



SUPERLIFE
a Member of the NZX Group

THINKING ABOUT YOUR RETIREMENT

APRIL 2019



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About SuperLife

"SuperLife" refers to a range of managed investment schemes operated by its manager, Smartshares Limited. Smartshares Limited is a member of the NZX Group.

SuperLife provides flexible savings and KiwiSaver schemes. It imposes no rules other than those decided by an employer in respect of the employer's workplace savings arrangements for its employees, or by the government in respect of KiwiSaver. This maximises flexibility and lets members tailor the options to their needs. The overall arrangements let members invest their retirement savings including KiwiSaver together and receive a combined statement.

SuperLife has the advantages of low fees, flexibility, frequent communication and a structure that helps to provide security and reduce risk. SuperLife empowers individuals to make decisions. SuperLife is the savings vehicle of choice for many New Zealand employers.

The legal stuff

Product Disclosure Statements for SuperLife's different schemes are available from SuperLife free of charge. Comments in this booklet are of a general nature only and do not constitute personal advice. They do not take into account your specific circumstances. If you require personalised financial advice, you should seek advice from an appropriately experienced Authorised Financial Adviser.





1. INTRODUCTION

As you start to think about “retirement”, a number of important financial and lifestyle questions arise:

- What will life in retirement be like?
- How much income is needed?
- How long (years) will the income have to last?
- Where will the income come from?
- Will you have enough savings?
- Do you plan to live off the investment return and leave the capital to your children, or will you spend both the investment income and the capital over time (or somewhere in between)?
- How do you convert your savings and other investments into income?
- What is the best way to manage your investments in retirement?

Each financial decision involves deciding when you may spend money, how much you may spend and how to invest the money until it is spent. To have confidence that you have enough savings, you first need to have a clear understanding of when and how much you will spend, the level of certainty around this level of expenditure, and the financial challenges retirement will pose.

But it's not all about the money

This guide focuses on the investment aspects of retirement to support your desired lifestyle. However, you should also think about the other financial aspects and the non-financial aspects, as money and investments are not everything.

As part of your retirement planning, it is also a good time to review your lifestyle choices including where you will live. Also, you should review your Will, your enduring power of attorney and any family trust arrangements you have, along with your insurances.

KiwiSaver

If you are under 65 and not in KiwiSaver, you should think about joining. Once you turn 65, you cannot join. Because of the presence of the government subsidies, it still makes it worthwhile even if you are only in for a few years (the minimum is five years). By joining, the government pays for each \$2 you save each year (if you are 18 or older), \$1 (up to \$521 a year) until you reach your KiwiSaver Retirement Age.

If you are not an employee you can save what you choose and when you choose. If you are an employee, you must save a minimum of 3% of your salary/wages and your employer subsidises your savings. For eligible New Zealanders who are not employees, it makes sense to save at least \$1,043 a year (i.e. \$20 a week) to capture the maximum government money.

For details on KiwiSaver for non-employees and employees, go to www.SuperLifeKiwiSaver.co.nz.

When it comes to managing your money during retirement, the big unknown is how long you will live and therefore the period you will need money to spend. It would be a lot easier if we knew when we would die. Also, the longer the period, the more inflation becomes a risk issue (see page 5).





2. HOW LONG WILL I NEED INCOME?

How long does my capital have to last in retirement?

If you retire at age 65, the answer probably lies somewhere between 1 day and 40 years. The average is about 19 years; slightly less if you are male and slightly more if you are female.

Retirement age	Average life expectancy Male	Average life expectancy Female
60	23.4	25.9
65	19.3	21.5

Source: NZ Life tables 2014-2016

Of course, like all statistics, an average hides the true position for most people. About half will live longer and half shorter, than the average. Very rarely will you live exactly the average period.

Also, on average, non-Maori live longer than Maori, but not all Maori will live shorter than all non-Maori. The population is made up of people in good health and people in poor health and the average statistic is therefore too high for some and too low for others. But even those in poor health often live longer than average.

If 100 people retired at age 65, the chances that they might live a further 5, 10, 15, 20, 25 or 30 years, are:

Probability of living 'x' years after retirement at age 65		
Period in years ("x")	Male	Female
5	95%	97%
10	87%	91%
15	76%	83%
20	59%	69%
25	38%	49%
30	14%	21%

The table highlights that, while the average might be 21.5 years for a 65 year old female, about 49% will live more than 25 years (i.e. past 90) and 21% live past 95.

We all need to decide for ourselves how long we need to plan for our money to last in retirement. In doing so, we should think about the financial implications and consequences if we are one of those that live longer than "average".

Improving life expectancy

Over the last 26 years, the average expected retirement period has risen from 14.8 years to 19.3 years for a 65 year old male, and from 18.5 years to 21.5 years for a 65 year old female. Also, the point beyond which a quarter of females live in retirement has risen from just under 90 to nearly 95 years. In planning for retirement it seems prudent to allow for some continued improvement in life expectancy.





