

How much do I need to retire comfortably?

April 2026



Most of us avoid talking about retirement. It can feel daunting to think about getting older and realising we may not have saved enough! But deep down, we know that relying solely on NZ Super is unlikely to provide a comfortable lifestyle in our later years.

Figuring out how much income you will need in retirement is a crucial step, and the earlier you start planning, the better your chances of achieving financial security.

To help with this, we have summarised the key insights from the latest Massey University Retirement Expenditure Guidelines and will explore:

- What retirement income should you aim for?
- What will you receive from NZ Super?
- How much additional savings might you need?
- What are some of your options if you are not on track?

What income should you aim for? (the best way)

Everyone's situation is unique, so the best way to determine your retirement income needs is through a bottom-up approach, analysing your current expenses and adjusting them for retirement. If this sounds overwhelming, don't worry! We also provide easy reference points based on Massey University's research.

Step 1. Calculate your household income

The first step is to figure out your current net (after tax) household income. To do this, you should take your bank statements and payslips to determine, what you receive on an annual basis 'after-tax'.

Step 2. Adjust for retirement

Once you have this number, you should adjust this for when you are not working. Firstly, reduce your income requirements by removing any expenditure that will stop when you retire.





For example:

- You'll no longer have to save for retirement (obviously!)
- You might spend less on commuting expenses and other costs related to going to work
- You may have paid off your mortgage by the time you retire

You also need to factor in how other lifestyle expenses may increase, as with all that spare time, some costs may go up.

For example:

- Do you plan to undertake more travel or weekends away?
- What hobbies or interests do you have or want to explore, and how much will these cost?
- Do you wish to provide financial support to your family? For example, you may wish to help your children or grandchildren with a wedding, education costs or getting on the housing ladder

Your situation will evolve, and spending patterns will shift as you age. Completing this exercise will give you a solid estimate to refine over time.

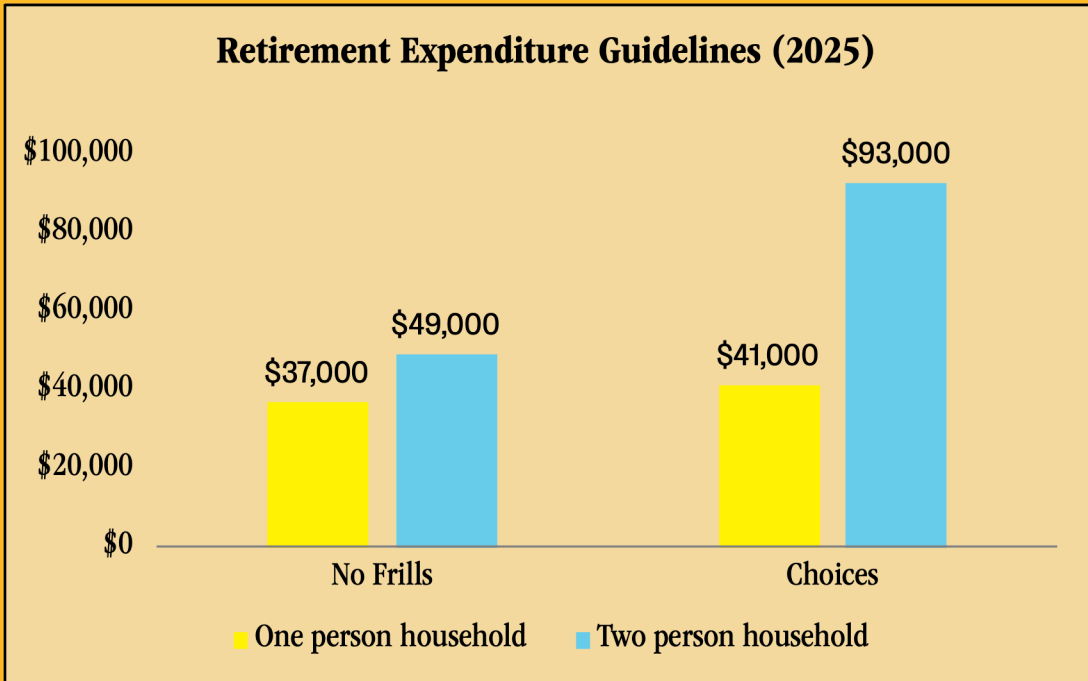
What income should you aim for? (the easy approach)

If you prefer a quick answer, we turn to the Massey University Retirement Expenditure Guidelines.

These guidelines provide estimates for two types of retirement lifestyles:

- **No Frills:** Covers basic living expenses with minimal luxuries.
- **Choices:** Provides a more comfortable lifestyle with discretionary spending.

Based on the results from the 2025 study, the net annual income levels for a one and two-person household in a metro area, are shown on the following page.



