

NZ Herald 7th May 2014

Don't let glow vanish from golden years

http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11250633

You're a 48-year-old woman with three grown-up children. You've worked most of your adult life, saved when you could for your future. You look forward to being an active superannuitant in 17 years' time, enjoying your freedom and 'living the dream'.

Today, newly retired baby-boomers are rapidly swelling the ranks of those aged 65-74. They are contributing to domestic demand by eating out, supporting coffee shops and theatre, golf and leisure activities, travel and home renovations.

It's the sort of retirement you expect. But don't break open the champagne too soon. Those golden years of retirement that you were looking forward to may not be as rosy.

Let's imagine your life as the magic age of 65 gets closer. By now you may have already realised you are not just the 'sandwich generation' but the 'club sandwich generation'. For the past few years, you've struggled with competing demands of earning a living, supporting ageing parents in varying degrees of decline needing time and energy, and encouraging struggling adult children with large mortgages and student debt.

At the same time, you share the costs of your grandchildren's preschool that loom larger than private school fees, and often meet babysitting requirements, often on the other side of town. By this stage, you might be living on your own after divorce or bereavement, worrying about a house that is too big and hard to maintain.

Finally it's 2031, you're now 65 and finally got your gold card. But New Zealand is a vastly different place. Those aged more than 65 now exceed in number those 15 years old or younger. The baby-boomers are all retired, helping double the numbers on superannuation from about 600,000 today to a mushroom cloud of 1.2 million.

Back in 2014 many regions outside the main city centres were already worryingly top-heavy with growing numbers of old and declining numbers of young. Now they have severe problems with widespread imbalances creating tensions, distress and inequality.

The year 2031 is not just your retirement year, it is also marks the period when the first wave of baby-boomers begin to enter the late retirement age phase of post-85. During the next 20 years, they will swell the numbers of the extreme elderly, and as they get older, the pressure on long-term care facilities, families and in-home support will be acute.

In your face will be the stark reality of a rapid surge in visibly older decrepitude, as those more than 85 years of age go up in number by four or five times by mid-century when one-in-four retired people will be 85+, compared with one-in-eight today. Welcome to your retirement!

As a 48-year-old woman today, at least you can trust that New Zealand Superannuation is secure when you turn 65...can't you? The Government has parked superannuation policy at least for another term, maybe forever. Famously offering to resign rather than tamper with the pension, Prime Minister John Key has taken serious debate about the future state of our policies off the table for discussion.

Other political parties think salvation will come in making KiwiSaver compulsory. Some are talking about raising the age, but few take up the challenge of the inadequacies of the welfare system for those who can't work as the age goes up.

On top of that, when you finally do get to cash in your KiwiSaver, you have to make sure your pot of money is invested sensibly for what might be a retirement of 35 years or more. How do you protect yourself from outliving these savings, when on this and other matters, the Government is strangely silent?

Poorly equipped to manage your investments, you see the flashy brochures promising superannuitants a 'worry-free' future. The latest doing the rounds is a thoroughbred racing investment coming out of Australia that promises "you too can take instant advantage of the windows of opportunities that were previously hidden." Will you fall for the performance results of the last 21 months that show your \$1000 mushrooming into exactly \$106,864.82? Thankfully maybe not, given the lessons learned from the disasters in investments that litter New Zealand's past.

But the financial services sector is ever inventive, and who wants to spend retirement worrying that you have done the right thing? Perhaps it is time now to talk about the future.

Associate Professor Susan St John is co-director of the University of Auckland Business School's Retirement Policy and Research Centre.

(737 words)