CASE STUDY — PROPERTY & RETIREMENT

Hold or sell? *A property decision* at retirement.

A thought experiment for New Zealand property owners entering retirement — the number that won't go away, and the cost of waiting.

You've been financially disciplined your whole life. So why does this one decision feel so hard to make?

Property has a grip on New Zealand psychology that goes beyond the numbers. This article won't tell you to sell. But it will show you what you might not be seeing.

01

THE SITUATION

Meet David & Margaret.

David and Margaret have just turned 65, and arrived at retirement in a strong position. They own their family home outright, and have an investment portfolio of $800,000, and a rental property in Auckland worth $800,000, mortgage free, tenanted at $650 per week. NZ Superannuation has just kicked in at around $44,000 per year after tax for the two of them.

By most measures, they are set up well. But one question has followed them into retirement: ***what do they do with the rental?***

THE FINANCIAL POSITION · AT A GLANCE

Family home *owned outright*	**Owned outright**
Investment portfolio	**$800,000**
Auckland rental property *mortgage free, tenanted*	**$800,000**
Weekly rental income	**$650** per week
NZ Superannuation *couple, after tax*	**$44,000** per year

02

THE BIAS AT WORK

The number that *won't go away.*

At the height of the Auckland market in late 2021, their rental property was worth close to **$1,000,000**. They considered selling. But life was busy and the property was running fine.

Then the market turned. By mid-2023, values had fallen around 20% from the peak and have been largely flat since. Today, the property is worth **$800,000**.

Although David and Margaret bought the rental years ago at a much lower price, the $1,000,000 figure is hard to forget. Selling now feels, emotionally, like accepting a loss — even though it isn't one.

THE BIAS AT WORK

anchor·ing

NOUN. *ˈaŋ-kə-riŋ*

01.

Measuring every decision against a past price that no longer exists. It quietly distorts otherwise clear thinking.

E.G. *"Selling at $800k feels like accepting a $200k loss — even though $1m was a number, not a realised gain."*

03

THE OPPORTUNITY COST

What does the waiting *actually cost?*

The more useful question isn't about timing the market. It's: **how much does the property need to grow to make waiting worthwhile?**

BREAK-EVEN COMPARISON

7-YEAR HORIZON

	PATH A SELL TODAY & INVEST	PATH B KEEP THE RENTAL FOR 7 YRS
Current property value	$800,000	$800,000
Less selling costs (3%)	-$24,000	—
Net proceeds	$776,000	—
Growth at 5% p.a. over 7 years	+$316,000	—
Net rental income after tax (7 yrs)	—	+$126,000
Net sale proceeds required at year 7	—	$966,000
Total at year 7	**$1,092,000**	**$1,092,000**
Property growth required	**—**	**$800k → $996k** $\boxed{\text{~3.2\% p.a.}}$

Selling today nets approximately **$776,000** after costs. Invested in a balanced portfolio at a projected **5% per year after fees and tax**, that becomes $1,092,000 in seven years. On the property side, net rental income after tax is approximately **$18,000 per year**, around $126,000 over the period.

See assumptions at the end for the full basis of this calculation.

To match the balanced portfolio, the property needs to reach $996,000 by year seven — essentially its 2021 peak. That requires 3.2% per year growth. Not unreasonable in isolation. But property is cyclical, and flat periods can extend longer than most people expect. Every year the market stays flat is another year the balanced portfolio has had the chance to work. The longer the wait, the more you give up the chance of this money doing something.

A NOTE ON FLAT MARKETS

A flat market is a stealth thief. The cost accumulates quietly, year after year, precisely because it never arrives as a bill.

04

THE MAINTENANCE OVERLAY

The cost that doesn't show *in the valuation.*

What the earlier numbers don't capture is another stealth thief of rental income. In any given year there will be some maintenance cost. But costs tend to cluster. A manageable year of small bills can be followed by a significant one: a roof, a hot water cylinder, an exterior repaint, a bathroom that can no longer be ignored. The 1% rule exists precisely because owners consistently underestimate this.

A commonly used planning assumption is **1% of property value per year**. For an $800,000 property, that is approximately **$8,000 per year**.

HOW MAINTENANCE SHIFTS THE BREAK-EVEN — ANNUAL GROWTH REQUIRED

SCENARIO	VALUE NEEDED AT YEAR 7	ANNUAL GROWTH REQUIRED
No maintenance assumed	~$996,000	~3.2% p.a.
With $8,000 / yr maintenance	**~$1,053,000**	**~4.0% p.a.**

Once maintenance is factored in, the bar rises. The property now needs to grow at **4.0% per year** just to match the balanced portfolio — before a single unexpected bill arrives. And $8,000 is a starting point, not a ceiling. An older house that hasn't been regularly maintained can carry significantly higher costs.

05

THE MONTHLY SCORECARD

What does each path *actually pay you?*

In our decades of experience working with retirees, what matters most is the reliability, consistency, and flexibility of what they have to live on each month — not what their assets are worth on paper. What matters is what lands in their account each month, and whether it can flex when life demands it.

Financial planners use the **4% guideline** as a reference point: withdrawing 4% of your portfolio each year gives a high probability of the money lasting through a 30-year retirement.

