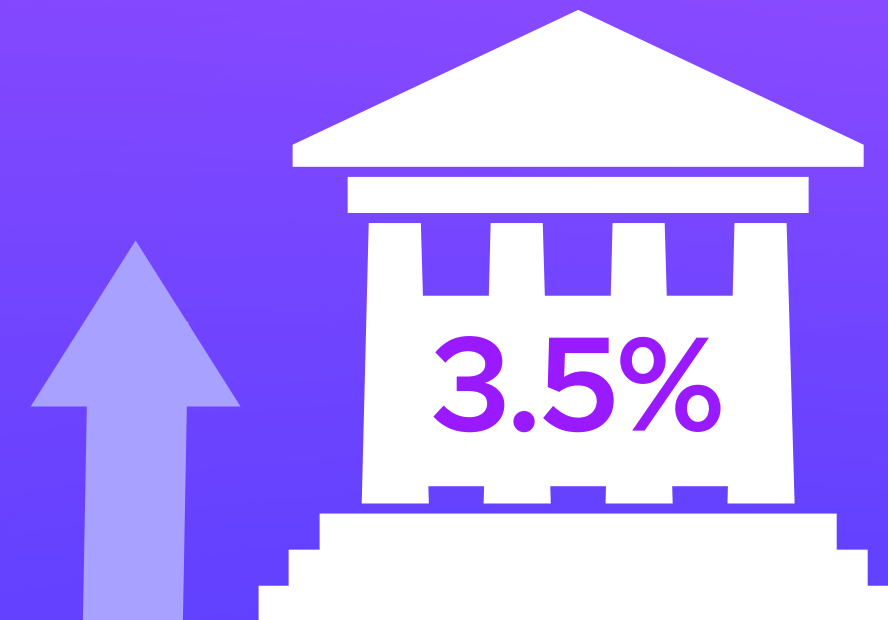


Investing vs. Cash in the Bank

\$100,000



\$10,000 pa



\$3,500 pa

"the action or fact of leaving one's
job and ceasing to work"

RETIREMENT



Most Kiwis have a 2-step retirement plan



Step 1

Pay off the mortgage

65+

Step 2

Live off pension



But is this enough?



What Do You Get Access To

When You Retire



The NZ Super

individual or couple
(a pension from the
Government)



Kiwisaver

Access to KiwiSaver if
you have funds



Net wealth

Any remaining net wealth-
property, savings, shares,
rental income (which you
can access at anytime)



How much do you get for retirement in New Zealand

Standard NZ Super Rates (for tax code M)

<i>Qualifying as</i>	<i>Weekly rate</i>	<i>Annual rate</i>
Single: living alone	\$463	\$24,073
Single: sharing	\$427	\$22,221
Married, civil union or de facto couple: one partner qualifies (and the other is not included)	\$356	\$18,518
Married, civil union or de facto couple: both partners qualify	\$712	\$37,035
Married, civil union or de facto couple: one partner qualifies and the other is included	\$677	\$35,202



What Do Kiwis Live On

Assuming by the time people are at retirement age, their mortgage is paid off and have settled all their debts, the main outgoings would just be the necessities for living and any other fun activities.

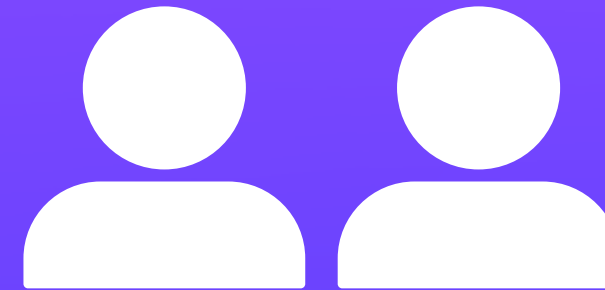
Current NZ Super rates after tax:



\$463 a week

(\$22,721 a year)

if you're single and living alone



\$712 a week

(\$37,035 a year)

for qualifying couples



How Much Do You Need

Work out per week what you need to live off such as mortgage, rent, food, insurance, discretionary costs, and then luxury costs.

If that totals \$1000 a week, you need a minimum \$52,000 a year to cover that.

Where does it come from? Pretty much anywhere you have invested time and money.

1000 x 52

(living costs x weeks in the year)

=

\$52,000

(minumum)





No-frills Lifestyle



**Spending around
\$31.5k – \$45k per year**

The No-Frills lifestyle provides for the basic needs of life.

- You can pay for food and the bare essentials
- There will be very few luxuries, for example overseas trips or many meals out
- This assumes that you will also have no mortgage or rent left to pay (you'll be living in your own freehold home)



Choices Lifestyle



**Spending around
\$53.5k – \$76.5k per year**

The Choices lifestyle allows you to spend more in retirement.

- You can pay for food and the bare essentials
- You will have more for spending on luxuries such as meals out
- Provided you have your own home and no debt you should enjoy a good quality of life.



