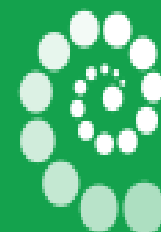


# Decumulating retirement savings: *making the options work*

**Forum: 21 November 2014,  
the University of Auckland Business School**



## Introducing RPRC



Susan St John



Claire Dale



Michael Littlewood

RPRC associates:  
Bridget Browne ANU  
Annie Zhang UoA

# New Zealand retirement system

*Simplest in the developed world?*

- **New Zealand Superannuation**

PAYGO, universal flat rate pension

- **KiwiSaver** Auto-enrolment  
*national lumpsum savings*



***“Make things as simple as possible, but not simpler. ....”***

Albert Einstein

# Do we agree what the problem is?

*NZS- the perfect annuity*

But....

*Middle income groups* are on their own for income over and above NZ Super

- Lump sums may be used up too quickly
  - KiwiSaver
  - Other savings
- Barrier to drawing on home equity
- Longevity risk not insured
- Investment and inflation risk is real
- Risk of expensive healthcare- Long-term care costs

# **The purpose of today**

**Assemble the experts for a current 'state of the thinking exercise'**

## **Morning**

**Learning from Australia**

**What is on the table**

**What about the people?**

**Some options to consider**

## **Afternoon**

**Actuaries' presentation**

**Workshops**

**Plenary: the way forward**

- ***Better Financial Literacy is good but.....***











*You'd no more require employees to make those kinds of decisions than an automaker would dump a pile of car parts and a technical manual in the buyer's driveway with a note that says, "Here's what you need to put the car together."*

Robert Merton, Nobel laureate, economics, 1997, on retirement accumulation, Harvard Business Review, 2014:

# Coming ready or not

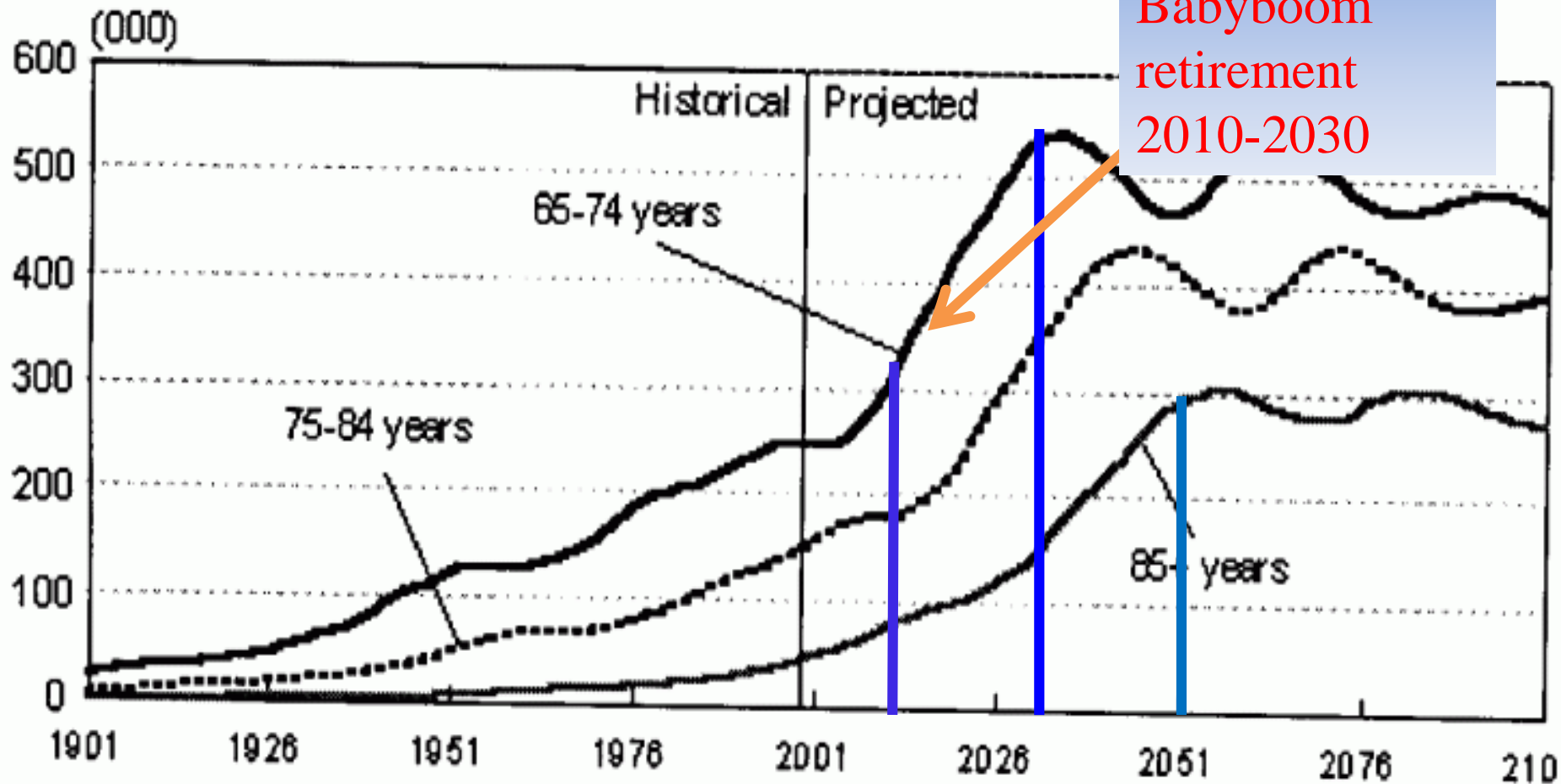
	Population aged 65+
<b>2012</b>	<b>600,000</b>
<b>2036</b>	<b>1,200,000</b>
<b>2060</b>	<b>1,500,000</b>

