

KASPANZ MEMBERS NEWSHEET 34: 2024

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10 years established: the Consumer voice

Published letter by Malcolm Menzies, The Post, March 12th, 2024

Kiwi -Saver Research-National capital

“As is often the case with such surveys that produce responses favourable to the sponsors interests, suggesting a majority of Kiwi want Kiwi Saver to be compulsory (March 7) is nowhere to be found on the website of National Capital, who carried out the research. It would be informative to know who was sampled and what actual questions were asked. Financial services industry representatives keep lobbying for compulsory Kiwi Saver without considering the potential impact on low-income earners, many of whom make the rational decision not to be in the scheme, or to withhold contributions at least temporarily.

Rather than seeking the crutch of compulsion, the industries energies should be directed to selling the benefits of Kiwi Saver, and to be looking after current members, and leave the research to an independent body like the Retirement Commission.”

EDITORIAL

*Liz Kohn in a 2023 article said in recent years there has been a noticeable drop in advocacy for seniors, with the political focus on low-income families and young people. The Office for Seniors, is the primary advisor for the

Government. Aged Care NZ are also there (Tracy Martin just announced as CEO), and Consumer NZ has been a strident voice for a long time. Grey Power is a well-known group, currently realigning its focus , and with a new President. Kaspanz while primarily an information service on retirement income issues, also plays a role, highlighting at every opportunity the excellent policy NZ Superannuation is, with no alternatives even close!

The Care Model for seniors requiring hospital care or Village based serviced apartment support has been badly neglected for decades, and the questions must be asked what are the advocates for seniors actually doing and achieving . Claire Dale and Susan St John have been academic voices in this space, worth listening to!!!

*At the March 21 NZ Super summit, discussion on *means testing or income testing* was mentioned. The two issues are normally raised by educated and often wealthy individuals, well used to camouflaging income by use of trusts or asset protection schemes. Any significant move to adopt approaches in this area, requires all trust and asset protection schemes to be removed, so all income can be counted. That approach is highly unlikely so call out people who suggest that policy approach, you can bet your life they will not be mentioning removal of all trust and asset protection options.

ABOUT TIME

Minister Casey Costello

On another topic, Health New Zealand recently published a report that outlines the current state of New Zealand's aged care sector. As I said in my last column, we need a sustainable funding model for aged care, and this was the first part of a review of its funding and service models.

Phase two has now started, and we are working with the aged care community to assess funding and service options, from home care through to funding for dementia beds. In May, I attended one of eight nationwide workshops with those who work in and know aged care to test some ideas and hear their thoughts. Before the end of the year, I

hope to be able to tell you where this work has got to and about the Government's plans.

**I e-mailed age care, suggesting the Australian Royal Commission of enquiry into aged care, must be a source for any review. Do not reinvent the wheel!*

Not sorted: Retirement Commission to squeeze services as budget bites

JULY 14, 2024



Jane Wrightson: Retirement Commissioner

Budget cuts at the already stretched Retirement Commission threaten to undermine some of its front-line services including the well-regarded Sorted website, according to the latest Statement of Performance Expectations (SPE) for the organisation.

The SPE shows government has sliced more than \$1.3 million off the Retirement Commission (or Te Ara Ahunga Ora) allocation for the 2024/25 financial year, leaving under \$8.3 million in the kitty compared to almost \$9.6 million last year.

Including forecast interest income of \$130,000 (down from \$250,000 in the previous fiscal period), Te Ara Ahunga Ora must make do with \$1.4 million less this year.

According to the projected accounts, the Commission will trim staff costs by almost \$200,000 with most of the belt-tightening – roughly \$1.6 million – to come via cutbacks across all work programs.

Jane Wrightson, Retirement Commissioner, says in the SPE that the austerity drive will see less spending on “research and marketing of the Sorted brand,” for instance, as well as spinning out some annual projects into biennial events.