3. WHAT IS THE RIGHT LEVEL OF INCOME?

There is no simple answer to the question “what is the right level of the income?” It will be affected by:

- The level of income you want to live on, allowing for NZ Superannuation.
- The period in retirement that you will need to spread your savings over. Remember, the period may be until the later of when you and your spouse/partner die.
- The total of your savings.
- How your savings are invested and what the investment returns are during retirement.
- Whether the income is paid weekly, fortnightly or monthly.

Calculate what your savings will support

On the SuperLife website, under “calculators”, you can work out what level of income your savings might support. The calculator uses a set of guesses about the future. The default guesses are relatively “conservative”:

- The investment return is 2.5% p.a. after-tax, on average. By assuming a “low” rate, if you earn more, you can use the extra return to increase the future income that you spend - for example, because of inflation.
- Your life expectancy is at the 75th percentile. The 75th percentile is the date so that out of 100 New Zealanders of your age, 75 will die before that date and 25 will live longer than that date. This assumes that you live longer than average (the 50th percentile).
- You will spend both your investment earnings and all of your savings over your future lifetime.

The calculator lets you vary each of these guesses to see the effect on your income. Also, you can recalculate the theoretical income level at any time, to reflect your actual investment return, remaining savings and the changing life expectancy.

Based on the above guesses, the theoretical monthly income (paid tax-free), at different ages, for each \$100,000 of capital available at a particular age, is:

Monthly income per \$100,000 savings		
Age	Male	Female
60	\$418	\$381
65	\$483	\$429
70	\$561	\$500
75	\$684	\$587
80	\$901	\$775

Compare it to what you spend

You should also do a budget to see how the theoretical income compares to what your actual expenditure might be. Use the budget planning form on the SuperLife website or at the back of this booklet to help.

Remember your actual expenditure may vary each year and you will need to allow for inflation.





4. UNDERSTANDING INFLATION

Why do I need to think about inflation?

Inflation is often the big risk in retirement. It affects what happens to the prices of the things we spend our money on and therefore the amount that we need to save. It is something we cannot control.

The best way to see the impact of inflation is by an example. Let's say you have \$22,500 and the cost of a loaf of bread is \$3. This means you can buy 7,500 loaves of bread - at least one for each day over the next 20 years. However, in retirement, we are not only interested in the cost today, but also the cost each day, in each year, over the following 20 years or so. Bread goes stale if we bought it all today. If the price of bread increases by 5% to \$3.15, the \$22,500 would buy only 7,143 loaves of bread ($\$22,500/\3.15). You are now one year short of the target of a loaf a day for 20 years.

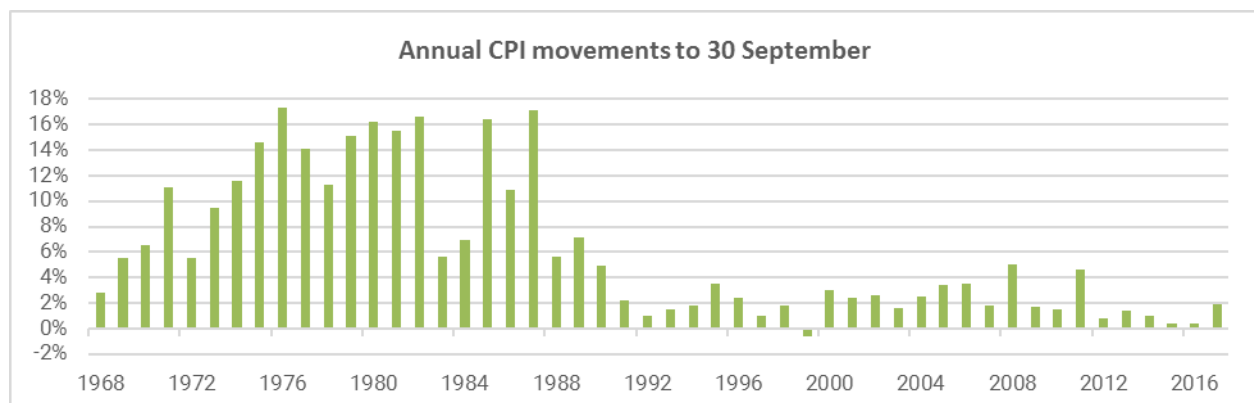
A rise in the price of something you need to buy (e.g. loaves of bread) decreases the number you can buy for the same money, or increases the amount of money you need to have, to continue buying the same number.

But we are interested not just in the price of bread. We are also interested in the price of other goods and services e.g. cars, milk, housing, petrol and clothing etc., some of which will rise and others may fall. As such, the important inflation rate is the general rise in prices of all goods that we will commonly buy in retirement.

