

# **Decumulating retirement savings: making the options work**

RPRC Auckland University, 21 November 2014

## **Workshop session: 3**

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**Opening statement:** NZS largely prevents poverty in old age - 40% of NZers solely reliant on NZS for retirement income. This is not the target group as they are unlikely to have significant assets accumulated at retirement.

Report back under the headings of **needs; barriers; and solutions.**

### **Needs for middle-income NZers**

- Middle income NZers are a diverse group so needs are varied. Diversity across timing and staging of withdrawal from the labour force, health status, family/informal support situation, housing.
- Apparent trend is for reducing proportions of individual home ownership, and rents are high so need for income increases.
- Expectations for the middle-income group have changed over time. Expectations include luxuries eg overseas holidays, cruise, new car, refurbish the home. Less emphasis on legacy/bequests.
- Aspirations: 'live the life they aspire to without running out of funds'.
- Information and advice from a (free) trustworthy source are desirable but difficult to find and sometimes difficult to retain/process completely.
- There are diverse priorities: Peace of mind, certainty, minimal risk, secure income, but also flexibility.
- Fear of fraud, of unregulated market, of ill health, of outliving capital.

### **Barriers**

- Lack of knowledge of available decumulation products
- Lack of choice of decumulation products
- Unwilling to pay for advice or information about financial management
- 2000 authorised financial advisors (AFA) so potentially 700 households each
- Lack of trust in the market

### **Solutions**

- Financial literacy starting pre-retirement (eg schools or workplace-based)
- Sound and accessible affordable advice (reluctance to pay)
- Existing product offering could be completed by a lifetime income product
- Sensible, safe default option annuities
- Some state involvement in provision of products (regulation or guarantee) to promote trust in the products.