



## Moving the goalposts

*One of the oft-quoted rules about setting goals is to make them realistic.*

*If a sports coach tells a young woman that to get into the Olympics she must train four hours a day, she may well give up. If he says 30 minutes of daily training should get her into the top club team, she is more likely to rise to the challenge.*

The same is true of retirement savings goals. If you've ever worked through a formula or calculator that shows you need to save a huge portion of your income from now until retirement, you may have turned your back on the whole topic. It's just too hard.

A more positive way of thinking is that, even if you save much less than suggested, you will clearly be better off than with no savings at all.

Another idea is to consider how working part-time in the first five or ten years of retirement can reduce your required savings at 65 – without reducing your income during retirement.

An increasing number of people are continuing to work in paid employment, at least part-time, after their 65th birthday. In fact, about a quarter of 65-69 year olds now work.

Many do it for social reasons, or because they want the challenge. But they also find that it can make a big difference financially – depending, of course, on how much they earn, and for how long.

Let's look at the situation for Jack, a single 50-year-old with no retirement savings who expects to retire at 65.

He would like an annual after-tax retirement income of \$30,000, including his after-tax \$13,300 of NZ Super, until age 86.

That age is about five years past the average 65-year-old male's life expectancy – just in case Jack turns out to be long-lived. If he lives on past 86, he will be content with just NZ Super.

- If he stops work completely at 65, he will need to save \$274,000. He must put aside \$15,100 a year until retirement.



- But if he earns just \$5,000 a year for five more years after 65, his required savings at 65 drop to \$250,000. That means putting aside \$13,800 a year – somewhat easier.

- And if he earns \$20,000 a year for ten more years after 65, the savings target is only \$96,000. He would need to save only \$5,300 a year – not much more than a third of the original figure. For more examples, turn the page.

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### WHAT ABOUT COUPLES?

*The examples in this article also work for couples, except that NZ Super is about \$8,000 more a year, after tax. So you would get income of \$38,000 a year.*

*Unless you are both in poor health, you are best to use the graph and table for retirement income continuing until 90.*