At different inflation rates, the prices of goods double over:

Inflation rate	Period for prices to double
1%	70 years
2%	35 years
3%	23 years
4%	18 years
5%	14 years
10%	7 years

The most commonly used guide to the rise in general prices is the Consumer Price Index (CPI). The CPI is an index that measures the prices of goods and services "typically" purchased by consumers and is constructed by Statistics NZ. The Reserve Bank is mandated to manage this to the range of 1% to 3% p.a. over the medium term. Average inflation over the last 20 years (to 30 September 2017) was 2.03% a year. Over the longer term, it has been higher. Inflation rates over the last 50 years were:





Source: Statistics NZ

An inflation calculator is on the Reserve Bank's website.

Inflation and investment returns

In the example, we saw that because of inflation, our \$22,500 bought fewer loaves of bread. However, if we had invested our \$22,500 at the rate of, say, 6% p.a. after taxes and expenses, we could have bought more.

At 6% interest, the \$22,500 would have grown to \$23,850 at the end of a year ($\$22,500 \times 1.06$).

At that time therefore, we could afford to buy 7,571 loaves of bread at its new price (i.e. $\$23,850/\3.15).

This simple example shows the importance, if we want to maintain our spending power, of achieving an investment return over the long-term greater than the rate of inflation. Beating inflation is called earning a "real" return.

Investments and inflation

Investing in the different types of assets of cash, bonds, property and shares, provides varying forms of inflation protection. To protect your capital against inflation, you need to retain and reinvest (i.e. not spend) part of your return.

Cash returns will generally outperform the expected official inflation rate. This is because interest rates will be moved to reflect changes in the inflation outlook. However, the downside of cash investments is lower, average, long-term returns. Cash investments also provide weaker protection in periods of high inflation after you have paid tax and there is also no protection against *unexpected* inflation.

Bonds are expected to produce a higher average return than cash over the long-term. However, there is a larger risk of unexpected inflation eroding the real value of the investment, because your money is tied up for longer.

Both cash and bonds are normally good investments for your short to medium term expenditure because they provide more certainty. They are less optimal for longer term expenditure because of inflation. Remember, your retirement could last more than 20 years.

Property investments can provide some protection against inflation, as rental income will generally increase with inflation and the value of a property rises to reflect the level of rental income. Property will therefore normally, but not always, protect both the capital value and the income return against inflation over the long-term.

Diversified **share** investments also tend to provide some protection against inflation over the long-term. A company that produces goods is "typically" affected by inflation, as:

- the price of the raw materials it uses (e.g. steel) increases due to inflation;
- this increases the cost of production and reduces the profit;
- the company eventually raises the price at which it sells its goods to restore its profit levels.

Overall therefore:

- the cost of production increases by inflation.
- the sale prices of goods eventually increases by inflation.





- therefore, profits (sale price less cost of production) increase by inflation.
- so the company's share price (which reflects the profit of the firm) also increases by inflation.

In practice, life is not this simple, but over the long-term shares, like property, has typically provided returns above inflation. Also, while share returns should exceed inflation over the long-term, there will be long periods of time when this is not the case. This will occur particularly when too much is paid for the shares/property in the first place. No investment is a good investment if you pay too much.

Summary

Cash provides protection against expected inflation but with lower expected returns. In contrast, bonds provide higher long-term returns than cash, but have a higher risk that unexpected inflation might erode the value of the investment before the bond's repayment date. Neither bonds nor cash are good in times of high inflation.

From an inflation perspective, property and shares should provide the highest expected long run returns, as well as some protection against unexpected inflation. However, these advantages come at the expense of greater volatility over the short run (including periods of large negative returns). It is therefore important to have the right mix of cash, bonds, property and shares to manage your liquidity needs, income needs and inflation protection needs.

5. HOW DO I INVEST MY MONEY?

Whenever you invest money you need to decide on an investment strategy (i.e. the mix of cash, bonds, property and shares). The mix should reflect the reason why you are investing and your investment return needs and goals. In addition, you must manage (change) the investment strategy over time to reflect your changing needs. As you get older, your needs will almost certainly change.

In retirement, setting the investment strategy is about making sure that your money is available to be spent when you need to spend it, and you are protected against inflation in the meantime. The expenditure includes both the planned and the unplanned costs. The optimal investment strategy is the investment strategy that matches your retirement expenditure cash flows with the investment cash flows. It is based on five factors:

- **Timing** – understanding when and how much money you will spend;
- **Importance** – knowing how important the expenditure is to you;
- **Alternative sources of income** – being aware of your income from other sources, like NZ Superannuation or inheritances, to help meet the expenditure;
- **Patience** – knowing how long can you wait if something goes wrong;
- **Risk personality** – being aware of what type of investor you are and how you will react to a period of low or negative returns.

Working within these factors, you can set the mix of cash, bonds, property and shares. As a rule, you should generally not be holding shares unless you want to take on risk, or you have expenditure that will occur in at least 10 or more years' time and you need to be protected against the impact of inflation until then. This gives you time for your investments to recover if the sharemarket goes down. The sharemarket will do that every 3 to 4 years, on average, and sometimes it will be 7 to 12 years before a sharemarket "down" is recovered.