“We acknowledge the fiscal constraints faced by the Government, and the need to find savings in our operations despite not having an increase to our baseline since 2016,” Wrightson says.

“... Overall, the savings identified carry some risks to the Retirement Commission’s ability to carry out its current work programme and impact on the performance of frontline activity, such as the Sorted website, Sorted in Schools and other activities encouraging individual preparation for retirement.”

The Commission, which falls under the Ministry of Business, Innovation and Employment (MBIE) umbrella, is responsible for policy development and oversight covering three broad areas of retirement income, retirement villages and financial capability.

Wrightson also notes Te Ara Ahunga Ora has been charged by the commerce minister Andrew Bayly to conduct a feasibility study on rolling out “a coordinated sector approach” to financial education in the NZ school system.

“To do this effectively, we also need active support from the Minister of Education and her Ministry. As it stands there is no clear mandate to teach financial education in schools in what is already a busy curriculum, and there is generally a haphazard approach when it is used,” she says. “This lack of clear leadership makes it challenging to have maximum impact in schools and the uptake varies from school to school and region to region. It is critical that all young people can access financial education and the most equitable solution is that this happens at school.”

Despite operational cuts, the Commission has forecast a budget deficit of almost \$800,000 in the current financial year compared to a shortfall of close to \$1.2 million in the previous reporting period.

The Retirement Commission wants the Government to implement a higher default KiwiSaver contribution rate and require employer contributions for over 65s and under 18s.

Editors Note. Kaspanz after years of being critical of the Retirement Commission, are supportive of both the approach, results and research papers emerging from the office. Not timely for any funding cuts here nor required



13th Jun 24, 12:33pm by [Ella Somers KIWI SAVER](#)

KiwiSaver balances across all age groups are lower than expected after almost 18 years of the voluntary savings scheme, according to the Retirement Commission. The Retirement Commission has released a new paper – [The KiwiSaver Opportunities for Improvement](#) – with 15 recommendations for the Government on how to improve KiwiSaver.

The paper used data from Inland Revenue, the Retirement Commission's research, and the Financial Markets Authority to analyse KiwiSaver and identify where there are opportunities for improvement.

The suggestions range from extending KiwiSaver eligibility to include temporary visa holders to removing the practice of employers deducting their required KiwiSaver contributions from employees' pay instead of contributing it on top of their pay.

Retirement Commissioner Jane Wrightson wants a higher default contribution rate of at least 4% and says employers should be matching at this level or more.

"The reality is we all need to be saving more for our retirement but know that it's particularly challenging against the current backdrop of high inflation and cost of living challenges," she says.

The Commission's report says the KiwiSaver scheme now represents 80% of employed individuals, finding that self-employed individuals are less encouraged to participate in the Scheme. People not contributing to the Scheme were often constrained by low or absent incomes.

Approximately 90% of eligible paid employees are actively contributing and only 5% are on savings suspensions – typically for less than a year.

Notably, a significant portion of KiwiSaver members – one million – earn less than \$20,000 annually, with this figure including 200,000 children.

The Commission also found members are collectively contributing more than employers and the Government combined.

Only one in three employees contribute more than 3%, while less than one in 10 employees have an employer contribution rate exceeding 3%.

However, few employers contribute beyond the 3% minimum, and over half have adopted a total remuneration approach, diminishing the incentive for employee KiwiSaver participation.

The Commission says more than half of employers have adopted a total remuneration approach for some or all their employees, and describes it as “further eroding” incentives for employees to contribute to KiwiSaver.

It is against making KiwiSaver contributions compulsory and Wrightson says the existing “soft” compulsion setting of being auto-enrolled but able to opt out should be retained.

“Making KiwiSaver compulsory is one that comes up frequently in discussions, but when you consider the evidence, we already have high membership. Those not contributing are most likely not in paid work, on low incomes, or self-employed,” she says.

