Civic Financial Services Ltd

SERVICING LOCAL GOVERNMENT ACROSS NEW ZEALAND

Making retirement super easy: Key financial considerations before you retire

Presentation by Charlie Howe CEO

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CHARLIE HOWE

CEO CIVIC FINANCIAL SERVICES LIMITED

Grew up in Palmerston North and attended Palmerston North Boys' High School.

I joined the National Bank in 1977 and spent 40 years with the company. Held Senior Executive roles which covered different communities within New Zealand. General Manager of Business / Retail Banking and part of the Executive Team responsible for the biggest bank merger in New Zealand history, combining the National Bank into ANZ.

"The bank was my second ***whānau****, and I loved every day of my job."*

I then worked in Central Government as Director for Māori and Pacific at MSD, supporting the development of Te Pae Tawhiti, the Māori strategy.

The role as CEO of Civic Financial Services Ltd is about telling our story of helping people save for their first home and their retirement.

Been married for 45 years, raised four talented kids and is now a doting grandfather to six grandkids. I'm a sports fanatic (specifically a Liverpool supporter) and have represented New Zealand in both football and softball at the age group level.

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How much money is enough for retirement?

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The amount needed depends on your lifestyle and location. For example, retiring in Auckland or Wellington will require a higher budget compared to moving to Benneydale or Gore.

General estimates (as of 2025):

- Basic lifestyle: $300,000–$400,000 in savings - suitable for those relying primarily on NZ Superannuation with minimal discretionary spending.
- Comfortable lifestyle: $600,000+ – allows for travel, entertainment, and unexpected costs

But also consider that we're living longer nowadays – retirement could last 20+ years

Tip: The New Zealand Retirement Expenditure Guidelines suggest that a two-person household in a metro area needs around $1,200 per week for a comfortable retirement.

Will superannuation or KiwiSaver be enough?

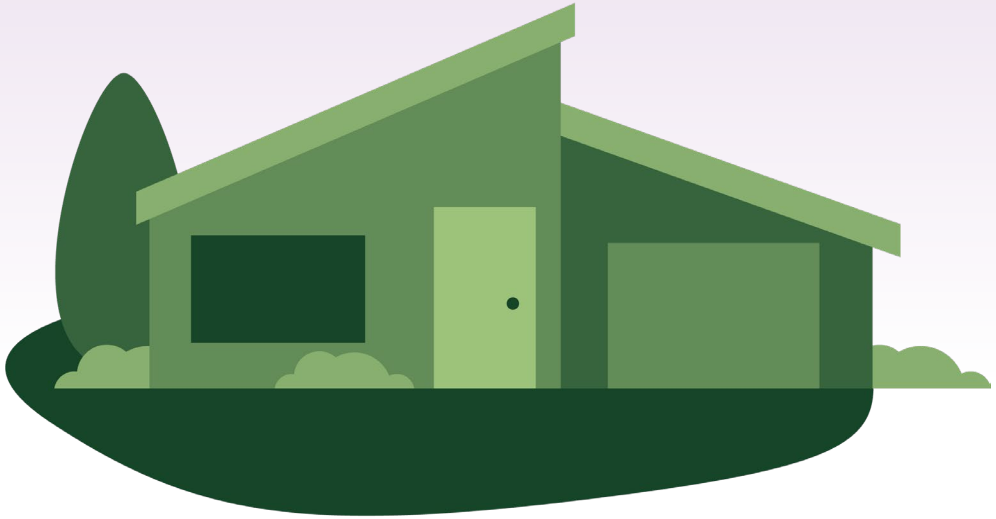
Current superannuation rates: Approx. $462 (single) or $712 (couple) per week after tax. These may change annually.

This covers basic costs but not discretionary spending – such as travel, hobbies, and unexpected medical expenses.

So, there may be a gap between your expenses & superannuation or KiwiSaver – meaning it's likely that you may need additional savings for a comfortable standard of living.

Example: A retired couple in Auckland may need around $1,200–$1,500 per week, but Super only provides about $712 – meaning a shortfall of up to $800 per week must be covered by savings or other income sources.