The bucket approach

When it comes to investing, SuperLife favours the three “bucket” approach. Rather than have a single portfolio where all assets are invested together and the focus is on single overall return, we believe it is better to think in terms of three buckets, for the three distinct needs each investor has (liquidity, income, inflation problem). Capital should be allocated to each bucket. The bucket approach lets you target a specific need/goal and so choose the types of investments that are right for that need. This in turn increases the chance that your total needs/goals are met.

This bucket approach is particularly beneficial in retirement. This does not stop anyone investing the assets as one portfolio, for efficiency reasons, but if they do, there are still advantages in thinking about the single portfolio as being the sum of the three buckets.

The three buckets provide for the needs of:

Liquidity: You should have a bucket for the assets that provide for your immediate expenditure and your “rainy-day” fund. This bucket will normally be invested in cash assets, as immediate access, short-term certainty and safety are important.

Income: In your income bucket should be your investments designed to balance the need for certainty with the need for a higher income returns. The focus will be on income generating assets, particularly bonds.

Inflation protection: As part of your expenditure will occur well into the future, protection against inflation is important. This bucket should focus on long-term, real returns and be less concerned about the short-term temporary return. Shares and property may be the focus.



Here’s what that means for your investment strategy:

Liquidity bucket

Under the bucket approach, the right level of cash assets should reflect the value of the planned expenditure over the next few years (up to about 3 years or longer if you wish to be conservative). Having this money in cash provides certainty that the money will be available to meet the expenditure and minimises the short-term risks.

Income bucket

The assets that will meet your planned expenditure between 3 years and 10-to-12 years should be invested in bond or fixed interest assets. This gives an expected average return slightly higher than cash and enough time to ride out the ups and downs of bonds through interest risk movements, should a “down” occur in the next couple of years. At some time in the next 3 years, some of the bonds should be converted to cash and transferred to the cash bucket to meet the expenditure that will be the then “immediate” expenditure (i.e. occurring within the following 3 years). The bonds minimise the medium term risks.





Inflation protection bucket

The assets for the expenditure that is expected to occur in more than 10-to-12 years' time should be invested in shares and property. This helps protect against the impact of inflation and minimises the long-term risks. At some point over the next 10-to-12 years, some of the shares should be sold to top-up the bonds. This can be done at any time. It is only important to sell some shares at some point in the next 10-to-12 years, it does not have to happen in any particular year.

As you get older

One driver of the theoretical investment strategy is the period to go until you will spend the money. Under the bucket approach, as you get older your theoretical investment strategy should change. More is needed in cash and bonds and less in shares and property. This is because the number of years of your remaining retirement that are more than 10 years away, become fewer. Shares are normally suitable only for expenditure that will occur well into the future, when inflation is the biggest risk, or where the assets available are significantly more than is required to be spent.

Theoretical investment strategies

So, to set your investment strategy, you should:

A. Decide on your income requirements

The requirements are for a particular level of income each year in retirement, in the immediate future and over the long-term. In addition, think about how much to reserve for a "rainy day" or emergency fund. This provides security should circumstances change.

Of this income, part will come from investment earnings and part will be met by spending the capital. Remember that the New Zealand Superannuation benefit will also be payable and New Zealand Superannuation currently goes up each year reflecting wage inflation.

B. Allocate the expenditure to the buckets to determine the mix of cash, bonds, property and shares that will achieve the income and manage the risks

The next step is to decide what mix of cash, bonds, property and shares the capital should be invested in, to achieve your income needs over the short, medium and long term, given your willingness to be exposed to ups and downs (i.e. take on risk).

C. Implement & review

Once you determine your strategy, you need to implement it. Then from time to time you must revisit it, with changes made throughout retirement to ensure that your future income requirements can be met.





Based on the three bucket approach and the assumptions that:
the capital expenditure in real terms will be spread over retirement.

- a person will live to the future point where 75% of current people at that age will have died, the theoretical investment strategy at different ages is:

	Male						Female					
	Age 65	Age 70	Age 75	Age 80	Age 85	Age 90	Age 65	Age 70	Age 75	Age 80	Age 85	Age 90
Cash	17%	20%	24%	33%	45%	61%	15%	18%	21%	28%	36%	52%
Bonds	35%	41%	51%	67%	55%	39%	31%	36%	43%	57%	64%	48%
Shares	48%	39%	25%	0%	0%	0%	54%	46%	36%	15%	0%	0%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

The above strategies are only guides, your specific strategy should be adjusted from time to time to reflect the theoretical strategy for your remaining lifetime. However, you don't need to change it each year and/or precisely to the strategies shown for a given age. What is important is that:

