



Media Release

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Retirement confidence drops as investors realise impact of inflation on their savings target

28 per cent of savers say they intend to increase KiwiSaver contributions to reach their higher inflation-adjusted target

Only 39 per cent of those with a retirement savings target are confident of reaching their goals according to ANZ's Retirement Savings Confidence Barometer, released today.

Confidence has fallen from a previous high score of 50 per cent in November 2013. The drop is due to the survey adjusting peoples' savings targets for inflation for the first time.

"The impact of this change is significant," said John Body, ANZ Wealth Managing Director.

"A quarter of male respondents and 32 per cent of women said they would increase their KiwiSaver contributions now they could see the impact of inflation on their goals.

"The results show that many people have not factored inflation into their savings plans. If you've got more than ten years before you retire, then you'll need to think about how inflation will impact the buying power of your savings".

Confidence fell most steeply among 25-44 year olds. Only 38 per cent were confident in today's survey compared to 54 per cent in November 2013. People earning more than \$100,000 a year are also less confident - down from 66 per cent to 50 per cent as the reality of inflation takes hold.

In previous surveys the respondents' lump sum target was generated by asking how much additional weekly income they wanted, in today's dollars, on top of the NZ Super entitlement of \$348 a week. From now on the additional weekly retirement income that people choose will be adjusted for inflation.

"What this means for a 30-year-old who is planning for a retirement income of \$200 a week on top of NZ Super, is that the target they need to save toward will probably be double today's money when they reach 65," Mr Body said.

"The change to our survey provides a more realistic financial target for the retirement lifestyle people want to have. There are things people can do to compensate for inflation without necessarily lowering the amount they'd like to live on in retirement. People can increase their contribution rate or change their investment approach."

ANZ calculates that a 30 year-old earning \$50,000 a year, contributing 3 per cent of their salary into KiwiSaver using the life stages investment approach, could achieve about \$340,000 in their account when they reach 65. This would deliver about \$200 a week in 35 years' time when adjusted for inflation.

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Key figures from ANZ's Retirement Savings Confidence Barometer: January- February 2014

- **Savings targets are now adjusted for inflation.**
- Retirement confidence now at 39% feeling confident of reaching their goals, among those who are saving, planning to save or expecting to have an additional income in retirement, down from 50% in November 2013.
- 28% of those savings said they would increase their contributions after seeing the impact of inflation.
- 58% said they would not change their plans now they could see impact of inflation but accepted they would need to save more.
- Confidence dropped across every age group; however there was little change among 55-64 year olds where confidence moved from 45-42%.
- 51% chose up to \$300 a week for their preferred additional retirement income, down from 56% in November 2013.
- 27% of those who plan to have a retirement income on top of NZ Super chose \$500 or more as their additional weekly income, same as previous survey.
- 70% of those surveyed are saving for retirement up from 64% in August 2013.
- 24% of those not saving expect their retirement income to come from other sources like selling their business, an investment property or an inheritance, down from 29% in previous survey. 58% of those not saving now plan to save in the future, up from 53% in November 2013.
- 5% of all respondents said they intend to live solely on NZ Superannuation in retirement, same as previous survey.

Visit [ANZ FutureWise](#) : Our guide for making the most of KiwiSaver.

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Research provided by IPSOS. Ipsos is the world's third largest market research company and the largest company still managed by researchers. Ipsos entered the New Zealand market in 2011 through its purchase of Synovate and remains New Zealand's most awarded market research company. Full questions, sampling and methodology details are available on request.

*Notes for retirement income calculation and confidence barometer

For ANZ's Retirement Savings Confidence Barometer, researchers (Ipsos) surveyed 989 people aged 15-64 years between August and October 2013 about the level of retirement income they would like to have in addition to NZ Superannuation. The survey presented respondents with the lump sum they would need to save by age 65 to generate their chosen additional income, and asked how confident they were of reaching their goal. The calculations for lump sum savings targets are now adjusted for inflation.

The retirement income calculation is based on saving a lump sum of \$83,000 by age 65, delivering an after tax return of 4.5 % pa, resulting in \$100 per week income for 20 years. The income is inflation adjusted at an annual rate of 2.5% thus maintaining purchasing power of the \$100 throughout the 20 year period.