However, the Commission wants to see the Scheme changed to allow children under 16 to enrol with the signature of just one parent or guardian if it is not possible to get consent from all guardians. Currently, anyone aged 16 or 17 needs at least one legal guardian to co-sign their application.

It also believes the pre-65 withdrawal settings are working “as intended” but opposes expanding them, arguing it would undermine KiwiSaver's primary goal of retirement saving.

More than 200,000 people aged 65 and over have KiwiSaver accounts and the Commission put forward that employer contributions should be required for people both over 65 and under 18.

The Commission has concerns around the accessing of funds post-age 65, and says there is a worry that people are not receiving adequate guidance for the drawdown phase.

“We believe KiwiSaver providers should also be doing more to assist members as they navigate the drawdown phase after age 65,” the report says.

Iwi-based schemes

The report also touched on iwi-based savings schemes, saying they provide a by Māori for Māori approach that recognises the role of iwi, hapū and whānau in retirement planning but they do not benefit from the same “matching incentives” as KiwiSaver.

The Commission discussed Whai Rawa, a Ngāi Tahu managed investment scheme which was established in 2006 by Te Rūnanga o Ngāi Tahu. Whai Rawa members can access their funds for tertiary education, first home purchases, and retirement from age 55. While the scheme includes a matching mechanism, the levels of contributions may vary annually and among members. Te Rūnanga o Ngāi Tahu also reserves the right to reduce or even cease contributions.

“It aims to improve the wellbeing of Ngāi Tahu whānau by providing a vehicle for distributions to eligible whānau,” the Commission says.

Presently, for every dollar contributed by adult members (aged 16-64) in a calendar year, Te Rūnanga matches with another dollar, capped at \$200 per member after applicable taxes.

Annual distributions are determined at the discretion of Te Rūnanga, with amounts subject to change across years and members.

“We therefore suggest that consideration be given to determining whether the incentives offered in the KiwiSaver scheme, employer matching contribution and government contribution, could be extended to iwi-based savings schemes,” the Commission’s report says.

“This would allow individuals to choose where they direct their own contributions, without missing out on the employer match and government contribution should they prefer to save in their iwi-based scheme.”

In the billions

KiwiSaver funds under management reached \$108.6 billion in March, up \$4.6 billion in the quarter.

“KiwiSaver has been instrumental in promoting retirement savings across New Zealand, but it’s time to look at it again,” Wrightson says.

KiwiSaver currently only allows people to withdraw from their KiwiSaver’s before the retirement age of 65 for only two reasons – the first being financial hardship and the second being first home purchases.

The Retirement Commission said on Thursday that between 2012 and 2023, \$8.3 billion has been withdrawn by first home buyers and \$983 million has been withdrawn for financial hardship.

On average, about 1% of members withdraw funds for first home deposits each year, compared to 0.5% who withdraw their KiwiSaver’s annually due to financial hardship.

Working late

Michael Fletcher

June 14, 2024



Changing retirement patterns will not solve all the issues that come with population ageing, but they could lessen them.

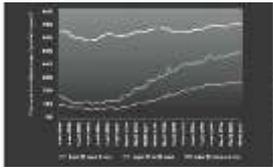
More retirement-age New Zealanders are staying on in the paid workforce. For many, it is a choice, for some, it is a necessity.

AI, the gig economy, and hybrid working may grab all the headlines, but the really big change that has been going on in the workplace is the huge rise in older people's employment.

Up until about two decades ago, fewer than 10% of people aged 65 or over were in any form of employment. At the trough of the Roger Douglas/Ruth Richardson job losses, the figure dropped as low as 5%. Back then, for most people retirement meant retirement. The magic birthday, or New Zealand Super entitlement day (often the same thing) would arrive, there would be cake and a speech at morning tea, or maybe beers after work, and that would be that.

My own parents were good examples of this. They both went from working full-time one day to never having paid work again. It is not that they were not busy after that, or not contributing, but it was voluntary, church and community work, not in the paid labour force.