Based on the study, the net annual income for a two-person household (combined) to live a 'No Frills' retirement will cost \$49,000 and for a 'Choices' retirement will cost \$93,000 (both figures rounded to the nearest \$1,000).

The No Frills income is based on the Household Expenditure Survey (HES) and represents the average income in the 21st to 40th percentile of New Zealand retired households. It is intended to reflect a basic standard of living and includes few, if any luxuries.

The Choices retirement represents the average income in the 61st to 80th percentile of the HES and is intended to represent a more comfortable standard of living, which includes some luxuries or treats.

Put another way, around 40% of New Zealand retired households will have incomes between the No Frills and Choices income levels, whereas approximately 30% will be below No Frills and 30% above the Choices income level.

What you need in retirement will be unique to you and your situation. You can derive an estimate by completing the exercise outlined earlier. You may be happy with less than the No Frills, or the Choices income may not be enough. But the expenditure guidelines should provide some helpful reference points.

Retirement Isn't a Single Phase of Life

When people think of retirement, they usually imagine one single phase of life heading out to a distant horizon. However, retirement is more likely to consist of several phases, based on your age and the health of you and your partner.

Your income needs are therefore likely to vary as time goes on, based on how active you are. With higher spending in your early retirement and less spending in your later retirement when you tend to start slowing down.



One way of approaching this, is to consider retirement in three distinct phases:

1. The Go-Go Years
2. The Slow-Go Years
3. The No-Go Years

The Go-Go Years. Typically, this is the early stage of retirement (say the first 10), when you have a desire to be active, want to explore new experiences and perhaps fulfil long-held aspirations. You should plan to spend more dollars in this period than you will later. After all life is uncertain and you can't take it with you. Some sensible planning is needed of course to ensure you don't go overboard, but in our experience, it is more common to see retirees going without and needing some encouragement to spend, rather than the other way around.

The Slow-Go Years. During this middle phase (say, the following 10 years), retirees typically start to spend less money. They may not be so keen on travel, which can be wearing, nor may they feel like pursuing activities that require a high degree of energy. Retirees in the Slow-Go phase often trade in windsurfing and tango lessons for modest social activities and home based fun. Golf and tennis might also become bridge and bingo.

This physical slowdown results in a financial slowdown. Naturally, you'll spend less money if you're not traveling as much and staying in for dinner.

The No-Go Years. Today's retirees are living longer and more active retirements than any before. The final phase will depend on your level of health but could be somewhere between 5 to 10 years.

You'll see another slowdown in activity during this period, usually with a reduction in social activities and the ability to get around. Your No-Go spending may have to adjust to your ability to live independently.

Some retirees can age comfortably in their own homes, while others may need to transition to a rest home. Healthcare expenses can be critical at this stage. Medical expenses will generally rise and if you have private medical cover this can consume a large proportion of your budget. But overall, you may find your overall expenses are similar to the slow-go years or could even decline.

These retirement stages and the time spent in each will be specific to your situation. For example, if you took early retirement and are healthy, your Go-Go period may be more like 20 years.

How much will I receive from NZ Super?

Upon reaching age 65 and providing you are an NZ citizen or permanent resident who normally lives here at the time of applying, you may be eligible for NZ Super. To qualify you must have lived in NZ (or a country NZ has a social security agreement with) for a total of 10 years since you turned 20 (5 of those years must be since you turned 50).

In November 2021, the New Zealand Government passed a bill that means that, over time, people will have to have lived longer in NZ before they qualify for NZ Super.

Starting in July 2024, the residency period will gradually increase to 20 years by July 2042. People will still need to have lived in NZ for at least five years since they turned 50.