Paying off mortgage vs. saving more?



Should you focus on paying off your home or growing retirement savings? This depends on individual financial circumstances.

- **Pros of paying off mortgage first:**
  - Eliminates a major financial burden.
  - No risk of rising interest rates affecting repayments
  - Provides security and peace of mind
- **Pros of prioritising savings:**
  - KiwiSaver and managed funds can offer compound returns.
  - Flexibility if needed later – liquid assets can be accessed if needed.
- **Example scenario:** A 57-year-old with a $100,000 mortgage and $50,000 in savings might benefit more from paying down debt if interest rates are high. However, if mortgage rates are low, investing savings may yield better returns.

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Smart investment strategies for retirement

Diversifying funds can provide stability and reduce financial risk.

Suggested allocations:

- **KiwiSaver (50%)** – Reliable long-term growth with government and employer contributions.
- **Managed Funds (30%) –** Medium-risk investments providing better liquidity than KiwiSaver.
- **Emergency Savings (10–20%) –** Accessible cash for unexpected expenses (e.g., car repairs, medical bills).

Tip: Consider rebalancing your investments as you approach retirement – shifting towards lower-risk assets to protect savings from market downturns. SuperEasy's Automatic fund is similar in function.

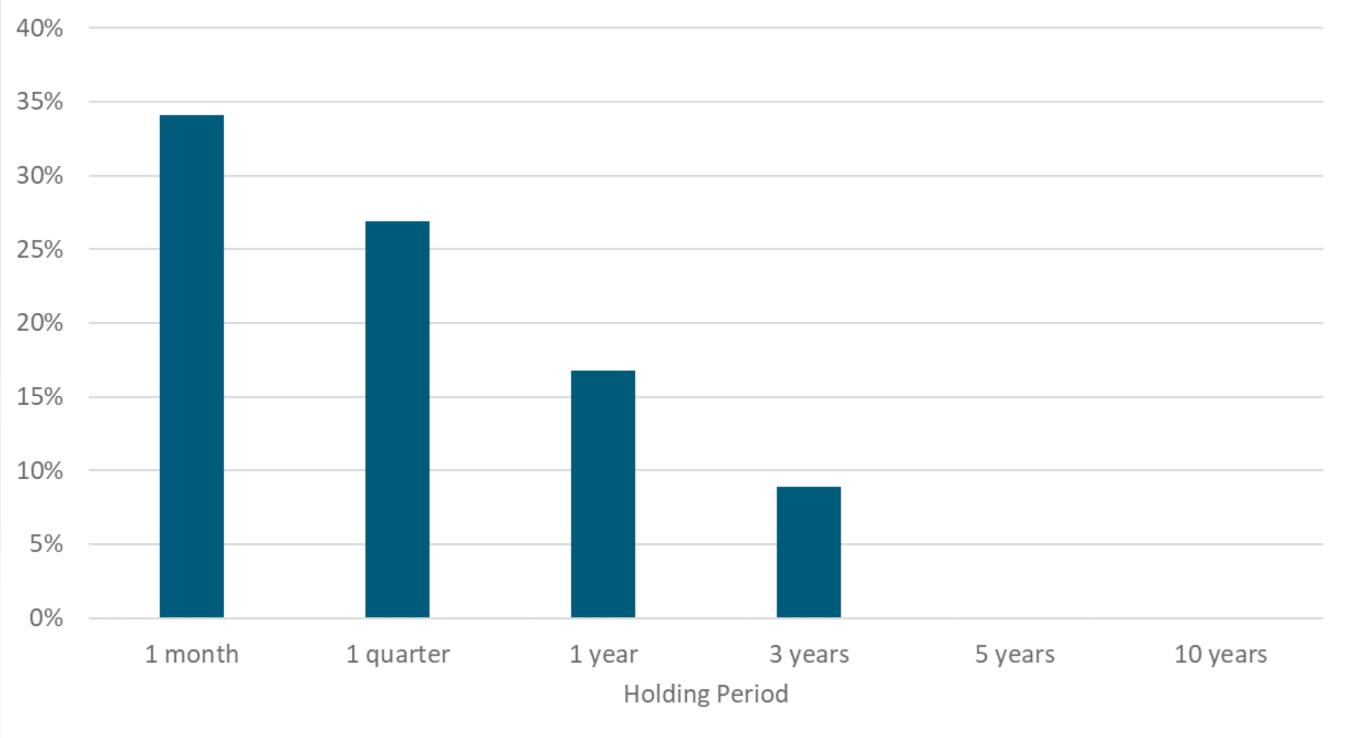
Why increasing your KiwiSaver contributions matters

