



Regular Monthly Payments to Deferred Members

The Maritime Retirement Scheme (MRS) and the Maritime KiwiSaver Scheme (MKS) allows members to defer their benefit entitlement when they retire and receive regular monthly payments.

Receiving a regular benefit payment may help you budget for your normal monthly expenses. You will know how much money will be paid into your account each month and can budget accordingly. You would not need to manage large lump-sum withdrawals, which could be reserved for large, irregular or unexpected expenses.

This brochure may help you decide when to retire and whether to defer your benefits when you retire. If you decide to defer your benefits this brochure may also help you decide:

- the period over which to draw down on your retirement savings, based on your life expectancy
- where to invest your retirement savings
- the amount of your retirement savings to use for regular monthly benefit payments
- the monthly benefit payments that your retirement savings will support.

The 'sorted' website can also help you plan your retirement at:

- <https://www.sorted.org.nz/tools/retirement-planner>

What is your life expectancy?

The life expectancy of NZ males and females at the time of their retirement is set out in Tables 1 and 2 respectively. For example, if you are a male and retire at the age of 65 your life expectancy is 85. This means you have a 50% chance of dying before you reach the age of 85 and a 50% chance of living beyond the age of 85. Hence, if you plan to spend your retirement savings over 20 years, there is a 50% risk of your retirement savings being exhausted before you die. In this case, although you will continue to receive New Zealand Superannuation (NZS) for as long as you live, you may not be able to maintain the standard of living you want.

This risk can be reduced by extending the period over which you draw down on your retirement savings. As shown in Table 1, if you are a male and retire at the age of 65 you have a 25% chance of living to at least 90 and a 10% chance of living to at least 95. Hence, if you plan to spend your retirement savings over 25 years, there is only a 25% risk of your retirement savings being exhausted before you die and if you plan to spend your retirement savings over 30 years, there is only a 10% risk of your retirement savings being exhausted before you die.

The life expectancies set out in Tables 1 and 2 relate to the current life expectancies of the average NZ male and female. You may feel, for familial or other reasons, your life expectancy is likely to be more or less than the New Zealand average. You may wish to take into account that your partner may live longer than you and you may want to leave her/him some of your retirement savings for after you die. It is up to you to determine how long you wish your retirement savings to last, taking account of the risk of your savings being exhausted before you die and other personal factors.

You need to decide the period over which you will draw down on your retirement savings.

Should you consider deferring your retirement?

It is recommended that you prepare a budget of your regular expenses based on the lifestyle you wish for in your retirement. Your budget can then be compared with the regular monthly benefit payments that your retirement savings will support taking account of New Zealand Superannuation and any other income you expect to receive in your retirement.

You may be able to reduce your current level of expenditure after you retire. However, note that while in the initial years of retirement expenses typically go down, in the later years of retirement expenses may well go up as a result of increasing medical and other costs.

You may need to adjust your budget to match the regular monthly benefit payments that your retirement savings will support. Alternatively, you can increase the regular monthly benefit payments that your retirement savings will support by deferring your retirement and hence reducing the length of your retirement. This will also enable you to increase your savings before you retire.

As shown in Tables 1 and 2, the length of your retirement is expected to reduce by nearly one year for each year you defer your retirement. For example, if you a male and retire at the age of 70 instead of 65, you still have a 25% chance of living beyond the age of 91 but the length of your retirement is 21 years instead of 25 years.

You need to decide whether to defer your retirement and, if so, when you expect to retire.

How much of your retirement savings should you use for regular benefit payments?

You may wish to reserve some of your retirement savings for irregular or unexpected expenses such as major house repairs, car replacements, major medical expenses or overseas travel. About \$50,000 seems a prudent amount to set aside for such expenses. Alternatively, you may have other savings or assets that you can utilise for these purposes. For example, you may intend to downsize your house at some stage, thereby releasing some funds for irregular or unexpected expenses.

You need to decide how much of your retirement savings you wish to use for regular monthly payments in your retirement.

What are your investment options?

If you defer your benefits and arrange with the Fund to receive regular payments, you will continue to have a choice of investing your benefits in the Balanced or Conservative Portfolios. You will still be able to split your benefits between the Balanced and the Conservative Portfolios.

The Balanced Portfolio is expected to earn higher investment returns but the returns are expected to be more volatile whereas the Conservative Portfolio is expected to earn lower investment returns but the returns are expected to be less volatile. Based on an inflation rate of 2% per annum and a fee rate of 0.3%, the actuarial assumptions on which the benefit payments are that, net of tax and expenses, the Balanced Portfolio is expected to achieve an average return of 4.6% per annum and the Conservative Portfolio is expected to achieve an average return of 2.9% per annum.