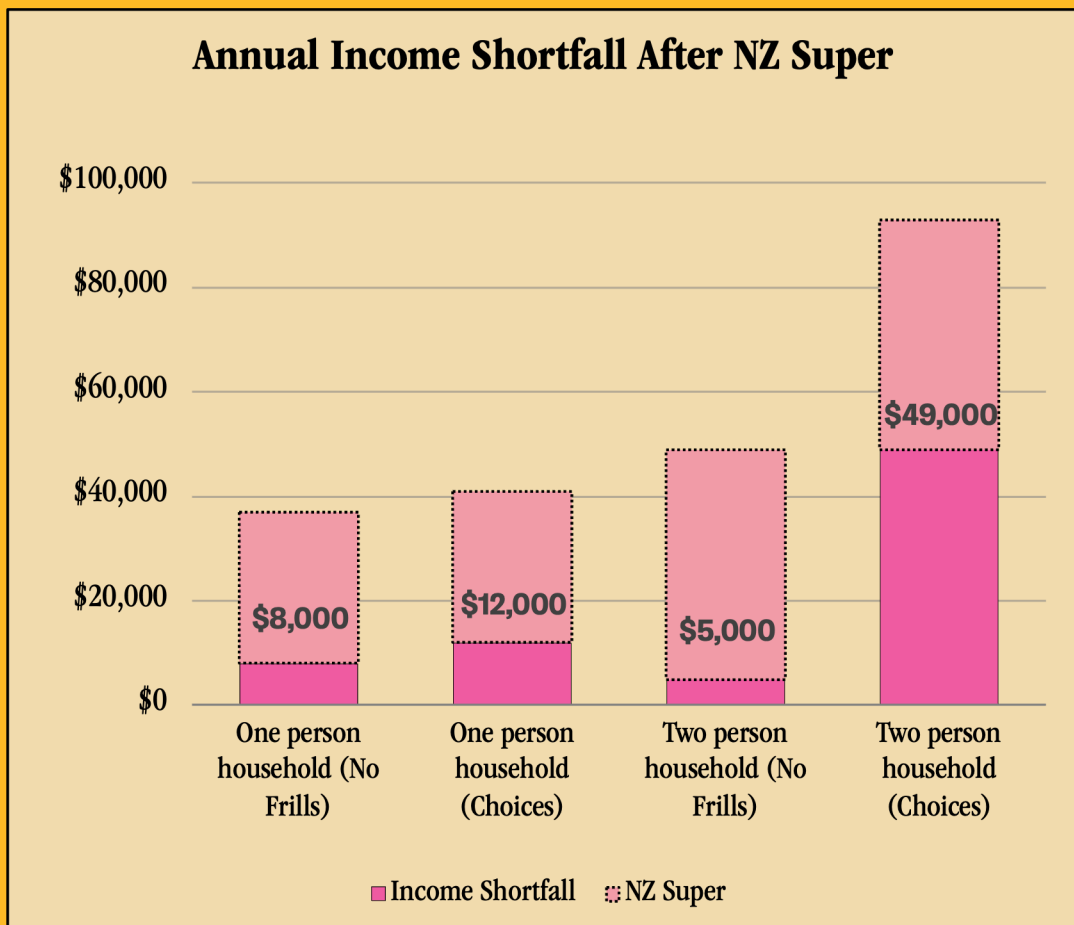
The level of NZ Super as of 1st April 2026, after tax and assuming no other income, is shown in the table below.

NZ Super	Fornightly Income	Annual Income
Couple (both qualify)	\$1,708	\$44,412
Equivlant per person	\$854	\$22,206
Single person (living alone)	\$1,110	\$28,868

From the chart, a two person household would need an additional income of \$5,000 between them to achieve the No Frills retirement and an additional \$49,000 between them to achieve the Choices retirement.

For one person household, the income shortfall is \$8,000 for the No Frills and \$12,000 for the Choices retirement. This income shortfall must be met by a single person, rather than as a couple combined.

Incorporating NZ Super into the No Frills and Choices retirement income targets, inevitably produces an income shortfall. The level of shortfall is shown in the chart below (again figures rounded to the nearest \$1,000).





What assets do I need by retirement to plug this gap?

We now turn to the main question. Which is what does your total retirement savings pot need to be to plug this gap?

To do this accurately, unfortunately you will need some sort of financial modelling software. However, for the purposes of this article, we just want to obtain an estimate and will therefore use a simple rule of thumb method instead.

The rule of thumb method we use is the 5% method. Under this approach, you take a fixed amount of 5% from the starting value of your retirement pot and do not adjust this for inflation (i.e. leaving it at the same amount each year).

This will mean that over time the spendable income will reduce, once inflation is taken into account. You will therefore have more spendable income in your early retirement and less later on, but this pattern may align to your overall expenditure requirements through the different stages of retirement.

For example, for each \$100,000 in the starting value of your retirement pot, you could take a net income of \$5,000 per year if retiring at age 65.