Projected ratios of different age groups		
	15-64 years	65+ years
2006		
2020		
2030		
2050		

# Urgency of problem

Figure 2.23

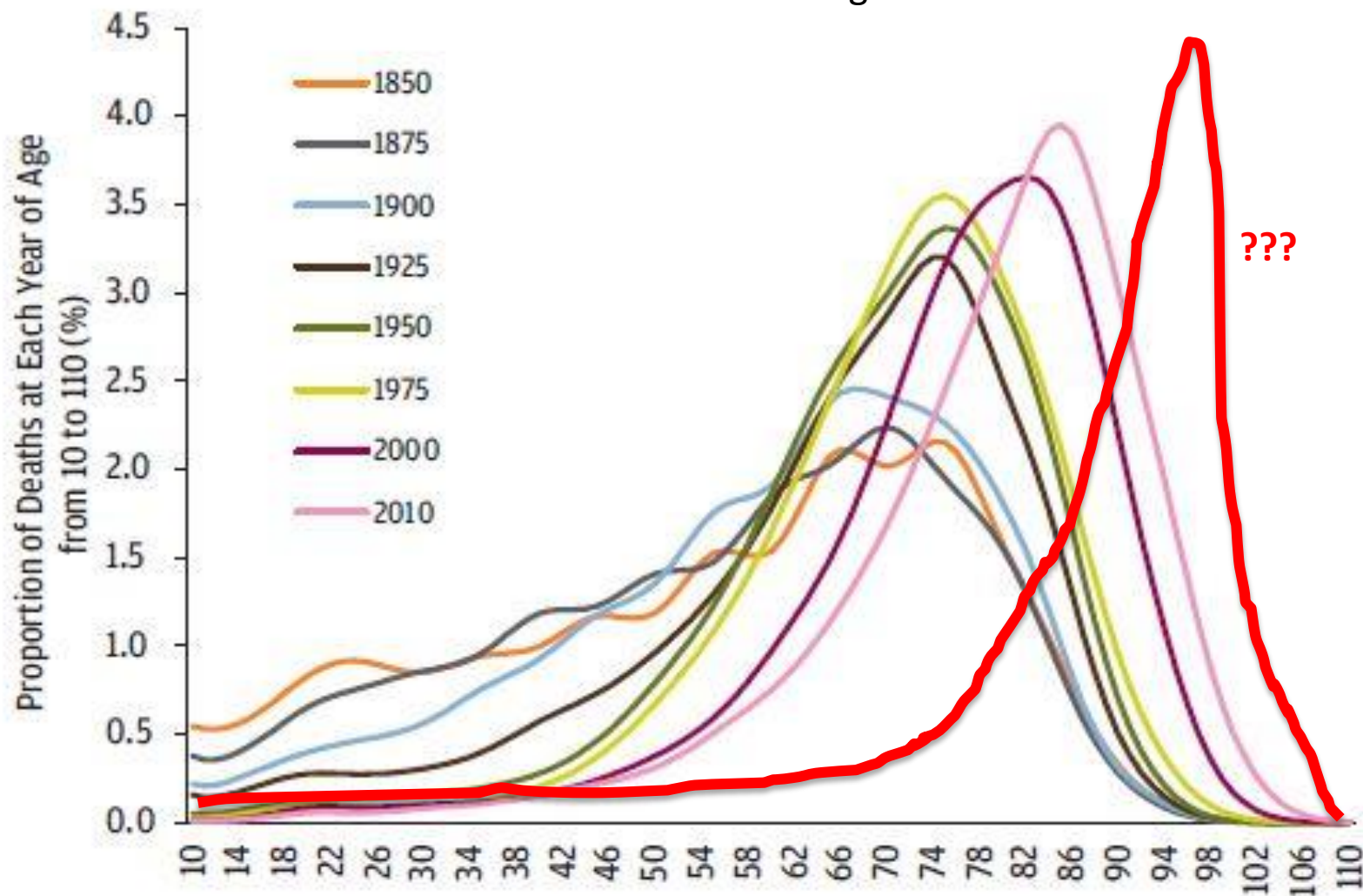
Population Aged 65+ Years by Age Group  
Series 4, 1901-2101