You need to choose an investment option for your deferred benefits. To help you make this choice, you may wish to consult an Authorised Financial Advisor.

What regular benefit payments will your retirement savings support?

Tables 3 and 4 set out an actuarial assessment of the regular monthly benefit payments that will be supported by your retirement savings (less any amount you decide to set aside for irregular or unexpected expenses) when invested in a Balanced and Conservative Portfolio respectively, given your age of retirement and the period over which you have decided to receive regular benefit payments.

For varying amounts of regular benefit payments, Tables 5 and 6 set out the expected number of years to exhaust the retirement savings you set aside for regular monthly benefit payments, if your funds are invested in the Balanced or the Conservative Portfolios respectively.

In all cases, these assessments are in today's (2016) \$ and assume that your regular monthly benefit payments will be adjusted to allow for inflation.

Example

If you are a male retiring at the age of 65:

- Table 1 shows that you have a 25% chance of living to 90 or more
- Table 3 shows that, if you wish for only a 25% risk of your retirement savings being exhausted before you die, \$500,000 is expected to support regular benefit payments of about \$2100 per month for 25 years if you have your benefits invested in the Balanced Portfolio.

What are the risks?

Financial planning entails a number of risks, some of them as follows:

- future earnings on your retirement savings may be less than expected and the volatility of returns may be more than expected
- you or your partner may live longer than you have made provision for in your financial planning
- you may incur more periodic or unexpected expenses than you have made provision for
- a future government may reduce or means test New Zealand Superannuation.

You may wish to consult an Authorised Financial Advisor to assess your individual risk profile.

Please note that our Administrator, Aon Hewitt, is not an Authorised Financial Adviser and cannot provide financial advice

How are regular benefit payments made?

Any amount that you choose to take from your account as a regular monthly benefit payment:

- will be paid monthly by direct credit to your bank account, usually on the last business day of the month
- may be altered or stopped by you at any time.

If you decide to receive a regular monthly benefit payment, the first monthly payment will be made on the last business day of the month in which your request is received.

Can you make other withdrawals?

If you are receiving a regular benefit payments, you can:

- make up to two additional withdrawals per year of amounts of \$5000 or more. These will of course reduce the length of time your regular monthly benefit payments will last
- at any time, withdraw all your remaining benefits and close your account.

What do you need to do?

If you would like to start a regular monthly benefit payment from your deferred benefit account, you need to:

- enter the amount you want to be paid each month on the relevant form, including the investment portfolio against which you want the withdrawal to be applied
- return the form, together with a bank deposit slip with full details of your bank account (unless the Administrator already has these details on record), to:

Administration Manager,
Maritime Retirement Scheme, PO Box 11330, Wellington 6142
Email: maritime@mjlw.co.nz
Ph: 0800 947 357

Disclaimer

The information contained in this document is provided for general information purposes only and does not constitute financial advice or take into account your particular financial situation or goals. Your choice to receive a regular benefit payment (or not) and the amount of any such payment is your sole responsibility and should be determined with regard to your financial situation and goals. The Trustees are not liable for any choice you make, nor are they in any circumstances to be regarded as representing or implying that receiving a regular benefit payment or any particular regular payment amount is appropriate for you.

The regular payments set out in this document are based on expected long-term average returns and are not guaranteed in any way. Actual returns and hence the amount of regular payments and the length of time that such payments may be supported by your benefits may vary significantly from the estimates in this document.

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You may wish to consult an Authorised Financial Adviser to assess your individual financial circumstances, whether to defer your benefits and take regular monthly payments and the amount of regular monthly payments appropriate to you.

Table 1: Life Expectancy and Length of Retirement of an Average NZ Male

Retirement Age	Life Expectancy			Expected Min Length of Retirement		
	50%ile	25%ile	10%ile	50%ile	25%ile	10%ile
60	85	90	95	25	30	35
61	85	90	95	24	29	34
62	85	90	95	23	28	33
63	85	90	95	22	27	32
64	85	90	95	21	26	31
65	85	90	95	20	25	30
66	85	91	95	19	25	29
67	85	91	95	18	24	28
68	85	91	95	17	23	27
69	86	91	95	17	22	26
70	86	91	95	16	21	25