Even a **1% increase** in contributions makes a big difference over 5-10 years

- Benefits:
  - Employer matching – If you contribute at least 3%, your employer also contributes 3%, doubling your investment immediately.
  - Compounding returns – The earlier you increase your contributions, the greater the benefits over time.

- Example scenario:
  - Increasing from 3% to 4% at age 55 could add $20,000+ to your KiwiSaver balance by 65, depending on returns.
  - If contributing 6% instead of 3%, total savings could grow by $50,000+ over a decade.

Investing is for the long term. That means years, not weeks or months

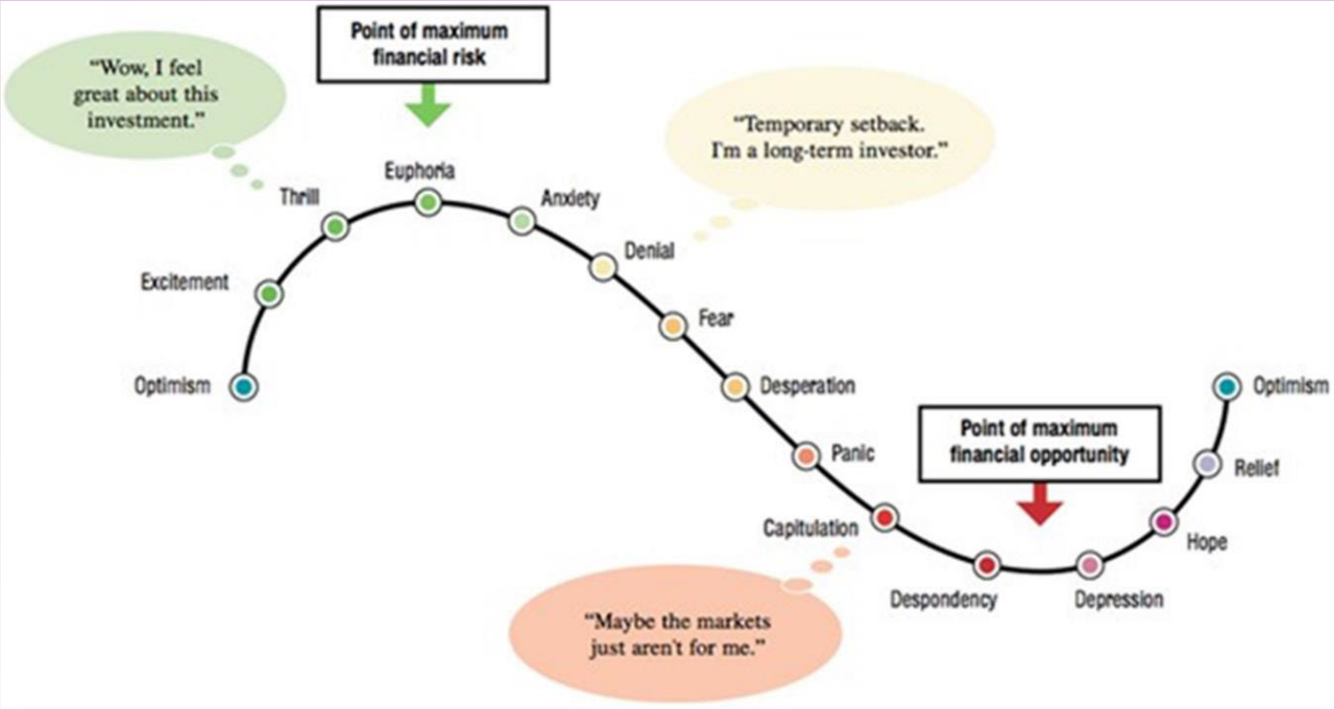


This chart shows data for a Balanced, diversified fund investing 60% in domestic and global growth assets like shares and 40% in defensive domestic and international assets like bonds.