WHAT EACH PATH PRODUCES

ANNUAL CASHFLOW COMPARISON

	PATH A SELL & INVEST	PATH B KEEP THE RENTAL
Existing investment portfolio	$800,000	$800,000
Proceeds from property sale	+$776,000	—
Total portfolio invested today	$1,576,000	$800,000
Annual drawdown at 4%	$63,000	$32,000
Net rental income (after tax)	—	$18,000
NZ Super (couple, after tax)	$44,000	$44,000
Total available to live on · annually	**~$107,000**	**~$94,000**
Available to live on · monthly	**~$8,900**	**~$7,800**

THE DIFFERENCE

~$1,100

per month — about $13,000 a year

Both are comfortable amounts to live on. But $13,000 can be another overseas holiday each year, taken while health and energy are still good.

06

WHEN THINGS DON'T GO TO PLAN

Flexibility — *and what the money is for.*

There will be moments in retirement that call for a little more. A medical procedure not covered by the public system. An unexpected trip to be with family. A year where you simply want to spend more generously while health and energy are good. *These moments aren't emergencies. They're what the money is for.*

In a portfolio, accessing more money is straightforward. You simply request a lump sum withdrawal. The funds are typically in your account within a week or two, and life continues uninterrupted. After a strong year of performance, you can take a little cream off the top, spend more, without guilt, because the portfolio has earned it. That flexibility — more when you need it, less when you don't — is one of the most underrated advantages of a liquid portfolio.

That flexibility doesn't exist with a rental property. You can't sell one bedroom when you need extra cash. You can't ask your tenants for an advance on next month's rent because you'd like to take the grandchildren to Queenstown. *The rent is what it is.*

If the rental has a difficult year — a vacancy, an unexpected repair, a tenant dispute — rental income falls directly and pressure shifts to the portfolio. If both have a tough year simultaneously, the pressure compounds. A larger, liquid portfolio simply has more room to absorb a bad year, and more time to recover from it.

Simplicity has its own value.

The mental load of managing an ageing property into your 70s and 80s is real: tenant issues, repair quotes, rates bills, insurance renewals. For some people this is satisfying. For others, as the years progress, it becomes a source of stress rather than security. A well-managed portfolio asks very little of you. No calls, no decisions, no maintenance. It runs in the background while you get on with living.

IN CLOSING

What to take *from this.*

For David & Margaret, the $1,000,000 anchor is worth releasing, and waiting has an opportunity cost.

In retirement, what you have to live on is what matters — not what your assets are worth on paper. That means **reliable income**, **the flexibility to access more** when life demands it, and **the liquidity to respond** without having to sell an entire asset. Those three things are worth more than most people realise — until the moment they need them.

And yet, holding has real merits worth naming. Property is tangible. No daily price discovery, no number updating on a screen. For investors who find sharemarket volatility difficult to sit with — and many do — that tangibility has genuine value. A well-run rental with a stable tenant can be genuinely low-maintenance, and rent arriving predictably each month carries a psychological satisfaction that a portfolio statement sometimes doesn't.

> IN THE END
>
> ***The best investment is always the one you can actually stay in.***

THE CONVERSATION

Sometimes the clearest thing an outside perspective offers is *permission to let go of a number.*

If any of this has raised a question you haven't been able to answer clearly, that's usually worth a conversation.

We work through these decisions with people regularly. **No agenda, no predetermined answer.** Just an honest look at the numbers, the trade-offs, and what the opportunity cost of waiting might actually be for your situation.

Get in touch if you'd like to talk it through.

START A CONVERSATION

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CHRISTCHURCH

Decision partners,
not product providers.

Get in touch →

NO AGENDA, NO PREDETERMINED ANSWER

APPENDIX · ASSUMPTIONS & IMPORTANT NOTES

The basis of the numbers.

The figures used in this article rest on a set of clearly stated assumptions. They are illustrative, not a forecast — working through them is the first thing we'd do in a real conversation.

Rental income

$650/week × 50 weeks (allowing 2 weeks vacancy) = $32,500 gross. After insurance, rates, and accountant fees = $25,500 net before tax. At an assumed marginal tax rate of 30%, net rental income after tax ≈ $18,000/year.

Rental income growth

Rental income is assumed to remain constant — no growth in rental income has been assumed. In practice, rents may increase or decrease over time depending on market conditions, tenancy changes, and other factors.

Treatment of rental income

Rental income received during the holding period is treated as income used for living expenses. It is not assumed to be reinvested or to earn any additional return.

Maintenance

Based on 1% of property value per year = $8,000/year. Treated as a cash cost; no tax adjustment applied.

Selling costs

Assumed at 3% of property value. Net proceeds: $800,000 × 0.97 = $776,000.

Balanced portfolio return

5.0% p.a. net of fees and tax. Based on a projected gross return of 7.2%, less ~1% fees and ~1.2% blended tax drag. A planning assumption, not a guarantee. Returns will vary materially year to year.

NZ Superannuation

Based on the current couple rate at the "M" tax code. Subject to change.

4% guideline

A widely referenced planning benchmark, not a guarantee. Sustainable withdrawal rates depend on returns, inflation, time horizon, and spending patterns.

Property growth

Historical averages are a reference only. They do not predict future outcomes.

All figures are illustrative and do not represent any specific individual's situation.