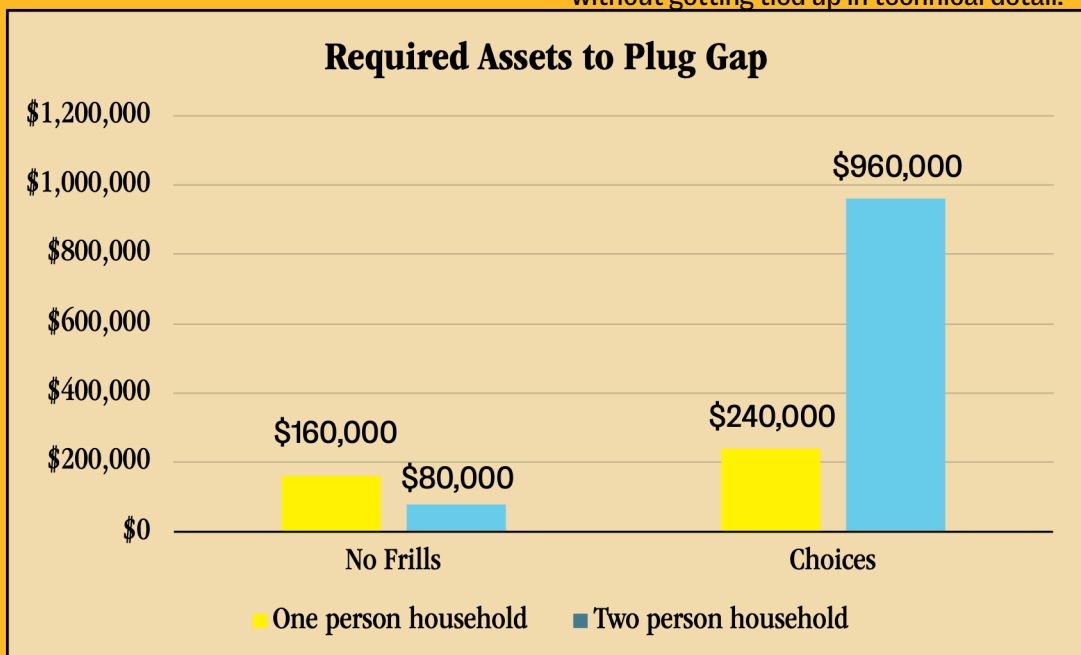
This rule of thumb method will spend your investment assets over time, and depending on how long you live and the investment returns, you could run out of money. However, it should provide a good balance between living for today, whilst not spending your retirement pot too quickly.

If we use the 5% rule of thumb method, based on the No Frills and Choices retirement income shortfall levels we calculated earlier, the investment assets that we would need to accumulate by age 65 is shown in the chart below.

You can see that the funding shortfall after NZ Super, for a two-person household to achieve the No Frills retirement is \$80,000 between them. Whereas the funding shortfall for the Choices retirement is much higher at \$960,000.

The retirement pot to plug this gap can come from a variety of sources. Such as your KiwiSaver, cash deposits, shares, a rental property and other investments. It could also come from a possible future inheritance, or from downsizing your main home.

The 5% rule of thumb does not take into account different investment strategies, or variations in the level of withdrawals each year. However, it should help to give you a starting position, without getting tied up in technical detail.





Are you on track?

To determine if you are on track you will need to add up all your investment assets, then adjust this for how they are expected to grow between now and retirement and include any additional savings you plan on making.

Typically, when doing this, you should use a net real return (i.e. after tax, fees and inflation) of between 0% and 4% p.a. depending on the overall level of risk of your retirement assets.

If you find you are well on track to meet your income goals, you could consider reducing the level of risk or have the freedom to retire earlier if you wish.

If the analysis shows that you are unlikely to meet your income goals, depending on your situation, you have a number of choices, such as:

- Increase the level of your savings.
- Delay retirement plans or work part-time in retirement for a few years to delay the date that funds are used to provide income.
- Consider how you could use some of your lifestyle assets. Such as selling your second home or downsizing to a smaller property.
- You could also revisit your income targets, if, in hindsight, these were set at too high a level.

One of the other levers you have is changing your investment strategy. You could take on more risk to try and achieve a higher return. But you should make this decision very carefully, as rather than propelling you forward, it could mean you end up in a worse position.

The three interconnected elements to consider in relation to your overall investment strategy and risk level, are:

- **Your required rate of return.** This is the returns you need to achieve your investment objectives.
- **Your capacity to take risk.** Think of this as your financial ability to recover from a setback. It should also take into account your investment time horizon before you need to start drawing down any significant funds, the level of income you need, as well as what other assets you have.
- **Willingness to bear risk.** We often think of this as your ability to sleep at night with your chosen strategy. You don't want your strategy giving rise to significant concern or worry.

Putting these measures together could end up with different answers.



For instance, you may have a low required rate of return and high capacity and willingness to bear risk. In this case you don't need high returns, so some investors could decide to take on the least risk possible (i.e. why take on unnecessary risk?).

Some investors may feel that more is generally better than less, and as they have both the capacity and willingness to take risk, they will try and get a better rate of return. Overall, in this case you will have a range of choices and none of them are necessarily wrong.

A more difficult situation is when you have a high required rate of return and a low capacity or low willingness to bear risk. In this case, you could opt for a high-risk strategy (and hope you get lucky) but this is generally not very sensible. You would be better advised to go back to the planning stages and rework your goals and objectives, rather than over stretching and failing completely.

If you find you are well on track to meet your income goals, you could consider reducing the level of risk or have the freedom to retire earlier if you wish.

Do you need advice?

We have been advising clients approaching retirement for many years and can help you set sensible goals and develop a financial plan to get there.

If you would like to book a free initial consultation to discuss your situation, please contact Jim Smith or Martin Fox.



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The Retirement Guys

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