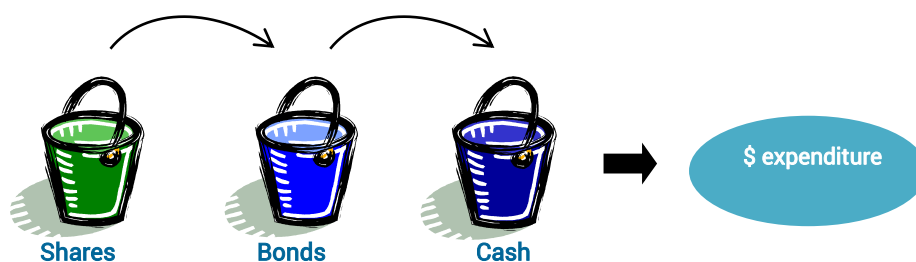
- you always maintain sufficient cash to meet your immediate expenditure payments.
- you reduce your exposure to the assets like shares and property, that can fluctuate (over the short term), as you get older.

In setting your investment strategy, you should also remember:

It is your money and your retirement security. Sleeping at night (and not worrying about your investments) is normally more important than getting an "extra" return.

- Looking to achieve higher long-term average returns (i.e. over 20 years), may mean you will get lower short-term returns (i.e. over 1 year). Any strategy has to be able to cope with negative returns as, even in a "bad" investment year, you still need an income to live on.
- If you invest in assets that go up and down in value, it is important that you are never forced to sell them on a particular day - you always need some assets that don't go down (i.e. cash).

Any investment strategy needs to be able to cope with change; changes to your circumstances and changes to legislation.





6. MANAGING RISKS

Successful investing also includes managing risk. Some risks are important and need to be closely managed; others are of interest and with the right investment strategy, are not particularly important.

The three-bucket approach provides a good mechanism for managing market volatility, inflation, interest rate and liquidity risk. Other risks and issues include:

What if you live longer than expected?

If your retirement savings have to be spread over a longer period, the theoretical amount you can draw down each year reduces. Several options are open:

- Reduce immediate expenditure i.e. cut back on immediate retirement expenditure to allow for the possibility that the period of retirement is longer.
- Reduce future expenditure i.e. plan on spending less in latter years of retirement. Some expenditure, e.g. travel, will probably reduce over time.
- Sell lifestyle assets, e.g. spend some of the equity in your house such that children get less.
- Buy an annuity. However, in New Zealand, annuities tend to be poor value because of tax and compliance legislation.

What happens to the theoretical three-bucket strategy if you have more assets than are strictly needed to meet your retirement expenditure?

If you have extra savings, the extra capital should be invested based on when it is going to be spent. Unless you increase your expenditure, it is unlikely to be spent until you die, when the money passes to your children. In this case, it should be allocated to the shares bucket to protect it against inflation. You might also decide to hold more in cash i.e. in reserve for unexpected expenditure, or because you feel more comfortable.

What if you are not debt free?

If you have debt at retirement, it is often a good idea to take some of your retirement savings and pay it off. It normally doesn't make sense to earn interest with your savings, pay tax on the earnings and use the net earnings to pay the interest on the debt. Even if you can claim a tax deduction for the debt, the interest on the debt for most people, is likely to be more than the investment earnings on the savings. Reducing debt also reduces your risks.

What about your spouse/partner?

If you have a spouse/partner, the principles do not change. In this case the relevant period is not how long you will live, but how long the second to die, of you and your spouse, will live. Also, on the death of the first, the income needed might go down but will probably not halve. A lot of costs e.g. rates, don't change because there is one not two people living in the house.





What about the state of the current markets?

Most of the time, investors are not rewarded for trying to second guess the markets. However, sometimes there are benefits in favouring one asset type over another. If cash rates are low, for example, then holding less cash and more bonds, may make sense. If the price of shares is high, holding fewer shares may make sense. Investors who wish to second guess the state of the markets, should consider seeking advice from an appropriately experienced Authorised Financial Adviser.

7. INVESTING IN RETIREMENT – AN EXAMPLE

How might \$500,000 be invested?

To illustrate how a person's money should be invested in retirement, take a single 65 year old male with retirement assets of \$500,000. To keep it simple, we assume that they are debt-free and live in the house that they intend to stay in for the rest of their life. Also, other than to leave each of their children an equal share of the value of the house, there is no requirement to leave any additional capital to the children. Any extra capital left to them will be a bonus.

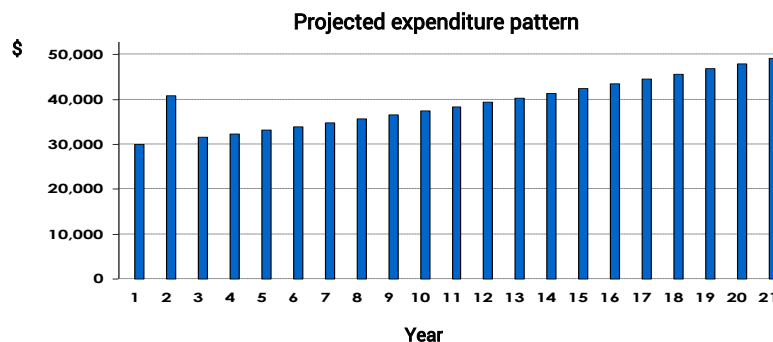
Income needs

The starting point is to determine the timing and level of the expected future expenditure, both regular and one-off lump sums. This involves preparing a budget of expenditure. It also requires a decision of how long the income is required for, i.e. the period of retirement.