# EXHIBIT 7: PROPORTION OF DEATHS AT EACH YEAR OF AGE FROM 10 TO 110, UK MALES, 1850-2010

Source JP Morgan 2014



Source: The Office of National Statistics (statistics.gov.uk), data as of 1 October 2013

# Task for today

- **How can people be helped to decumulate in ways that are good for them and good for us all?**
- **Output**
  - **State of the art thinking report to government**
- **Political engagement**
  - **2015**

# Housekeeping

- **Folder- programme**
- **Tight time-keeping**
- **Health and safety issues**
- **Biographical details of speakers**
- **Background papers on line**
- **Carparking**
- **Breaks**

# The Retirement Commissioner

## Diane Maxwell

### Focusing on the Future: Report to Government

2013 Review of Retirement Income Policies

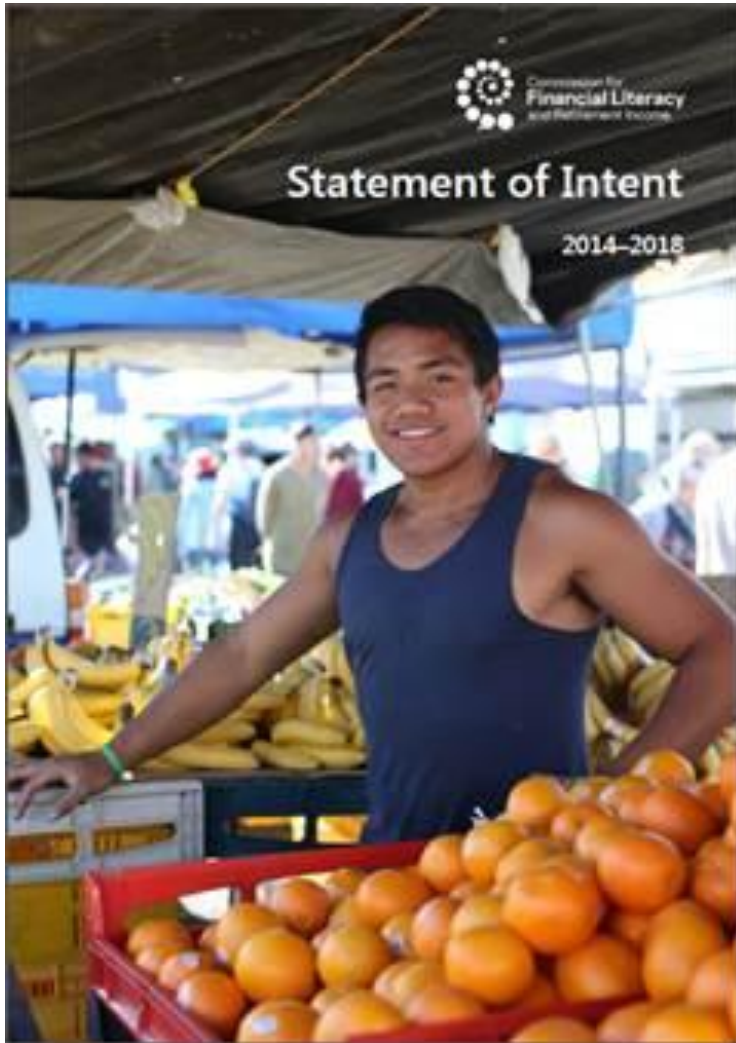
Commission for  
**Financial Literacy**  
and Retirement Income



#### **Recommendation**

*That the Government agree to the Retirement Commissioner convening a broadly representative review to determine the viability of different approaches to the voluntary annuitisation of savings, including KiwiSaver balances on retirement.*

# The Retirement Commissioner Diane Maxwell



**Jeremy Cooper  
Chairman,  
Retirement Income at  
Challenger Limited**