The horizontal axis is the holding period: 1 month to 10 years. The vertical axis shows the probability that a negative return is experienced, topping out around 35% for a holding period of 1 month. That means if you only invest for a month, there is a greater than 1-in-3 chance of you getting back less than you invested.

Notice how the chance of a negative return falls the longer the holding period.

Fear and greed can drive markets to extremes

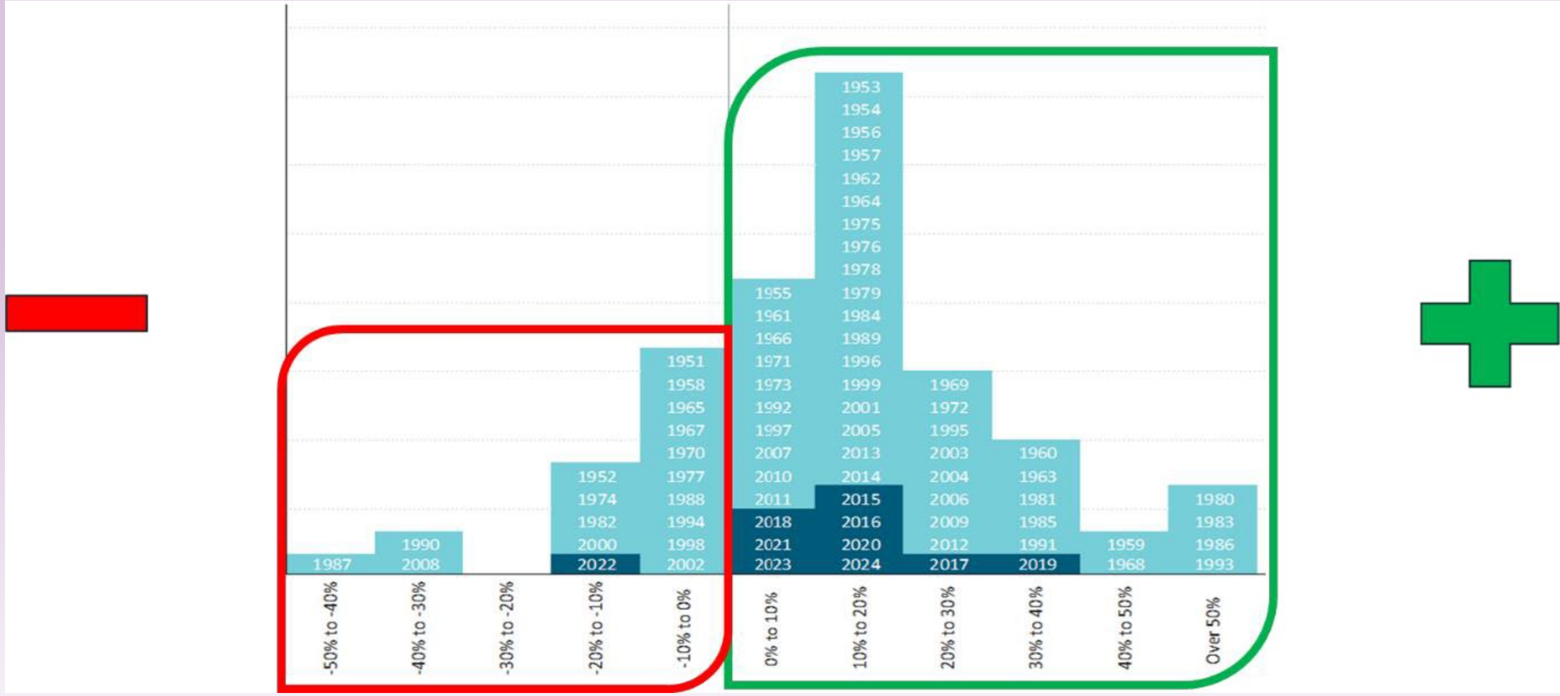


Investing is a long game; we are talking about years or generations, not days or weeks, because there are risks involved. There's a trade-off between risk and return – the higher the risk, the higher the return should be over a long period.

