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# Are Kiwis saving enough for retirement? Evidence from SOFIE

Trinh Le , Grant Scobie & John Gibson

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## Notes

1. According to Table 2.5 of the Pre-Election Economic and Fiscal Update, expense changes due to KiwiSaver costs that were not apparent in the May 2008 budget contribute 7% in 2011 and 10% in 2012 of the replacement of government surpluses (of the operating balance before gains and losses) with deficits (Treasury, 2008, p. 30).

2. It is more challenging to apply the model to younger ages as the further one is from retirement, the more consumption is influenced by other factors.

3. SOFIE includes New Zealand citizens and permanent residents who have been in New Zealand for less than 12 months. It also includes non-NZ citizens and permanent residents who have been in New Zealand for less than 12 months. Excluded are New Zealand citizens and permanent residents who have been in New Zealand for less than 12 months and who are members of offshore pension schemes.

4. Retirement income is also subject to a distinction between income derived from retirement savings and income derived from other sources.

5. Investment income (such as dividends and interest) is also subject to a distinction between income derived from retirement savings (benefits), so that it is not subject to the same tax treatment as other income (such as property income).



6. The methods that were used to evaluate household items include: (1) insured value for replacement (59.4%); (2) insured value not for replacement (6.3%); (3) amount that would be received if sold (13%); (4) amount that was paid (8.1%); (5) other method of estimation (11.7%); (6) don't know; (7) refused; and (8) missing.

7. Informal communications and unpublished notes from staff of Statistics New Zealand.

8. Uncertainty, including such sources as sickness, disability, employment, earnings, inheritances and life expectancy, can best be introduced using micro-simulation models. See, for example, Statistics Canada (2004).

9. For example, Love et al. ([2009](#)) use a rule of thumb of having sufficient wealth to generate 150% of poverty-line income over expected future lifetimes and find that only 18% of households in the US Health and Retirement Survey have less wealth than this threshold. Scholz et al. ([2006](#)) study a younger cohort from an earlier wave of the same survey, and apply a stochastic life cycle model to calculate the optimal wealth for each household, in the face of various uncertainties, and find that fewer than 20% of households have less wealth than their optimal target.

10. TTE refers to a system where the savings are made from after-tax income, the returns are taxed and the withdrawals are exempt. It differs from those systems that exempt

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13. <http://www.sorted.org.nz/life-stages/60plus/equity-release/introduction-to-equity-release> (accessed 11/12/08).
14. We have set negative prescribed saving rates to zero to preclude literal interpretation.
15. In 2003, NZS after-tax payment was \$12,756 for non-partnered individuals (who live alone) and \$19,624 for couples.
16. See Banks et al. ([1998](#)), Engen et al. ([1999](#)), Hubbard and Judd ([1987](#)) and Hubbard et al. ([1995](#)).
17. Equivalent to an annual consumption of \$92,000 for couples and \$46,000 for non-partnered individuals.
18. For examples of estimating saving as the difference between income and consumption see Paxson ([1996](#)), Attanasio ([1998](#)) and Deaton and Paxson ([2000](#)).
19. Examples include Palumbo ([1999](#)), Blundell et al. ([2004a,b](#)), Dynan et al ([2004](#)), Waldkirch et al. ([2004](#)), Charles et al ([2006](#)), Toledo ([2006](#)) and Ziliak and Kniesner ([2005](#)).

20. The survey is briefly described in Appendix A. Some parts of HES annual expenditure are recorded by diary and some are recorded by questionnaire. Expenditure is measured with its primary source of errors.

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