But sometime in the early 1990s the pattern started to change. Now, rather than one in 10 over-65s working, it is one in four. It is possible that the older people's employment rate will level off at around this 25% mark, but, more likely, it will continue to rise.



A Statistics NZ graph showing the growth in older people's employment rates.

Unsurprisingly, the steepest increase has been for the age group just over the 65 marks, the so-called "young old". During the late-80s and early-90s, around one in eight people in the 65 to 69-year-old age bracket were in employment; now it is close to half of all people that age. That is a remarkable change, especially considering the employment rate among the entire adult population aged 15 years and over is under 70%.

These data, and those in the graph pictured, come from Statistics New Zealand's quarterly Household Labour Force Survey. More detailed, if less up-to-date information is available from the 2018 Census (data from last year's Census will not be released for a few months yet). The numbers do not tally exactly because of differences in the two sources, but it reinforces the picture that, now, for many people, retirement is a process, not an event.

These days, it is common for people to continue full-time beyond 65 and then taper down to part-time, either in the same job or something new, before eventually leaving the workforce entirely. The 2018 Census showed that among the 65 to 69-year-old group in employment or self-employment, there was some increase in the proportion working part-time, but still almost two-thirds were working more than 30 hours per week. (Thirty or more hours per week is the standard statistical definition of full-time.) With each rising age

bracket, fewer people are working, and among those who are, more work part-time.

That said, it is surprising how many of the “old-old” are working. In 2018, 8300 or so over-80s, including 921 people aged 90 or over, were in employment of some sort. In both groups, about 30% worked full-time. Remarkably, there were even 57 over-90s who reported working 60 or more hours each week. There are almost certainly many different reasons behind these trends. First, the days of employers having a compulsory retirement age are long gone. Banished, in most cases, by the non-discrimination rules in the Human Rights Act. Second, people are living longer, and are fit and healthy to an older age. As the rules and the social expectations change about retirement, more and more people are choosing to work for longer. Many will be doing so for the non-monetary social and personal benefits work can bring.

A third reason, however, is financial need. New Zealand Superannuation is more generous than the unemployment benefit, and it is adjusted annually to keep pace with rising prices and wages. It provides an adequate minimum, albeit modest standard of living for people who own their home mortgage free. But for renters and those still paying off a mortgage, it is often not enough. Unless they have substantial savings (unlikely for this group), or are supported by family, work is the only option. A falling home-ownership rate, steep increases in house prices, coupled with high rents, are almost guaranteed to mean a growing number of older people working because they must, not because they want to.

One of the positive implications of the trend in older people’s work patterns is that it reduces the so-called burden of an ageing population. Demographers and economists sometimes talk about the “dependency ratio” — the number of older people (or, more precisely, older people plus children) that the working-age population must support economically. The dependency ratio is usually calculated as the ratio of children plus those 65 and over to those aged 15 to 64. An ageing population worsens this number. But to the extent that over-65s are working, they should more accurately be counted in the denominator of this fraction not the numerator. As being among the “supporters,” not the “dependents”, if you like.

Using the published Census tables, it is possible to get an approximate estimate of how significant this contribution by over 65s was in 2018. The numbers are rough because the published work-hours data are grouped into bands (1-9, 10-19 hours, etc) but it appears that those aged 65 years and over contributed around five to six per cent of the total number of hours worked per week. That may not seem a huge amount, but to put it in context it is nearly half the work hours contributed by everyone under the age of 30. Changing retirement patterns will not solve all the issues that come with population ageing, but they could lessen them.

*Editor note I remain sceptical about some of the figures quoted. Consumer feedback is strongly any work is necessity (income required), few by choice and mostly highly educated. Part time work is classified as paid work one hour per week, a ludicrous threshold. Also, the 2018 Census, raises all sort of doubts. To suggest its common for people to work fulltime past 65 , is a very loose choice of words, and I would question strongly its accuracy

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