If it sounds too good to be true, it probably is – beware the scams.

Your investment philosophy must be consistent with your personal psychology, or you may make poor decisions at the worst possible time.

We tend to remember the bad years more vividly



Over 70 years have resulted in a positive return for NZX – that's 3 out of 4 years in the green.

Since 1950, we have had only three occasions when share markets fell by 20% or more in a year. 1987 (so-called Black Monday, although it was Tuesday here), 1990 (the year Iraq invaded Kuwait) and 2008 (GFC, in particular when the US Federal Reserve allowed Lehman Bros to collapse).

However, the market has risen by 20% or more 21 times, most recently in 2017 (on strong and synchronised global growth) and 2019 (capping the decade-long boom following the GFC driven by really supportive monetary policy).

This data supports that it is time in the market, not timing the market that delivers the best returns.

Time in the market, not timing the market

Market prices go up and down. No one knows exactly what the market will do or when, so a sensible approach might be to average into your investment.

Some days, you might pay more per unit, and others you may get lucky and pay less, so this is another way to reduce risk.

KiwiSaver works like this: you contribute a small % every pay day. You can do the same with managed funds and still be diversified the whole time.

Stick to your knitting!

Managed funds offer diversification in one neat package – KiwiSaver is a good example, but many others don't lock you in until retirement age. Managed funds are a great way to access a diversified portfolio, even for smaller amounts.

Diversifying spreads risk across more investments, and the funds are managed by professional investment managers whose day job it is to invest.

Managed funds can be diversified geographically, for instance, NZ or overseas, as well as by security type, e.g., shares or bonds, and by theme, such as responsible/ethical investment, benefiting the environment, etc.

Sometimes, the best thing to do with your investment is nothing. Fear and greed may drive markets to unreasonable extremes in pricing.

What does a professional investor like Harbour do whilst markets are volatile? Stick to our knitting!

Final checklist for a strong retirement plan

✅ Understand how much you'll need - use a retirement calculator like Sorted to estimate future expenses.

✅ Assess your KiwiSaver vs. living costs, and plan for potential shortfalls.

✅ Decide on mortgage vs. savings strategy. Choose the best approach for your financial situation.

✅ Diversify investments – spread risk across KiwiSaver, managed funds, and cash savings.

✅ Consider increasing KiwiSaver contributions. Even small increases can significantly boost your retirement fund.

Next steps

- Talk to a financial advisor or SuperEasy representative
- Visit https://supereasy.co.nz/ for tools and resources
- Plan ahead – small changes today can make a big impact later

Questions

- **Q: How much should I be putting into KiwiSaver each week?**

A: You can only contribute a minimum of 3% of your salary, so that's a good start. But if you can afford 4% or 6%, it will make a huge difference over time. The Government and your employer will match parts of your contributions, so the more you contribute, the more "free money" you get.

- **Q: Is it better to buy a home or focus on saving for retirement first?**

A: Both are important. Buying a home provides stability and long-term savings through equity. You can use your KiwiSaver for your first home and then refocus on retirement savings afterward.

- **Q: Am I on track to retire at 65, or do I need to play catch-up?**

A: A good rule of thumb is to have 2–3 times your annual salary saved by your mid-40s. Use the Sorted retirement calculator to check your progress and adjust if needed.

- **Q: How do I balance paying the mortgage, supporting kids, and saving for the future?**

A: Prioritise high-interest debt and essentials. Then, try to maintain your KiwiSaver contributions. Even 3% keeps you in the game. Look for small savings in your budget to boost contributions.