Table 2: Life Expectancy and Length of Retirement of an Average NZ Female

Retirement Age	Life Expectancy			Expected Min Length of Retirement		
	50%ile	25%ile	10%ile	50%ile	25%ile	10%ile
60	87	93	97	27	33	37
61	87	93	97	26	32	36
62	88	93	97	26	31	35
63	88	93	97	25	30	34
64	88	93	97	24	29	33
65	88	93	97	23	28	32
66	88	93	97	22	27	31
67	88	93	97	21	26	30
68	88	93	97	20	25	29
69	88	93	97	19	24	28
70	88	93	97	18	23	27

Table 3: Estimated Monthly Payments from a Balanced Portfolio (\$)
 (allowing for these regular monthly benefit payments to be indexed to the CPI)

Retirement Period (years)	Retirement Savings (\$,000)							
	50	100	150	200	250	300	400	500
20	236	473	709	946	1,182	1,418	1,891	2,364
21	230	461	691	921	1,151	1,382	1,842	2,303
22	225	450	675	900	1,124	1,349	1,799	2,249
23	220	440	660	880	1,100	1,320	1,760	2,201
24	216	431	647	863	1,079	1,294	1,726	2,157
25	212	424	636	847	1,059	1,271	1,695	2,119
26	208	417	625	834	1,042	1,250	1,667	2,084
27	205	411	616	821	1,027	1,232	1,642	2,053
28	203	405	608	810	1,013	1,215	1,620	2,025
29	200	400	600	800	1,000	1,200	1,600	2,000
30	198	396	593	791	989	1,187	1,583	1,978

Table 4: Estimated Monthly Payments from a Conservative Portfolio (\$)
 (allowing for these regular monthly benefit payments to be indexed to the CPI)

Retirement Period (years)	Retirement Savings (\$,000)							
	50	100	150	200	250	300	400	500
20	169	338	507	676	845	1,014	1,353	1,691
21	162	324	486	648	810	972	1,296	1,620
22	156	311	467	622	778	933	1,244	1,555
23	150	299	449	599	748	898	1,197	1,497
24	144	289	433	577	721	866	1,154	1,443
25	139	279	418	557	697	836	1,115	1,394
26	135	270	404	539	674	809	1,078	1,348
27	131	261	392	522	653	784	1,045	1,306
28	127	253	380	507	633	760	1,013	1,267
29	123	246	369	492	615	738	984	1,230
30	120	239	359	479	598	718	957	1,197

Table 5: Estimated Number of Years to Exhaust Savings Invested in a Balanced Portfolio

(allowing for regular monthly benefit payments to be indexed to the CPI)

Monthly Benefit Payment (\$)	Retirement Savings (\$,000)							
	50	100	150	200	250	300	400	500
500	9.4	21.3	37.6					
750	6.0	13.0	21.3	31.5	44.8			
1000	4.4	9.4	14.9	21.3	28.7	37.6		
1250	3.5	7.3	11.5	16.1	21.3	27.1	41.8	
1500	2.9	6.0	9.4	13.0	16.9	21.3	31.5	44.8
1750	2.5	5.1	7.9	10.9	14.1	17.5	25.3	34.9
2000	2.2	4.4	6.8	9.4	12.0	14.9	21.3	28.7
2250	1.9	3.9	6.0	8.2	10.5	13.0	18.3	24.4
2500	1.7	3.5	5.4	7.3	9.4	11.5	16.1	21.3
3000	1.4	2.9	4.4	6.0	7.7	9.4	13.0	16.9
3500	1.2	2.5	3.8	5.1	6.5	7.9	10.9	14.1

Table 6: Estimated Number of Years to Exhaust Savings Investment in a Conservative Portfolio

(allowing for regular monthly benefit payments to be indexed to the CPI)

Monthly Benefit Payment (\$)	Retirement Savings (\$,000)							
	50	100	150	200	250	300	400	500
500	8.6	17.6	27.2	37.3	48.1	59.6	85.4	115.9
750	5.7	11.5	17.6	23.9	30.5	37.3	51.8	67.8
1,000	4.2	8.6	13.0	17.6	22.3	27.2	37.3	48.1
1,250	3.4	6.8	10.3	13.9	17.6	21.4	29.1	37.3
1,500	2.8	5.7	8.6	11.5	14.5	17.6	23.9	30.5
1,750	2.4	4.8	7.3	9.8	12.4	15.0	20.3	25.8
2,000	2.1	4.2	6.4	8.6	10.8	13.0	17.6	22.3
2,250	1.9	3.8	5.7	7.6	9.6	11.5	15.6	19.7
2,500	1.7	3.4	5.1	6.8	8.6	10.3	13.9	17.6
3,000	1.4	2.8	4.2	5.7	7.1	8.6	11.5	14.5
3,500	1.2	2.4	3.6	4.8	6.1	7.3	9.8	12.4