Seminar: Decumulating retirement savings: making the options work.

University of Auckland Retirement Policy and Research Centre

I attended a seminar on the above subject on 21 November 2014. The seminar was attended by around 60 people from academia, the finance sector, retirement commission, various banks and lending institutions, interest groups, and Government Departments.

The seminar was primarily focused on a perceived problem of income security for middle income New Zealanders with modest lump-sums on retirement and uncertain lifespans. Of particular interest was the growing number of “Baby Boomers” in or approaching retirement and the advent of Kiwi Saver lump sums. The seminar was not focused on low income earners for whom the only option was NZ Superannuation, nor was it interested in high income earners who could look after themselves. It was interested in the retiree who perhaps might have a sum in the order of $100K to $200K to manage.

Susan St John gave an opening presentation in which she suggested that research indicates that for retirees to live comfortably they required an annual income of around $10,000 in addition to their NZ Super. She used as an example her 101 year old father who has lived comfortably since retiring, simply because he had an inflation adjusted annuity (GSF). I indicated that if she wished to support her continuing research on annuities by surveying a wider sample we, might be able to assist.

A very interesting presentation was given by Jeremy Cooper of Challenger, on the Australian scene. He indicated that after a significant downturn, annuities were now very popular, especially after his company had introduced an “opt out” option after 15 years. NZ lacks the opportunity to purchase annuities. Ralph Stewart of NZIG spoke of plans to have an annuity available in the NZ market in 2015.

A presentation was given by Patrick Nolan on the state of the UK market with the phasing out of final salary retirement schemes, and the inequities that had resulted from the policy of compulsory contributions and the compulsory purchase of annuities. He spoke of the reluctance of annuitants to shop around and find better deals.

A very strong counter-opinion was provided by tax experts Michael Littlewood and Michael Chamberlain who described annuities as a poor form of investment.

Presentations were also given on:

- Changing demographics and increasing life expectancy
- Home Equity release as an option for accessing funds for retirement.
- The Financial benefits of Retirement Villages
- Other options – term deposits, managed drawdowns etc

The seminar split into workshops in the afternoon to discuss the issues. Very little came out of these workshops that had not been mentioned in the morning sessions. However, one common theme did emerge and that was a general belief that the NZ public is poorly advised on planning for retirement and the financial options available.

Alan Peck
Executive Officer