- **Q: Will I have enough to live on, or will I need to work part-time in retirement?**

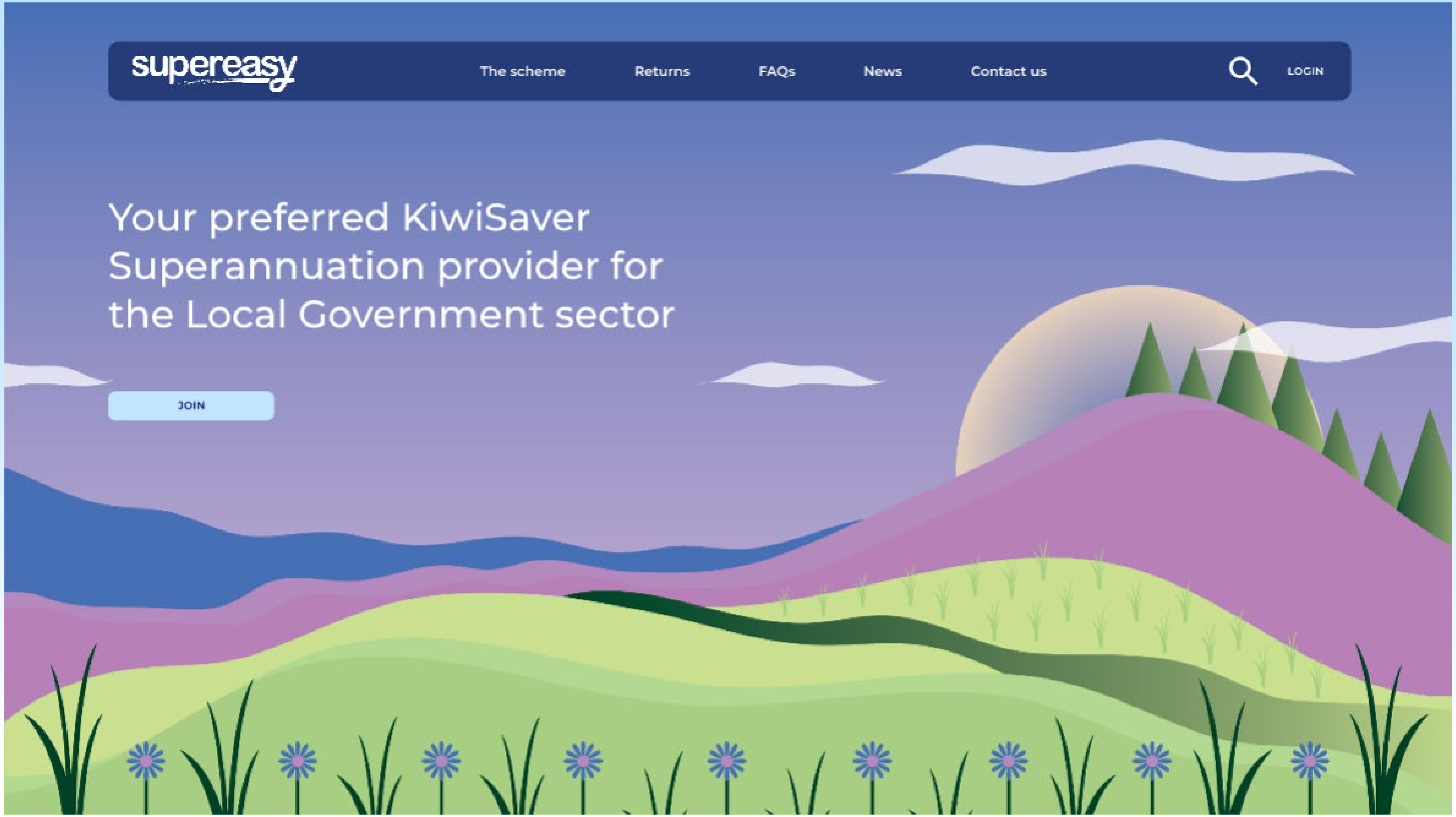
A: That depends on your lifestyle and savings. NZ Super covers basic costs, but many choose to work part-time to supplement their income and ease into retirement.

- **Q: Should I be ramping up my contributions now?**

A: Yes! Your final 10–15 working years are crucial. Increasing your contributions to 6% now can significantly boost your balance. For example, contributing an extra $100 a week for 10 years could grow to over $70,000.

It's super easy to join!

www.supereasy.co.nz



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