Remember the NZ Superannuation benefit is about \$19,000 (after-tax) a year and that this is "inflation proofed". Therefore, in retirement people can plan to spend both the investment earnings and capital to top up the NZ Superannuation benefit to the required total income.

Assume that the total after-tax income need is \$49,000 a year or \$30,000 after allowing for New Zealand Superannuation. \$30,000 a year is \$2,500 a month. In addition, assume that the income need increases with inflation and in 2 years' time an extra \$10,000 will be spent on an overseas trip. Being a male, the income has to last for an expected 21 years.

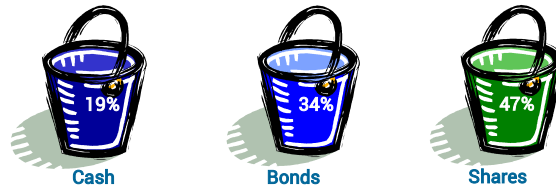
The expenditure pattern required from the investments, is:





Investment strategy now

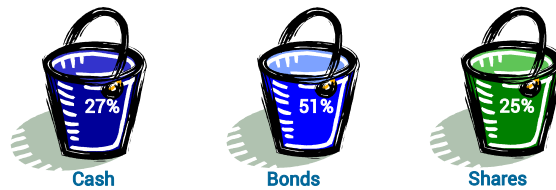
Based on the required expenditure pattern and the three-bucket approach, the 'theoretical' investment strategy for this 65 year old male is:



The cash amount is slightly higher than the theoretical strategy shown on page 11 because of the extra \$10,000 expenditure in year two.

Investment strategy in ten years (age 75)

In ten years' time, i.e. at age 75, the theoretical strategy would be:



8. SUPERLIFE SOLUTIONS

SuperLife is here to help

Finding the right financial partner to help manage your money in retirement is important; both important today and particularly important in your latter stages of life. This is where SuperLife can help. SuperLife offers flexibility to let you tailor your investments to your needs as well as a managed income option.

You can choose to use SuperLife to help manage your finances in retirement. Often, one of the best options to meet your retirement income needs and manage your investments is a flexible "managed income". SuperLife lets you decide when and how you will receive payment of your savings. You can take all or part of your benefit as a cash payment, to meet your immediate needs, and defer the balance for later when you need it. You can also use part of your savings to provide you with a regular managed income.

SuperLife is a managed investment scheme, that helps people save for their retirement, invest their savings and then manage their income in retirement. WE, or more exactly our manager, Smartshares Limited, is licensed by the Financial Markets Authority (www.fma.govt.nz). SuperLife imposes no minimum savings levels. It focuses on security, flexibility, simplicity and low costs. You can retain your savings in SuperLife for as long as you wish. There is no minimum period that you have to stay a member or minimum balance that you have to have. On death, any remaining assets are paid to the people you nominate.





SuperLife is a PIE (portfolio investment entity) and has a full range of investment options from cash to emerging market shares.

Benefit options

Under SuperLife, the main benefit payment options are:

1. **Cash payment(s) either immediate or at different times in the future**
2. **A managed income facility to pay you a regular withdrawal from your savings**

You can also take a combination of these as you wish. The options let you decide when and how you will receive a payment from your savings. Taking part of your benefit as a cash payment, to meet your immediate needs, and taking the balance as a series of lump sums and regular payments, makes a lot of sense.

Cash payments

When you request a cash payment, it will be paid to you as soon as possible, normally the same day. You can make a withdrawal at anytime by giving written notice.

Managed incomes

A SuperLife managed income pays you a regular tax-free income from your savings, at the level that you decide (e.g. \$2,000 a month). The income is taken from your SuperLife savings account and credited to your personal bank account. The balance in your SuperLife savings account continues to be invested with all the standard SuperLife investment options and flexibility, until it is paid to you.

A managed income is particularly useful when you want a regular base income, in retirement.

If you choose the managed income option, you can:

- Decide on the level of your regular income.
- Change the amount of the regular income at any time.
- Select the day or days of the month the regular income is paid.
- Take out additional amounts whenever you wish.

The managed income is not taxable income in your hands. As with other withdrawals from superannuation schemes, the amounts you receive are tax-free because SuperLife has already paid tax on your investment income. Also, the managed income does not affect your entitlement to New Zealand Superannuation. However, for the purposes of any income test under The Social Security Act 1964 (such as the “young spouses” entitlement to New Zealand Superannuation), the managed income will probably count as income. This applies if your spouse is under age 65 and does not work. You need to seek advice on this, if it could apply in your case.