Affluent Lifestyle



**Spending around
\$107.5k+ per year**

The Affluent lifestyle allows you to enjoy a very high quality of living if you want to.

- You can do what you want and you have choices, from taking longer holidays through to driving new cars and having toys.



How much do you need

What We Think

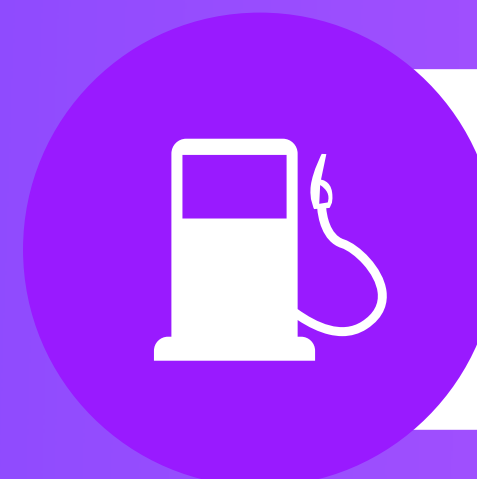
- To retire comfortably you want between \$80,000–\$100,000 a year
- Average life expectancy is about 82 years old in New Zealand
- By the time retirement age comes around, you will need to have this all on hand ready to take you across the next 17 years (including any passive income, dividends, or investments)
- If your costs have gone up by \$8000 a year, it can be scary to think of reality without income.



Kiwis are spending an extra \$4000 – \$5000 a year on basics with inflation



If they're renting in retirement, rent is going up \$2600 per annum



The average car for \$20 petrol will take you 40km less



Current NZ average



Kiwisaver

Average balance:

\$26,410



Savings

Average balance:

\$3,000



Pension

P/w per couple:

\$712



ASB Survey Results

Those saving for retirement

- 46% of New Zealanders know they should be saving 10% of their income for retirement.
- Less than half of that - 22% - are actually saving that much.

22%

of kiwis are saving 10% of their income for retirement

The number of retirees who have fully paid off their mortgage is falling

- In 2007, 78% of people over 65 had a debt-free home.
- That fell to 72% in 2017 – it's only falling further

72%

of people over 65 paid off their mortgage in 2017



For this example, we've used Massey University's two lifestyles: **No-Frills and Choices**, and shown if you account for superannuation as part of your plan.

How Much Money You Need In The Bank

June 2022

	No Frills	Choices
Metro (single)	\$195,000	\$600,000
Metro (2 people)	\$293,000	\$809,000
Provinces (single)	\$75,000	\$511,000
Provinces (2 people)	\$170,000	\$688,000

How Much Money You Need In Your Bank By The Time You Retire

June 2022

	No Frills	Choices
Metro (single)	\$633,000	\$897,000
Metro (2 people)	\$1.21 mil	\$2.06 mil
Provinces (single)	\$527,000	\$973,000
Provinces (2 people)	\$1.045 mil	\$1.65 mil

How to prepare for retirement



Check you are contributing the right amount to KiwiSaver



Pay down your debt



Get insurance



Build up a safety net/emergency fund outside of your savings



Sort out a defined budget



So, what does all this mean?

It means we need to take our retirement seriously by setting and following a financial plan.

Identifying the retirement lifestyle we want



Determining how many assets we'll need to fund that lifestyle



Figure out how many assets we're on track to have



See whether there is a wealth gap



And if there is, setting the plan for how to get the extra assets required.





Diversification is the Key to Retirement

What does this mean?

Split your asset classes and make sure you have liquidity with some assets





What Does a Good Retirement Plan Look Like



Debt free owner occupied home



Rental property providing passive income



Kiwisaver



Savings / Shares



Pension

RETIREMENT



Retirement Plan Example



Own home

\$1m



Rental property

\$700k



Savings / Investments

\$150k



Kiwisaver

\$150k

Netwealth = \$2,000,000

\$100,00 net per annum will produce 20 years of affluent lifestyle living with no investment return

THINGS
TO THINK
ABOUT



Things to do now when retirement is in the future



Lumpy wealth



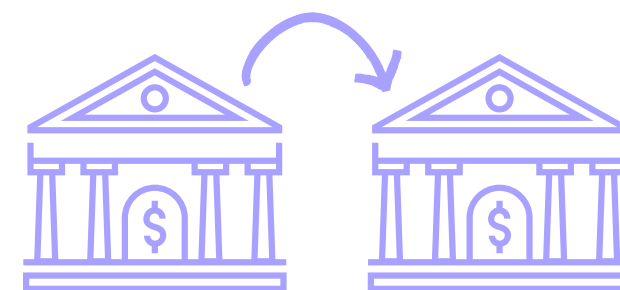
Property



Split banking



Not all eggs in one basket



Cross collateralization



Insurance



Protect



www.cocacola.moneyempire.co.nz

