

How Much Do You Need For Retirement?

by Brent Smith

Depending on what article or expert opinion you're reading, the amount you need saved when you retire can range from \$13,000 to \$2 million.

To us, the question always is – by the age of 65, how much money will you need to be in a mortgage-free home with enough savings to *enjoy* retirement?



New Zealand research completed last year showed virtually all 65 year olds spent more than they received from Superannuation. A frugal 'no frills' lifestyle for two in the provinces [required \\$13,000 in savings](#). In metropolitan areas, the same lifestyle required \$263,000 savings.

The research also found that if you wanted to have more choices when you retired, you needed more savings - a simple enough equation. A lifestyle for two, with frills, required \$494,000 savings for those living provincially and savings of \$785,000 for city-dwellers.

Think that's a hefty savings target? Consider commentary by experts like [Janine Starks](#), and you'll be interested (or terrified!) to discover that many believe an 'enjoyable' retirement means having 45% of your last year's income to spend during each year of your retirement. Yikes!

Starks' line of thinking was based on retirees having a mortgage-free home, savings of \$2 million and a \$200,000 salary in their last year of earning. Unsurprisingly perhaps, this opinion caused a furore on social media.

Firstly, you may be wondering who actually earns that much?! Well, if you're in your mid 30s and earning \$65,000 pa, at 4% average inflation, you will be earning almost \$220,000 by the time you are 65. Not so hard to believe then.

Secondly, putting aside the amounts and concentrating on the point of Starks' article, how do you save this much? Mortgages, family and general living costs all add up.

One tried and tested way for many New Zealanders to do this, is to purchase an investment property.

Over the last twenty years, the [average New Zealand house price](#) has risen \$445,000, a return of 21% per annum, making investment properties one of the most effective ways to hit retirement income targets.

Our specialists have been successfully helping people buy or sell rentals, develop property portfolios and provide effective rental management for the last 15 years. We don't just look at your next step on the property ladder, we consider your ultimate goal.

For a copy of our 11 Rules for Property Investment [contact us](#) and find out how we can help you.