For a Product Disclosure Statement, contact SuperLife on 0800 27 87 37 or find online at www.superlife.co.nz. It is available free of charge.





You keep control

It is important to note that the amount of your SuperLife managed income is not fixed. It can be changed at any time (up, down, or stopped) and as often as you choose. You have the flexibility to take out a lump sum at any time and for any reason, e.g. to buy a new car. This way you can plan to spend your savings when you need to.

You can also pay more money into your savings account at any time. If you have other assets, it may be a good idea to consolidate your assets under SuperLife, to give you greater control and to make it more convenient to manage your total retirement income needs. This may be particularly useful as you get older and want to simplify your financial life. SuperLife is both cost effective and tax efficient, and has the flexibility to cope with your individual financial needs.

In addition to this guide, SuperLife has guides available on Wills, enduring powers of attorney and family trusts, as well as on investing and a number of wider investment and insurance issues. When thinking about saving for your retirement, you should see the “Retirement Savings Guide” – it is never too early – or too late – to start saving.

More details on the SuperLife options are in the Product Disclosure Statement.

9. UNDERSTANDING NEW ZEALAND SUPERANNUATION

As a general rule, New Zealand Superannuation is paid to all eligible New Zealand residents. There is no income or asset test. It is normally paid fortnightly on a Tuesday. The following summarises the provisions.

Eligibility

New Zealand residents are entitled to receive NZ Superannuation (the old age pension) if they satisfy all of the following conditions. They must:

- have reached State pension age (currently age 65);
- be a New Zealand citizen or permanent resident;
- live in New Zealand;
- have lived in New Zealand for at least 10 years since age 20;
- have lived in New Zealand for at least 5 years since age 50.

Residence in a country with which New Zealand has reciprocal social security arrangements (like Australia and the UK) counts as residence in New Zealand.

The pension when payable is not backdated. Also, an application can only be made when you are within 2 months of being eligible. Therefore, an eligible person should apply (make an appointment) in the 2 months before turning 65.

Taxation

The pension is taxed as income in the normal way under the PAYE system.

- A universal state pension is paid to all NZ residents who qualify.
- The pension is taxed as income.
- The pension level is linked to the net national average wage.
- The pension level changes each 1 April and when PAYE tax rates change.





Income test

There are no income or asset tests applied to NZ Superannuation. However, entitlements to an overseas social security pension (like the UK's State Pension) but not private, work-related employer-provided pensions, reduce the New Zealand pension by the equivalent amount.

Also, where one person of a couple qualifies and the other does not, both may receive the benefit, but an income test applies in respect of the partner's benefit.

Level

The benefit is linked directly to the national average wage and is reviewed each year (1 April) against changes in wages. The target level for a married couple is referred to as "65 at 65" i.e. a net 65% of the net national average wage from age 65. The current level is 66% of the net national average wage.

New Zealand Superannuation rates – from 1 April 2019

NZ Super is paid to eligible New Zealanders normally fortnightly on Tuesday

	Before tax (gross)		Post-tax (net of M tax deduction)	
	- a year	- a week	- a year	- a week
Single, living alone	\$24,721.84	\$475.42	\$21,379.80	\$411.15
Single, sharing	\$22,731.28	\$437.14	\$19,735.04	\$379.52
Married person (<i>one retired</i>)	\$18,741.84	\$360.42	\$16,446.04	\$316.27
Married couple (<i>both qualify</i>)	\$37,483.68	\$720.84	\$32,892.08	\$632.54
Married couple (<i>one qualifies</i>)	\$17,754.36	\$341.43	\$15,631.72	\$300.61

10. RETIREMENT EXPENDITURE CALCULATION SHEET

You need to work out how much income you will need after you retire

Complete the calculation sheet overleaf, based on a week, a month or a year as best suits your circumstances. Remember to take into account the expected changes in your lifestyle as a result of your retirement. For example, your transport costs may reduce but your health costs may go up.





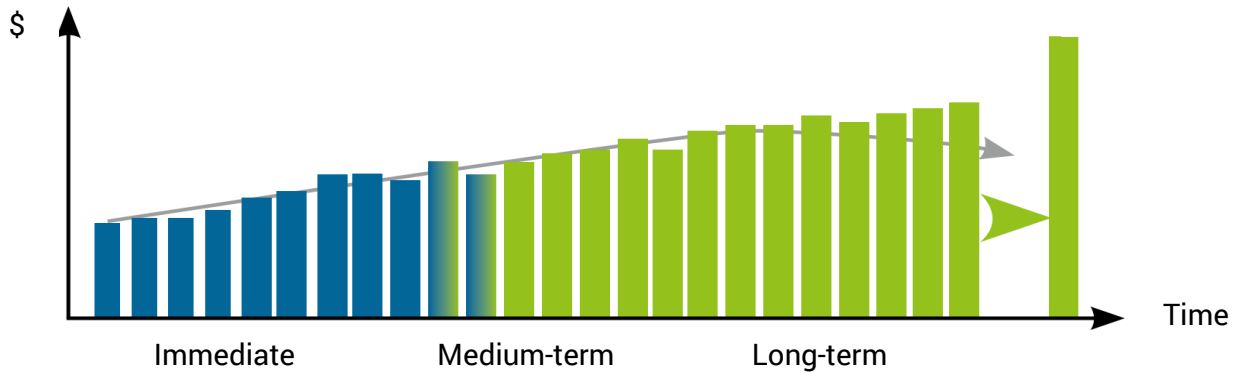
	Today	In retirement		Today	In retirement
Accommodation			Health		
Rent, board			Doctor		
Mortgage payments			Dentist		
Mortgage insurance			Optician/glasses		
Council rates			Medical insurance		
Water rates			Pharmacy		
Electricity			Sub-total (e)		
Heating (e.g. gas, oil, wood)			Personal		
Insurance - contents			Clothing		
Insurance - property			Hair care/cosmetics		
Maintenance and repairs			Dry cleaning		
Contents replacement (e.g. new fridge, furniture etc.)			Other		
Garden costs			Sub-total (f)		
Telephone			Partner/children/grandchildren		
Sub-total (a)			Education		
Transport			Clothing		
Public transport			Activities		
Taxi			Other		
Car payments (e.g. hire purchase)			Sub-total (g)		
Registration			Entertainment/recreation		
WOF			Restaurants/bars		
Petrol/oil			Concerts/movies		
Maintenance (e.g. tyres, battery etc.)			Sky subscription		
AA membership			Papers/magazines		
Car insurance			Videos		
Sub-total (b)			Caravan/boat		
Miscellaneous			Holidays, travel		
Donations			Sports & fitness		
Rainy day savings			Swimming pool		
Pets			Hobbies		
Sub-total (c)			Other		
Housekeeping			Sub-total (h)		
Supermarket			Overall totals		
Delicatessen/butcher etc.			Accommodation (a)		
Chemist			Transport (b)		
Dairy/milk			Miscellaneous (c)		
Alcohol/tobacco			Housekeeping (d)		
Other			Health (e)		
Sub-total (d)			Personal (f)		
			Dependants (g)		
			Entertainment (h)		
			Overall total		





11. INVESTING IN RETIREMENT

1. Understand your expected future expenditure



2. Think about needs

0 to 3 years

Certainty
Safety
Short-term
Rainy day

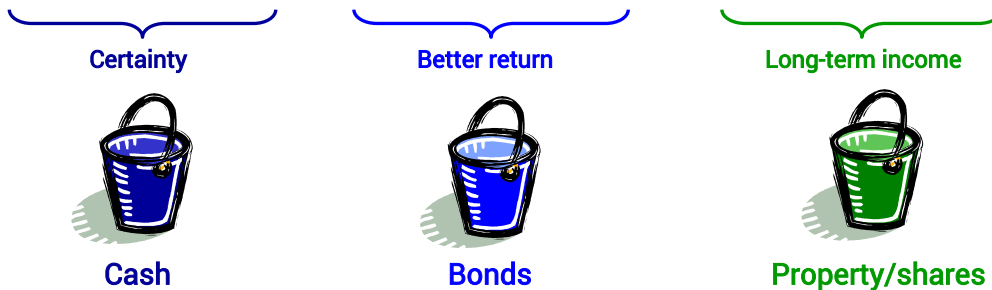
3 to 10/12 years

Improved return
Income
Medium-term
Dampen volatility

10/12 years plus

Inflation protection
Growth
Long-term

3. Allocate to buckets to create an investment strategy

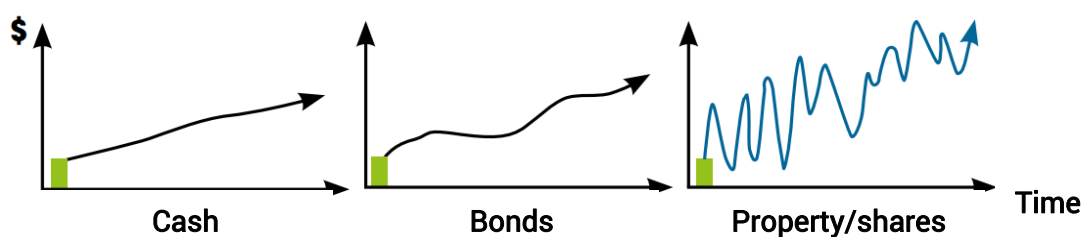


4. Manage the investment strategy overtime

"Theoretical" investment strategies

Age	65	70	75	80	85	90
Cash	17	19	22	31	40	56
Bonds	33	37	48	61	60	44
Property/shares	50	44	30	8	0	0

5. Understand the pattern of returns (market risks)



6. Adjust the investment strategy for personal preferences



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